CHAPTER 1
INTRODUCTION

1.1   Background

In late 18th Century and early 19th century, many inventions had began to take place. As a result, human lives became easier comfortable and more advanced than ever. And more inventions have continuously taken place since then.

Physical activities were greatly reduced owing to automations. Activities that were once done using hands and feet were then done by machine. Science and technology has revolutionized the way we live. James Watt invited first efficient steam engine in late 18th century. The successful steam engine train was built by Gerge 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 Gotteib Daimler and Carl Benz. Since then a lot of advancement has taken place in automobiles and Transportation Today, we have variety of motors vehicle suited to our differing transportation needs, like trucks, buses, cars, tractors, pickup jeeps and vans.

Automobiles contribute a lot to our society. Our grandfather 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 serve dual purpose of Transportation of people and carriage of goods. Even more some, more 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 ruined at times when there are transport strikes. However,

roads are narrow and it cannot support a huge traffic on it. As a result, Traffic jams and road accident occur quite frequently   .

In recent times, cars have become a necessity item rather than the luxury one. Our government treats car as a luxury item, and levies more than cent percent customs duty, making it much expensive for average Nepalese. Life styles have changes a lot and people are eager to own a private family car. The government continues to look at automobiles as a luxury and puts them in the highest tax bracket. This is one industry that is growing fast everywhere, including India and China. Automobiles reflect the change in people's needs as a society develops, so growth in this sector is inevitable. There are other benefits too. The Automobile industry contributes about 18 percent of direct revenue, including two wheelers, spares and lubricants. Indirectly, it employs over 300000 in the formal and informal sectors, drivers, mechanics, their helpers, people working for spares stores, etc. There are issues about congestion, to solve which we need to find ways to phase out old vehicles with proper compensation schemes. Pollution problems also need to be tackled. The solution is not to stop importing cars but find better ways to deal with old vehicles, which often cause more problems than the new ones.

1.2   Present Car Market Scenario

Presently, Car Market in Nepal is characterized by intense completion among Japanese, Korean, Indian brands. Indian manufactured foreign brand cars are gaining popularity these days, especially in small car segment. Major car Makers worldwide, which include ford, Opel, Toyota, Honda, Hyundai, Mercedes, Mitsubishi, Tata Indigo, Suzuki, 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, thus bringing down the prices. Cars Manufactured in India like Tata

Indigo, Hyundai Santro, Maruti Zen/Alto/800, Daewoo Matiz etc largely dominate 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. Statistics published by department of transport management reveal that an average of 12000 units Car/Jeep/Van has been registered in Nepal over the past 10 years.

1.3   Company Profile

Hansraj Hulas Chand & Co. (P) Ltd. is one of the very successful business companies of Nepal, Who is the leading business organization in terms of four-wheelers in Nepal. Hansraj Hulas Chand & Co. (P) Ltd. is a part of Golcha Organisation and was established in 2055 B.S. by Mr. Shekhar Golcha, the authorized distributor of Daihatsu motors for Nepal, has been selling Daihatsu cars in Nepal for years. Its range of products includes Passenger Cars in form of Daihatsu. HH Company has over percentage Market share in medium vehicles segment and leader in light vehicles segments.

In Passenger cars segment, HH company has already sold 27 units of cars since its introduction in the market. Daihatsu car is already in the market with a good prospect. About 2000 units vehicles sales trend, it is in increasing trend.

Headed by Akash Golchha at the position of CEO the organization structure is classical, hierarchical with chain of command. With state of the art workshop at Maitighar and Sale office and service facilities at all of the major cities from east to west, there is no other automobile dealership in Nepal that car match the HH company dealership.

Daihatsu Motors Limited, being the manufacturer of Daihatsu vehicles is the principle company of HH Company. Daihatsu motors manufactures and sales more than 2 lakhs units of vehicles a year about 1 lakhs commercial vehicles and another 2 lakh passenger cars. Those figures are increasing very rapidly, due to increase demand in domestic and international market.

Now, Daihatsu Motors is the largest commercial vehicle manufacturer in Japan and ranks fourth worldwide. Similarly, Daihatsu motors are Japan's largest industrial group in Japan. Daihatsu motors have been exporting its products since 1907 and currently exports about the eleventh of its output. Export Market includes the Middle East, South Asia and South East Asia as well as countries in Europe like UK, Germany, France and Spain.

1.4   Daihatsu

With huge success of Daihatsu, Hansraj Hulaschand and Company (HH Company), the authorized distributor of Daihatsu motors for Nepal, has been selling Daihatsu cars in Nepal for years. It has introduced product from Daihatsu motors, in the form of Daihatsu Terios and Sirion Car. Having a good claim of share on small car market, HH company intends to capture share of mid-sized car market which till date is hugely dominated by foreign imported car.

HH Company said the Sirions sold in Nepal are directly imported from Japan. She also informed that HH Company has already sold more than 300

Sirions in Nepal. It has features like inbuilt air conditioning, power steering, power windows, central door lock, electric door mirror, rear wiper, rear defogger, dual airbag, tilt steering and seat adjustment. Additional features like alloy wheels and anti lock braking system are optional. Apart from Sirion, HH Company also sells Daihatsu Terios in Nepal. Other model sold by HH of Daihatsu is Terios.

Sirions are available in 12 different colors: White, Yellow Metallic, Red, Silver Metallic, Yellow Green Metallic, Maroon Mica, Champagne Metallic Opal, Blue Metallic, Pearl White Mica and Black Mica Metallic. Sirions come in two models -- Sirion 1000 and Sirion 1300. Funny to think that Daihatsu's only ever semi official adventure in rallying was actually with a 4x4 turbo car, giving advantage to cars with less than 660cc. This in turn led to funny little turbo or super charged things in Japan. The Daihatsu Charade in some versions actually had the engine capacity increased beyond that, but still only 3 cylinders. This however didn't change the fact that this car was desperately short in power and short altogether compared to the "classic" meaning of 4x4 turbo cars.

The Daihatsu Terios is a mini SUV, first released in 1997 by the Japanese car manufacturer Daihatsu. The engines are a modified Daihatsu Charade 1.3 litre or kei car 660 cc unit, with constant four wheel drive (4WD) or two wheel drive (2WD), respectively. It has 5-speed manual transmission or 4-speed automatic transmission. The width of the first generation Terios is less than 1500 mm, to fulfil the kei car regulations. Also to meet these regulations, the kei car Terios is shorter, losing the rearmost side window. The second generation of Terios was co-developed by Daihatsu and fellow Japanese manufacturer Toyota.

Now let us see what features Daihatsu have. Let us also see benefits and advantages of those features for the rider. Some of the significant features that are offered in the vehicles are.

1- Daihatsu Terios (7 Seater) 2WD (A&...

MainFeatures:Beautiful White Terios 1.5 7 seater Auto , The Only White Terios 7 Selling In The Market .OtherAccessories:Original Factory fitted Side Steps , Fog Lights , Remote Alarm , Sport Rims , 2

2- Daihatsu Sirion 1.5 Sports (A)

MainFeatures:1 Owner, Revised Off-Peak Car, Low Mileage, Low Fuel Consumption, Low Depreciation, Full Agent Service And Warranty, Price Negotiable.OtherAccessories:Sports Rims, Fog Lamps WMA/MP3 Playe

3- Daihatsu Terios (7 Seater) 2WD (A&...

MainFeatures:Beautiful White Terios 1.5 7 seater Auto , The Only White Terios 7 Selling In The Market .OtherAccessories:Original Factory fitted Side Steps , Fog Lights , Remote Alarm , Sport Rims , 2

4- Daihatsu Sirion 1.3 (A)

MainFeatures:Reliable In Line 4 Cylinder 16V DOCH DVVT Engine, Immobiliser, EPS,OtherAccessories:4 SRS Airbags, ABS, Sports Rims, Leather Seats, Solar Film, Knock Down Rear Seats, Reverse Sensors.Addi

5- Daihatsu Terios 1.5M (OPC)

Roof Rack, Rear View Mirror Device With Reverse Camera.

Besides, there are a lot of Accessories that come with Daihatsu, which a customer can get at time of delivery alonwith the vehicle. They are- Floor mats, Car cover, Steering wheel cover, neck rest, sun shade products, car care products, Music system, Air fresheners, Allow wheel.

1.5   Focus of 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 period 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, 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 given the Total Market Potential Estimate.

1.6   Statement of Problem

In heavy commercial vehicles segments Hansraj Hulas Chand & Co. (P) Ltd. is virtually the single most players. In light commercial vehicle segment, that includes pickup van and mini buses there is a stiff competition. With a lot of choices available in the market, there is a stiff competition in the car markets. Car industry has seen phenomenal growth in last few years. With the

success of Daihatsu, and in the midst of the stiff competition, HH Company has introduced a bigger version of Daihatsu, In the name of 'Daihatsu'. Daihatsu is aimed at satiating the expectation of car buyers. A popular brand image, aided by availability of the vehicle in Diesel/Petrol, is the jewel of Daihatsu. So there seems to be good prospect for Daihatsu.

However, as stated previously, there is a stiff competition in the Car Market. World renowned foreign companies like Hyundai, Opel, Tata Indigo, Ford are able to offer their product in Nepalese Market at a very competitive price. Kia motor company of Korea has come up with cheapest price for its Rio car.

Now, For HH Company as a dealer of Daihatsu, it should be able to know the market potential that exist for its new car. It need to know whether or not its car can really complete well with other competitive brands that have already established their position in the market. Thus the study aims to describe the present status of car Market and explore the Market potential of Daihatsu. There are tremendous chances that it can grow its proportion in car Market.

The research question posed in this research are how much be the demand for Daihatsu? Whether or not Daihatsu can really complete well with other brands?

The basic problem area of this study revolves around estimating Market Potential of Daihatsu for better market planning, positioning, planning Market activities.

1.7   Objectives of the Study

Essentially, the foremost objective of the study is to estimate market potential of Daihatsu car, a new product from Daihatsu car. 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 objectives. So the objectives, primary and secondary, of the study are as hereunder.

1.   To analyze market potentiality of Daihatsu based on its sales performance.

2.   To analyze market potentially of Daihatsu based on perceptions of car customers regarding itself.

3.   To study the trend of Daihatsu sales in Kathmandu Valley based on first one-year sales since its introduction.

4.   To study customer's attitude towards Daihatsu, relative to other brands.

1.8   Significance of Study

To the Knowledge of researcher, no previous research has been found to be done which specifically analyses market potential of an automobile vehicle. Previous researches were done on market potential of products like Aluminum Architectural structures, Noodles, Ayurvedic medicine. So, this research aims to add another dimension to researches in this field, and thus fill the research gap.

Marketing Management relies heavily on research. Marketing decision makers make their marketing plans and controls 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 allocated to a specific market. All selling efforts like sales force planning, advertising, etc should be allocated only after a consideration of potentials. The result of market potential analysis helps to allocate marketing resources optimally. It also helps to define sales territories- the one with more potential demands more care, and on the basis of Market potential sales quotas are allocated to sales person and to each of company's sales territories. For a new product like Daihatsu, an analysis of its market potential is even more important, which clearly portrays the potential volume of sales, and potential Rupees of sales.

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/area 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 undertaken by a marketing research unit.

1.9   Limitations of the Study

Survey method of collecting primary data uses field data to project sample survey results to the universe. Accurate and reliable data of the universe is not available.

Due to constrain of time, money etc, as is always in many of the researches, this study geographically limits itself inside Kathmandu valley only. Other limitation of the study is that sample is not a 100 percentage representative of the whole of the universe. Because all of the customers, who are potential buyers of a car could not be identified to do related to specified occupation. The universe could not be accurately defined.

Moreover, Businessmen are the ones who could afford car better than others, but it is hard to define the properties of the businessman clearly. Because 'Businessman' covers whole range of customers ranging form small business entrepreneurs to industrialists.

1.10 Chapter Organization

The research study is divided into five chapters, excluding bibliography and appendix. Introduction serves the purpose of Chapter one. This chapter starts with general background shedding lights on automobile development and its contribution and proceeds through general profiling of HH Company. A general description of Daihatsu is also mentioned. Then its followed by focus of study, statement of problem, objectives of study and limitations of study.

Review of literature forms the second chapter of the study. Whatever is written in text books regarding market potential analysis is mentioned here. Besides, previous thesis and project works related to the subject matter of the study briefly reviewed. Also some related articles in journals, newsletters, bulletins are reviewed.

Research methodology, which forms chapter, discusses research design, population and sampling, sources of data, method of data collection, data analysis tools and methods.

Forth chapter is a comprehensive one; as all collected data are presented and analyzed in a logical manner it contains descriptions of present car market scenario, analysis of Daihatsu, customer survey analysis etc. Also Market potential is calculated using survey data.

Summary, Conclusions and Recommendation is the last chapter. It is based on analysis of data and study done in previous chapters.

CHAPTER 2
REVIEW OF LITERATURE

2. Review of Literature

This Chapter reviews the concepts concerning the subject matter that are written on textbooks on one hand. On the other hand this chapter reviews the previous studies which are related to the subject matter of this study. So, a brief review of some project works and some theses is done. In addition of that, review of articles that are published in magazine, newsletters etc. are also done. So, this chapter basically contains following selections.

I.   Conceptual Review

II.   Review of Related Studies

III.   Review of Articles

2.1   Conceptual Review

In this selection, 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 concept with a view orienting itself toward 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 or services. Marketing activities are those most directly concerned with demand stimulating and demand fulfillment efforts of the enterprise.

A company operating under the marketing concept takes its principle direction from the market place, i.e. from its knowledge and understanding of its customer 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 them and prices them. That is the reason why we say marketing is nothing but is all about 4 ps, namely 'Product', 'place', 'Price', 'Promotion'.

John B. McKotterick, in his quest for Marketing Concept puts in 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 famous 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 values with others".

The above definition outlines the some core marketing concepts, like needs, wants and demands; products; utility, value and satisfaction; exchange, transaction and relationship; markets; and marketing and marketers.

2.1.2 Marketing Management

There is no definition as comprehensive as the one that was approved by American Marketing Association in 1985. And this is the official definition of American Marketing Association for marketing management. It goes like:

"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 individuals 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 4 Ps.

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 Manager's scope is with this task by carrying out marketing research, planning, implementation and control. Within marketing planning, marketers must make decision on target markets, market positioning, product development, and 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 opportunity is one of the major activities carried out under marketing management. In this context, Marketing Management

Guru Prof. Philip Kotler clearly points out that to analyze marketing opportunities, it is necessary to-

1. Gather information and measure market demand

2. Scan Marketing Environment

3. Analyze Consumer Market and Buyer behavior

4. Dealing with the Competition

5. Identifying Market Segments and Selecting target Market

The Marketing Environment is changing at an accelerating rate. So, the need for real-time Marketing information is greater than at any time in the past. Marketing Information System (MIS) is an important tool in the hands of Management to gather information regarding market. And MIS consists of four components Internal Record System, Marketing Intelligence System and Marketing Decision Support System. Besides gathering information, measuring market demand is another task to analyze ′Marketing Opportunities′. Those organizations succeed better than others that can measure and forecast demand more accurately than others.

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.

Marketing research is the function, which links the customer and public to the marketer through information – information used to identify and define marketing opportunities and problems generate, refine, and evaluate marketing actions, monitor marketing performance and improve understanding of marketing as a process.
Marketing research specifies the information required to address these issues designs the method for collecting information manages and implements the data collection process analyze the results and communicates the findings and their implications.

Marketing managers need information on customers and markets. However, they are separated from their final customers and so from the information they need. Therefore, business and other organizations are increasingly turning to marketing research to obtain the information they need for decision making.

In context of country like U.S., surveys done by American Marketing Association in industrial and consumer products companies reported that almost every company (99 percent) used marketing research to measure market potentials, characteristics of their markets, and their share of markets. And approximately three fourths of the consumer products companies and more then helf of the industrial companies undertook some sort of marketing research to help them make better advertising decisions. Similarly more than 90 percent of the companies used marketing research to evaluate new-product opportunities and acceptance, and to test existing products relative to

competitor's products. Lastly, more than 95 percent of the companies undertook marketing research to obtain information that could help them make short-range and long-range forecasts.

2.1.3   Market Demand

As mentioned earlier, measuring Market Demand for a product is the first step in analyzing and evaluating marketing opportunities. Market demand can be defined as customer group in a defined time period in a defined marketing environment under a defined marketing program.

Companies work out on finding Demand Estimate, Objective being the demand measurement. There are two kinds of estimates-

1. Current Demand Estimate

2. Future Demand Estimate

While future demand estimate is basically a Sales forecast, estimating current demand involves estimating Total Market Potential, Area Market Potential and Total Industry Sales and Market Share. The design of Marketing Mix is based on estimates of current market demand is estimated by the – Total marketing potential estimate, Area Market Potential estimate and company market share estimate.

Total Market Potential Estimate: 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, 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.

Total Market Potential = Potential No. of buyers × Average Quantity
Purchased × Price

Area Market Potential Estimate Market, Taken as a whole, like country market, is never a homogenous one and varies on several dimensions among territories. And companies have to optimally allocate marketing marketing expenditures to different territories having different sales potentials. In such a case, Area Marketing Potentials of different districts, cities, etc gives the best measure of market potential.

Area Market potential can be measured in two major ways, depending upon the product which is offered. They are Market Buildup method, and Market Factor Index Method. The former method involves identifying all the potential buyers in each Market and estimating their potential purchases. If we can accurately list out potential buyers and estimate precisely what each will buy, the results are very accurate, In the latter method.

One or multiple factors index are used to compute the Market Potential, Besides these above two, a company may use company Market Share estimate to estimate the current demand.

2.1.4   Market Potential

In general, higher levels of demand. However, marketing expenditure would yield higher levels of demand. However, marketing expenditure beyond

a certain levels would not stimulate much further demand thus suggesting an upper limit to a level of demand, which can be termed as Market Potential. Thus, Market Potential is the limit approached by market demand as industry marketing expenditure 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 time period under the specific level of industry's combined marketing efforts within the specified marketing environment.

Similarly, Product Penetration Percentage also influences market potential estimates. However the data like, ownership or use of a 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 a representative sample allow direct conclusions as to the respective potential market volume. New products and markets in particular require such potential estimates, in which we determine sales and turnover figures for the entire market based on the purchase probabilities we have found as well as taking into account the relevant structural characteristics. In order to increase the dynamic quality of these results, all market factors and circumstances 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 of services is a complex, multi-step process. First, the maximum potential volume for the product or service must be determined. Knowing the maximum potential volume permits one 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, variables: Trial, Repeat and Usage Rate.

2.1.5 Marketing 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 applied 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 state for a given product for given area for a given period 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.

The key to successful marketing is identifying what business you are in and what motives customers to buy. The most successful business is one that has carved out a 'Market Niche' or unique benefit for its customers People by results, not products. Therefore, good marketing is determining what customers need and want, and then fulfillment that need better than your competitor. 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 for direction for efficient use of advertising and promotional rupees, identifies problems and opportunities, and establishes benchmarks by which to measure progress and success.

Another school of through says, Market Research and analysis consist of following components:

A. Economic Trend Analysis

B. Potential and Social Analysis

C. Product and Services Analysis

D. Customer Analysis

E. Market Potential Analysis

F. Competitive Analysis

Market Potential Analysis 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 of 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 making 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 fluctuation. Sales increase projections for additional year 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' have presented a case which highlights the significance of measuring market potential:

Lotus performance cars are counting on its new agency, McCann-Erikson 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. 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 was Fredericks, group executive consultant at group Lotus.

Lotus target audience is 35 to 45 year old professionals primarily males with income of more than $ 150000 a year or whose net worth is at least $1 million.

Mr. Fredericks estimated there are 10,000 to 20000 persons in the U.S. who can afford and would be interested in owning one of the Lotus models.

2.1.6 Uses of Market Potentials

Decision makers in management cab put Market Potential Estimates to a number of uses. Some of the uses are –

A. Allocation of Marketing Resources

B. Defining Sales Territories

C. Setting Sales Quatas

A. Allocation of Marketing Resources

The primary use of information on market potentials has been in the allocation of marketing resources, especially the allocation of Salesmen. It is difficult to estimate a market-response function that is, the way a 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 yield a return smaller than could be obtained by investing elsewhere.

All selling efforts – sales force, advertising and non advertising promotion – should be allocated only after a consideration of potentials. In the simplest situation, a market with 10 percent of the total potential should receive 10 percent of the sales effort. The primary usefulness of market potential is to focus attention on the relative worth of individual markets. No firms should, however, rely completely on such rankings as basis for allocation sales resources.

B.   Defining Sales Territories

A sales manager typically tries to develop sales territories that are equal in sales potential and in work load so that each salesman has an equal opportunity to make sales. Studies reveal that territorial characteristics are typically used in defining sales territories. Market Potential is used in every case, while concentration, dispersion, and workload are used in 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 then known: but sales quotas must also consider past sales 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 representative. They are ordinarily not the same as potentials or even of the same relative size. One market may have twice the potential of another, but may have local competitor that take so large a share that a firm's quota may be smaller there then in an area with less potential then sales representative the sales manager may wonder if representative may not actually be superior. A shift of the two might lead to an improvement of total sales.

While sales potential is a key factor in establishing sales quotas, it should be remembered that the setting of quotas also involve a complex interpersonal relationship between the sales manager and the

salesman. The best quota is the one that stimulate the best effort by the salesman. Since salesman very in personal reactions to the challenges and risk implied by quotas, the successful manager is one who can adopt the objectively determined quota to each individual salesman.

2.1.7   Methods for Measuring Market Potential

There are three major methods available for estimating Market Potentials. One of them involves the use of direct data-that data on actual product for which one wishes to estimate potentials. The other method involves the use of corollary data- data related to, but different from, the product at hand. Corollary data method can use single or multiple factors and the latter can be combined in a variety of ways. The last method involves use of surveys to determine the potential.

A. Direct Data Method

B. Corollary Data Method

C. Use of Surveys

A. Direct Data Method

This method is based on the principle that total industry sales of a particular type of product can be used as the basis for estimating market potential for one brand of that product. First, total industry sales are broken down in to a firm's sales territories, like Eastern, Western, Central regions, So each territory has a fixed percentage of industry sales. The percent gives

the exact measure of potential existing in each of the company's territories. Second, this percentage is applied to 'Total Forecasted Sales' of the firm. The result gives the company potential of territory.

Company	Total Industry Sales		Company	Actual
Sales	Volume Percent		Potential	Company Sales
Territory	(Rs. '000')	of Nepal	(In Rupees)	(In Rupees)
1	100	13	12,500	10,000
2	200	25	25,000	25,000
3	150	19	18,750	15,000
4	300	38	37,500	35,000
5	50	6	6,250	10,000
Total	800	100%	100,000	90,000

Table 2.1 Illustration of use of Direct Data Method

The percentage distribution in column 3 in table 2.1 is used as a measure of the relative potential existing in each of the firm's territories. These percentages can then be applied to the firm's estimate of its total sales to arrive at a potential figure for each territory. Column 4 in table 2.1 illustrates the resulting potential for a company that has estimated its potential at Rs. 1, 00,000.00.

Comparison of potential sales with actual sales indicates this company is weak in sales territories 1, 2 and 4 and strong in territories 3 and 5. It

might be concluded that management should exert itself in the weak areas where the firm has not been able to obtain its proper sales.

The principle advantage of using total industry sales to measure market potential is that actual results (sales) are being used. The method is straight-forward and does not require as much clerical work as do some of the other method.

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 most important limitation to the direct data method is that past sales are used to indicate market potentials- that is no attention is given to the potentials except as they are revealed through past experience. And in 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

In absence of direct data on the sales of individual products by desired geographical region, one must turn to Corollary Data Method. It is based on principle that, if a given series of data (such as industry sales) is related to second series of data (such as no. of employed), the distribution of second series by market area may be used to indicate the distribution of the first series series in the same market areas.

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

Single Factor Indexes are the most simple of the corollary data methods of market analysis. A typical example of Single factor Index

Method is use of the sale of one product to indicate the Market Potential of another. This is more apt to be satisfactory if the two items have a closely related demand –i.e. demand for one is derived from the other or 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 sales of Tata parts (cars).

Factors other than sales of related products are also used in the corollary data, single-factor method. For example, Population and Household data are frequently used 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 potential 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, the 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 organization, frequently publishers as indexes of market potential for consumer products in general.

Special Multiple Factor indexes are designed to measure the relative potential of different markets for a particular product. Such indexes have the advantage of taking into account several factors that influence the sales of the given product. For this potential buyers are identified along with their principle characteristics and backgrounds. However, individuals preparing the index usually use their judgment in selecting the factors to combine. Whether this judgment is sound or not cannot be proven.

Let us assume, potential buyers for Daihatsu Cars may be identified as People –

30-50 years old.

Professionals / Doctors / Engineers / Businessmen.

Annual income higher then Nrs. 5, 00,000.00

This, in fact is more of a single factor index because any one person must have all of these characteristics to be considered a potential buyer. An area with 25000 professional men aged 30-50 would have Zero potential for Daihatsu if nine of them had incomes of more then 5, 00,000.00.

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 same for all consumer products. This of course is not true.

Air conditioners have a largest potential in hot climates, overcoats in cold, automobiles sell best where income is high, potatoes do not. Thus while general indexes are available for quick and easy use, they have little else to recommended them over special indexes.

C . Surveys

In any of the Exploratory Research study, after secondary data are searched, analyzed, 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 (like census data).

With the industrial products, the 'Standard Industrial' Classification (SIC) system provides unique and effective way of projecting survey data. Central Bureau of statistics also publishes data in which all industries are classification on the basis of SIC system. 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: agriculture, transportation, communication and electricity, wholesale and retail trade, finance, insurance, services and government. All manufacturing establishment 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 those categories.

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

1. From a sample of companies within each of the industrial classes that could conceivable buy the product, the amount of the product purchased and no. of employee for each company is determined.

2. Using the sample data, average purchases per worker for each SIC group is computed.

3. The average purchases per worker in each SIC group is multiplied by the total no. 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. Thus 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 expenditure and allocate it to 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 Kathmandu 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.

The same general procedure can be used to estimate market potential in a single market. Separate potentials for each SIC group in the single market can be estimated and then added to give a total potential for the market area.

It is more difficult to use the survey approach to determine market potentials for consumer goods then for industrial goods. Buying intention studies are typically limited to major purchase item for obvious reason. However, the procedure for estimating market potentials for consumer goods using the survey method is essentially the same as for industrial goods.

2.2   Review of Related Studies

This selection contains reviews of previous Theses, 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 related 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 theses on market potential of some of the consumer goods:

. Another research study done nearly 2 decades ago to explore the Market Potential of Gandaki Noodles in Kathmandu Valley revealed that majority of customers preferred Rara Brand of Gandaki Noodles at that time and among other brand available sales volume of Gandaki Noodles were above 84%.[1] The

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[1]N.B. Basnyat, " A study on market Potential of Gandaki Noddles in Kathmandu Valley," " An unpublished Master's degree of Thesis, Shanker dev Campus, Tribhuvan University , 1985

product being newly introduced at the time, the study revealed that a huge Market potential existed for the Gandaki Noodles brands in Kathmandu Valley.

For the study, the researcher obtained and analyzed information about the sales of different brands of noodles at the time. Consumer's opinion on price, quality and tastes of different brands were obtained. Consumer's loyalty over several brands expressed in percentage was computed Similarly, Price, Quality, tastes and sales of Gandaki Noodles were compared with that of other brands in the industry. And lastly, data on consumption (percentage) of different brands were collected. For the purpose of data collection respondent's profile were defined: sample was selected from different aspects of economy behavior of the total universe were defined.

Besides the fact that majority of consumers proffered Gandaki Noodles and its sales percentage is highest other finding of the research are that 76% of the respondents felt that Gandako Noodles brands were reasonably priced and had high quality. Similarly, 94% of the respondents (family) consumed 1 to 5 packets of Rara per day. And about 80% ranked Rara as NO.1 in terms of quality.

. A study on 'Market Potential of Aluminum Architectural products in Kathmandu valley' suggests that use of such products in Kathmandu valley is in increasing trend, and so is the number of establishments producing such goods, and so is the consequent sales.[1]

The researcher, through his thesis, has made an effort to examine the Potentiality of the above-mentioned products and performances of Nepalese

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[1]Ved Prakash Baral, "Market Potential of Aluminum Architectural products in Kathmandu Valley," An unpublished Master's degree of Thesis, Shanker dev Campus, Tribhuvan University , 2001

manufactures regarding production, distribution, promotion and services, thus enabling other producers and users to analyze variety of products. Observation and Interviews were done to collect primary data.

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

The major finding of the research was:

1. Mostly used aluminum products in Kathmandu Valley are aluminum sliding windows because of easy operation, less space taken, good looks etc.

2. Raw materials are being imported from neighboring countries.

3. The establishing rate of firms is increasing annually in Kathmandu Valley and consequently sales.

4. Use of Aluminum products is in increasing trend.

5. Most of the non-users were not convinced of the strength prevalent on Architectural Aluminum products (AAP) and lack technical know-how.

6. AAP are expensive but durable, smooth in operation, and non-rusty.

7. Marketing effort to increase awareness of AAP among general masses is lacking.

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

Researcher finally concludes that Gandaki noodles had limited varieties of instant noodles to offer to consumers. He recommends producer to increase incentives to dealers and retailers to motivate them to sell the Gandaki Noodles brands. Research found that retailers kept stocks of Gandaki Noodles only due to high sales turnover, though margins and incentives offered were very less. Indian brand names 'Maggi' was the immediate threat to Gandaki Noodles.

. A study on advertising and sales promotion of cars in Nepal (with a special reference to 'Hyundai Santro') revealed that the automobile business is one of those sectors 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. [01]

The basic objective of the study was to evaluate effectiveness of advertising and sales promotion for attaining and retaining the market,

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[1] Rai Rita , " A study on advertising and sales promotion of cars in Nepal " with reference to Hyunday Santro An unpublished Master's degree of Thesis, Shanker dev Campus, Tribhuvan University , 2003

concentrating 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 interviews. Promotional activities planned and implemented by AVCO International (Hyundai motor dealer for Nepal) was analyzed . Lastly, the researcher recommends to bring out advertise and promotional scheme regularly.

2.2.2 Review of related Project Report

Some bases of Knowledge have also been developed by researchers on Market Study of, specifically, the vehicles. What follows, is the review of reports of some of project work two of the studies is of one the variants of Daihatsu car in hatchback form (small-sized).

. Toyota vehicle is considered as a status symbol by the buyers and is perceived by them as expensive but tough, durable, safe and economic in operation.[1] 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.

The researcher has identified his research into qualitative and quantitative aspects. Quantitative study assesses the information on market, while qualitative study dealt with customer behavior. For that, interviews and observation were carried out. Target groups are identified with a geographical

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[1]R. Bhatta, " A market study of Toyota vehicles, " An unpublished Master degree of project work, School of management, Kathmandu University, 1994

coverage of Kathmandu 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 1/NGOs, Industries and lastly individuals.

. A Market study was carried out on possible Market Strategies for New product by Tata Engineering, in form of car, which was soon to be introduced in the Nepalese markets, Sipradi Trading pvt.ltd, the authorized dealer for Nepal.[1] The study had the basic objectives of developing Market Strategy for the Daihatsu car. The efforts of the researchers, on this regard, are worth praising.

The researchers explored the whole Car Market in Nepal at the time. On several bases, like size and prices, country of origin, Regionality, the product is segmented into different categories. The researcher also explored the new trends and developments in the car market. Their focus of study was on small car market, as Daihatsu is small size car. Survey was carried out with well administrated questionnaire.

The researcher also made an analysis of the competition of the Daihatsu with other available brands, some of which had been already established in the market. Target market for Daihatsu car was also identified in to three distinct segments- Institutional buyers, Government and semi government buyers and institutional buyers. Researchers have also estimated market for Daihatsu in the years to come. Besides that, researchers also have

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[1]Kavita Sharma, Pravin T.Lama, Sandeep Kedia, Sarjesh Raj Bhandari, ″ A marketing strategy for Tata mist, an unpublished Master′s Degree project Report, School of management , Kathmandu University, 1998

done SWOT (Strength, Weakness, Opportunity and Threat) analysis for the product. Marketing plans have also been proposed like advertising plans, new showroom plan.

Major Findings of the researcher are:

1. There is a sifting trend in the car market, a shift of preference from reconditioned car to brand new cars shift from foreign expensive cars to cheap cars manufactured, also a shift from big cars to small cars due to ever increasing traffic congestion increase in No. of nuclear families. Customers also considering easy and cheap available of spare parts.

2. The study also found that price of car availability of spare parts, fuel consumption, safety and reliability resale value are the   most important attributes looked in car by buyers in that order.

3. Majority of buyers favored diesel engine car, which Daihatsu is.

4. Researchers also developed several matrices comparing No. of   family members income, monthly salary against choice of car.

5. Competitor analysis showed Maruti car as already prevalent one is the market.

6. SWOT analysis revealed that Daihatsu being a diesel car, low priced Indian car has good strength, plenty opportunities and there is threat of intense competition.

In summary, the research have explored several aspects of car market and developed several bases on which comprehensive Market strategy can be

developed for a new car and can be very helpful any such research in this field.

. A further Market study on Tata Indica suggested that small car market in Nepal is expected to grow further and Market potential of Tata Indica is high being a Small, cheap diesel car.[1] The objectives of the study named 'Marketing Strategy for Tata indica was to analyze the small car market in Nepal and aimed to unfold the problems relating to marketing of car in Nepal.

The researcher collected data from both primary and secondary sources. Primary data collection involved usual instruments of survey like Interview, Questionnaire and Observation. Survey results showed that 52% of the respondents (identified potential buyers) planned to buy a car within a year 16% planned to do it in 2 years. Similarly, 56% of the respondents planned to spend 15-23 lakhs. Daihatsu at the time was priced at 20 lakhs. This showed a good prospects and potential for Daihatsu. Approximately cars due to economy in operation.

The study results showed that small car market is characterized by intense competition amongst few players in market. The researcher has also come out with some recommendations. She points out that in order to provide better facilities to the customers, Sipradi Trading, the dealer has to develop its marketing strategies and implement it aggressively. She also recommends that company will have to position itself in the market targeting a particular segments of customers, in the face of rumor that cheaper family cars will be flooded from neighboring country China in the Nepalese market. She also recommends a more strategic advertisement campaign.

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[1] Gayatri Basnet, " A report on marketing strategy of Tata Indica " An unpublished Master degree of project work, Campion collage, Tribhuvan University, 2002

2.2.3 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, Journals Newsletter, etc.

. 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 4.5 billion in the year 2008/09. The total reached 7 billion by the year 2002/03. 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 the banks/finance companies to help their customer finance the cost of vehicle.)

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

. Demand for diesel car 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 noisy, bit more smoky and have less power

than petrol engines. However Diesel fuel cost is cheaper than petrol. This indicates the economy in operating a diesel car one owns. Whatever may be the choices and features offered in different cars, the bottom line is that customers strongly consider 'economy' before making a purchase decision.

It can be concluded that due to the reasons that diesel car consume less amount of fuel than petrol ones and fuel cost of diesel is cheaper than petrol, the market potential for diesel engine car like Daihatsu is considerable.

. 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.

He further writes – there is a increasing trend in sales of motor vehicles. It can chiefly be attributed to post democracy liberalized economic 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. India vehicles also enjoy the privilege of duty concession. This has brought down the prices 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.

Table 2.2   Import situation of vehicles and spare parts annually.

Year	From Overseas
2004/05	14846
2005/06	19019
2006/07	15228
2007/08	25322
2008/09	21630

The writer also attributed the underlying reason for the above trend also to easy availability of finance. Financial institutions easily avail the auto loan to the salaried individuals, besides businessmen in affordable installments.

Finally, the writer concludes, besides the above reasons, there is a gradual change in life-style in the urban population. One who can afford to ride the jeep worth 25 lakhs or a car worth 15 lakhs is considered a modern reputable and successful. This thought can also be attributed to some extent to the upsurge in automobile sales.

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 particulars 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 automobiles, the high imports duty forces consumers to pay a very high price for vehicles they purchase.

CHAPTER 3
RESEARCH METHODOLOGY

3.1   Research Design

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 not aimed at discovering new relationship and finding hypothesis, like the way it is in exploratory type of research. This research is rather aimed at describing an apparent situation and problem at hand. Such Research provides information that decision makers could use to make a rational decision, choose the best possible course of action.

Further, the research is descriptive, not experimental in nature. It is statistical in design as it uses statistical tools in presenting and analyzing the collected data. The rationale behind choosing this particulars design is already mentioned above. The procedure tends to be more formalized. Points to be investigated are definitely known.

3.2   Population and sample

Population for this research includes potential buyers of a car. Potential buyers are identified into different specified occupations. Occupations are identified and specified on the basis of past car purchase behavior which would be evident from past sales records of car Companies. No. 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 universe for the study. The task of properly and accurately identifying the prospects 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 Kathmandu 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. In the following pattern.

Table 3.1 Sampling for market survey

Customer Categories	Sample Size
Doctors	5
Engineer	5
Businessmen	8
Industrialists	3
Lawyers	4
Total	25

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 .

3.4   Data Collection Technique

Primary data was collected through field survey of potential buyers of car. Questionnaire was administrated to the prospects and response duly filled by them. Prospects would be the ones who turn out in the showroom for sales and bookings. customers attitude towards different brands of cars and towards Daihatsu would clearly be reflected in the questionnaire. Purchase behavior shown by potential buyers of a car is also reflected in the questionnaire.

3.5   Statistical Tools

Statistical tools, Tables, Percentages are used to present and analyze the collected data to make interpretation out of it.

Percentage is applied to obtain company potential in Kathmandu valley by applying percentage of industry sales to firm's forecasted sales. It is a part of direct data method to obtain market potential.

Single-Factor Index is used in corollary data method in which sales of one product is used to indicate the potential for another.

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

3.6   Method of Data Analysis

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.

CHAPTER 4
DATA ANALYSIS AND PRESENTATION

4.1 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 car segment. Major carmakers worldwide, which include Ford, Opel, Toyota, Honda, Hyundai, Mercedes, and Mitsubishi etc, have started their joint venture production base in India. They are relatively cheaper than foreign manufactured car.

4.1.1 Registration of Cars

Table 4.1 below reveal the Statistics published by department of Transport Management reveal that an average of 5,000 units car/jeep/van have been registered in Nepal over the last 5 years (in the table), with 6569 units and 7520 units registered in last 2 years. The same number was just 2507 units in 1998/99. The department has put Car, Jeep, and Van under same category. However it is assumed that 60 percentages of that is registered as car alone. That means averages of around 12000 units of cars are registered each year in recent times.

Table 4.1 Annual registrations of vehicles (Car/Jeep/Van)

Year	Till 1997/98	98/99	99/00	00/01	01/02	02/03	03/04	04/05	05/06	06/07	07/08	08/09	09/10
Units	62050	2507	3647	5152	4768	3256	5324	3639	5129	5743	6954	6569	7520

Source: Department of Transport Management

Analysis of Time series of registration of Cars/Jeep/Can in Nepal from 1998 A.D. to 2009 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 problems may be of political (like pro-democracy and post-democracy period) of sociological (like changes in life styles or increase 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 phenomenon i.e. registration of vehicles may be done. That is represented by a trend line in Chart 4.1. So, the general trend of registration is upward.

Chart 4.1 Registration of Car/Jeep/Vans in Nepal and its Trend line.
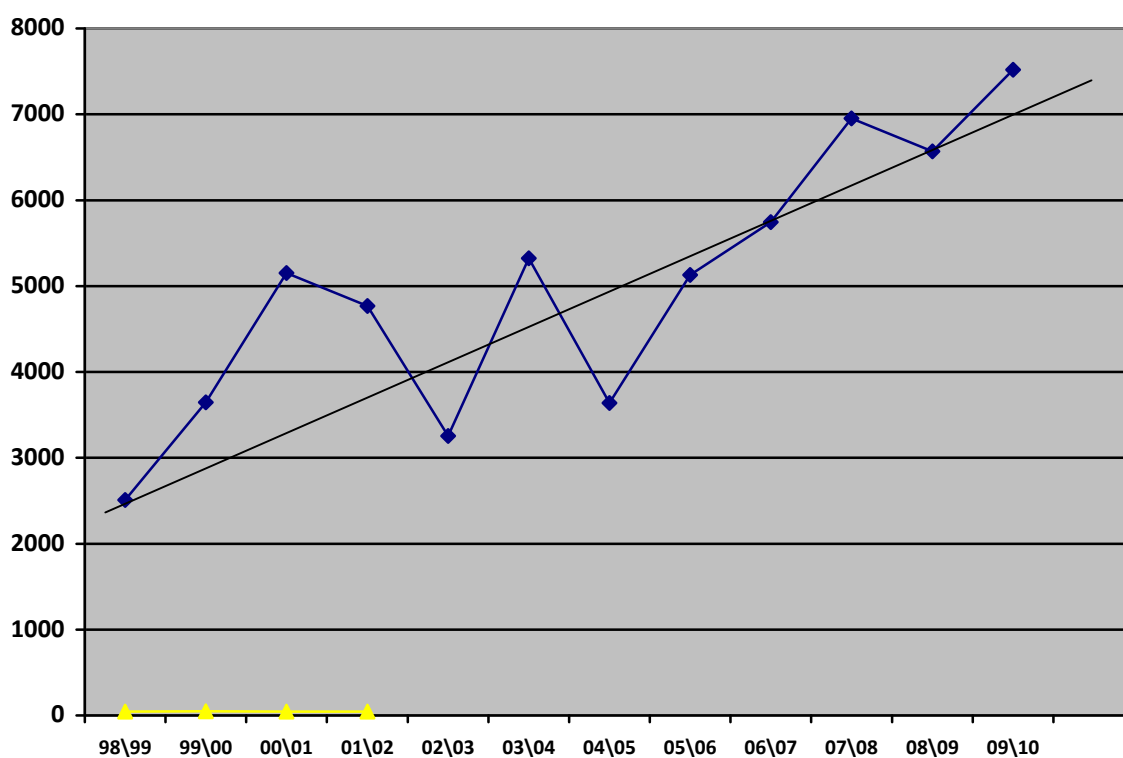
Similarly, registration data Specific to Kathmandu valley reveal that a total of over 60,000 units of Car/Jeep/Vans are registered in Kathmandu (Bagmati Zone). That means, an average of 5,000 units of Car/Jeep/Vans are registered and hence sold in Kathmandu valley. From another angle, the number of vehicle registered has more than doubled in the last 10 years. Till 2054/55, it was only 31255 units. The same figure after a decade in 2060/61 is 51541 units. The most significant fact is the figure for last fiscal year 2060/61 (2003/04). 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. In other words, Kathmandu valley is a very good potential market for cars.

The foremost reason for this steady growth is that Kathmandu is the capital city and no doubt that it should have better opportunities and so people have good income sources. Living standard of Kathmandu is definitely higher than of those outside. People's life styles have changed a lot.

Table 4.2   Registration of Car/Jeep/Van in Kathmandu Valley for past 10 years.

English Year	Units
Till 2000/01	53450
2001/02	56787
2002/03	59067
2003/04	62792
2004/05	65342
2005/06	68932
2006/07	72952
2007/08	77819
2008/09	82417
2009/10	87681

Source: Depatment of Transport Management

The researcher found that the rise in numbers of vehicles registered each year in recent years owes to the fact that banks/finance companies are quite easily financing the cost of the vehicles. As a result very minimal down

payment need to be deposited and equal Monthly Installments are as low as 20,000 per month (depending upon number of years).

Moreover, cars have become very cheaper than ever. So, anybody who is professional having monthly income of above 40,000 can very easily ride a car. Therefore, owning a car is not a distant dream for many people. So number of cars registered each year will rise significantly in the years to come.

In terms of territory, a total of 83135 units of Car/Jeep/Van are registered in Bagmati Zone alone, the total number of all Nepal being 122438 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 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 top business persons, top doctors, Engineers and other professionals. So, saying that over 70% percent of total cars registered in Nepal is sold in Kathmandu region only wouldn't be a surprise.

Table 4.3 Zone wise registration of vehicles (Cars/Jeep/Van) Till Date

Zone	Bagmati	Narayani	Lumbini	Koshi	Gandaki	Janakpur
Units	83135	15893	4890	6613	7335	923

Zone	Sagarmatha	Seti	Mahakali	Rapti	Bheri	Mechi
Units	524	236	231	524	1075	1059

Source: Department of Transport Management

Table 4.3 shows that most of the vehicles are registered in Bagmati Zone, where almost 70% of Total Car/Jeep/Vans are registered. Narayani, Gamdaki, Koshi, Lumbini are the only other zones where significient number of Car/Jeep/Vans are registered. So, the areas in these zones are very good potential markets for Daihatsu. Seti, Mahakali, Rapti are the least potential markets for Daihatsu. These Zones have not even 1% share of total vehicle registered in Nepal.

Table 4.4 Car/Jeep/Van registration dispersion (zone wise)

Region	Units sold Till 2066/67	Percentage
Bagmati	83135	68%
Narayani	15893	13%
Lumbini	4890	4%
Koshi	6613	5%
Gandaki	7335	6%
Janakpur	923	1%
Sagarmatha	524	1%
Seti	236	0%
Mahakali	231	0%
Rapti	524	0%
Bheri	1075	1%
Mechi	1059	1%
Total	122438	100%

Source: Department of Transport Management

4.1.2 Car Market Share Analysis

As Shown in following charts, one thing is quite significant. That is, Maruti was a Market Leader with 35% Market Share in 2006/07

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Chart 4.2 Car Market Share 2006/07
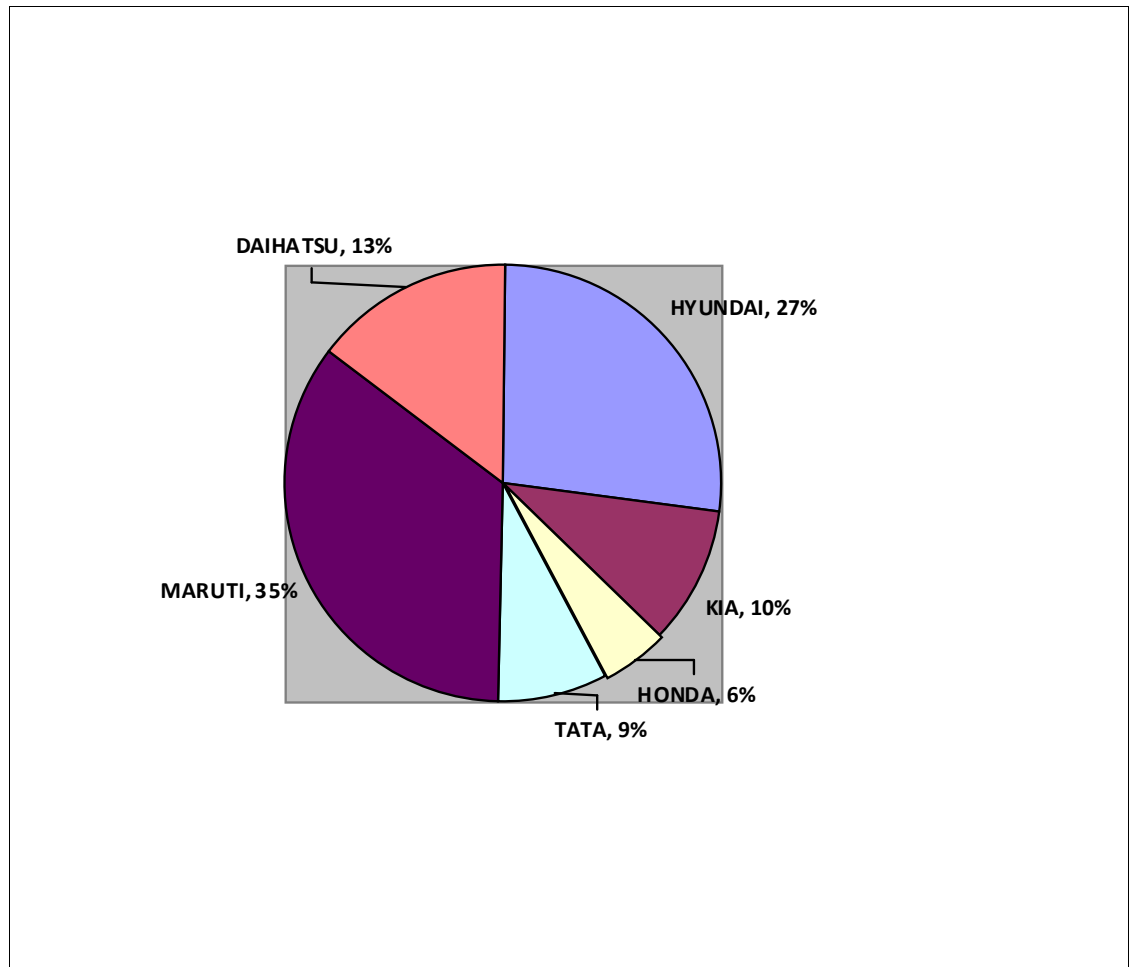
In the following year as competition grew, its market share went down and down to 33% in 2007/08 and 30% in 2008/9.

Hyundai has remained in second position for 4 years in a row, with 27% market share in 2007/08. It's because of the famous model Hyundai Santro. The B-segment hatch back is a smaller, cheaper, attractive car, which is very popular in India and Nepal. In addition, the dealer company has also time and again done an aggressive marketing.

AVCO International Private Limited, sole authorized dealer of Hyundai Santro, has been persuing varieties of promotional programs to attain and retain its customers. Since launching of the car, the company has been bringing lots of promotional campaign, like Dashain offer, exchange mela, cash descounts etc.

Chart 4.3 Car Market Share 2007/08
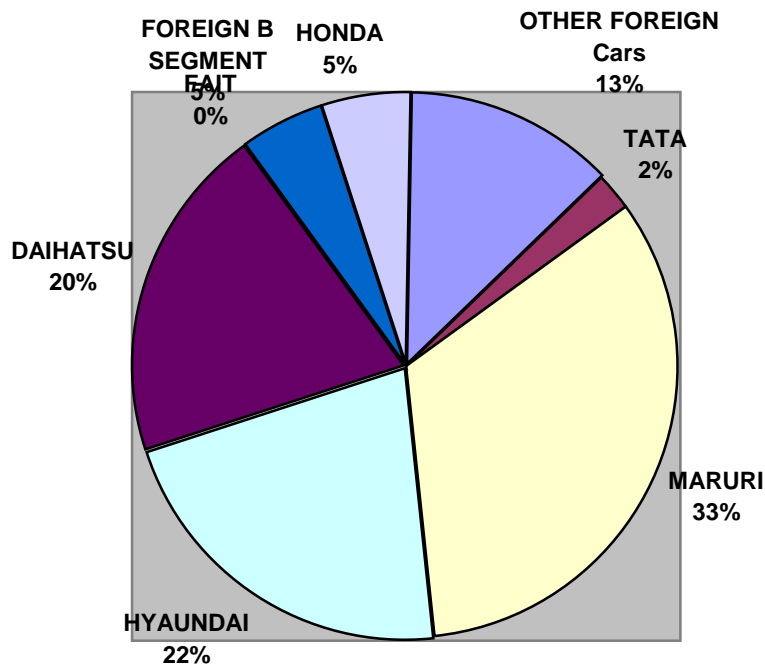
Moreover Promotional tools are used after thorough study of the market and demands of potential customers. Also, the company brings the promotional programs according to the market situation and its trend.

4.4 Car Market Share 2008/09
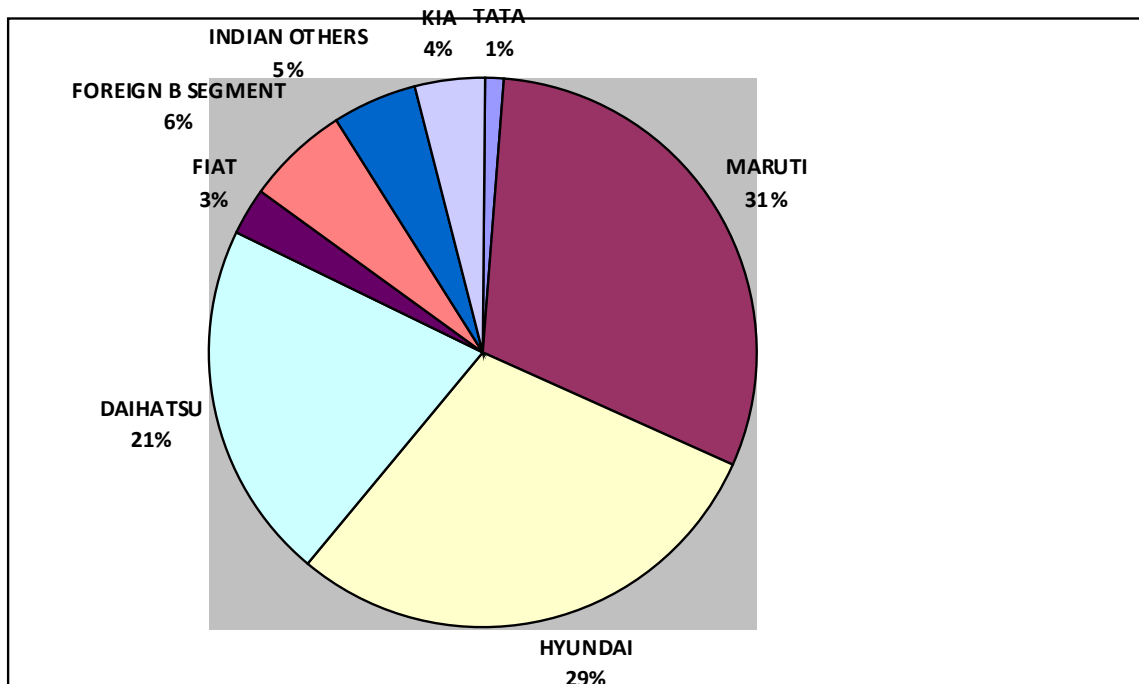
Daihatsu has maintained its 3rd position in terms of the market share except in 2008/09. That is a very healthy position. That position can be attributed to Daihatsu. Now with the introduction of Daihatsu, HH Company is optimistic that is will soon go one step ahead to No. 2.

Chart 4.5 Car Market Share 2009/10
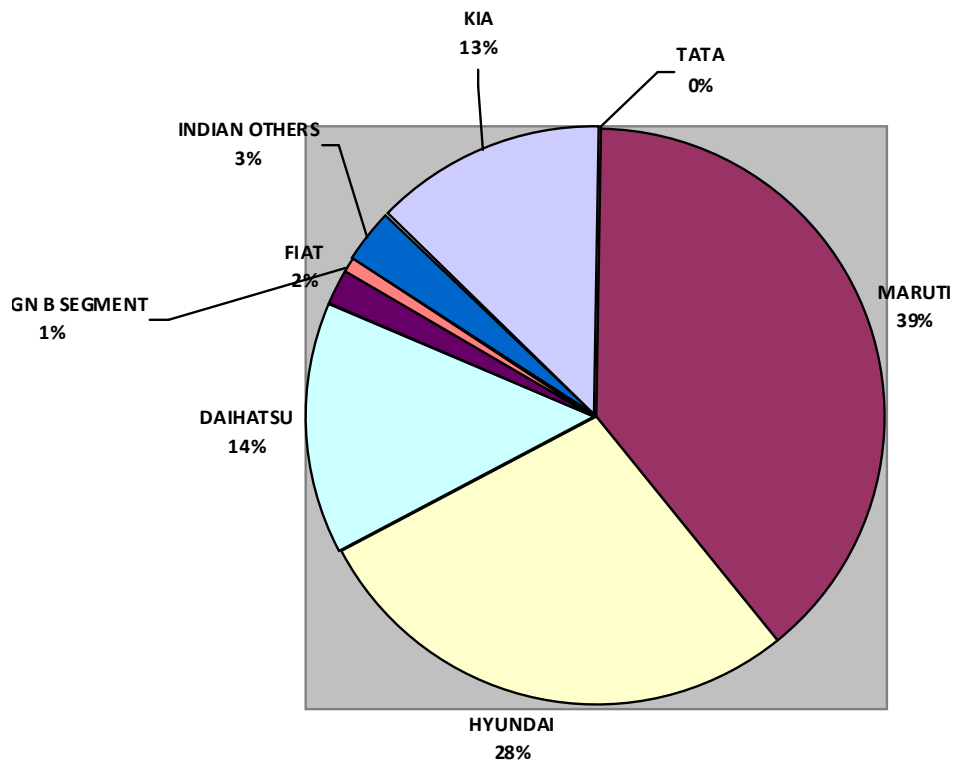
4.1.3 Comparative Study of Cars

For the comparative study of cars, it is necessary to understand the segmentation of cars on different bases. It is improper to put all big cars under same categories for the purpose of study. Moreover marketers have categorized big cars into segments, based on Luxury, Prices and Country of Origin. Some are high-class luxury cars, some are least priced economical cars.

Segmentation of cars on the basis of price

Prevailing prices actually reflect the various attributes/ features offered in a car. The more the features offered, the more the prices customers are bound to pay.

A-segment

Cars priced up to 10 lakhs are under this segments. for example maruti 800, and maruti omni. These are the cheapest cars available so far in Nepal. A total of 1632 units cars of the class were sold over the past 3 years. Market position of this segments cars are shown below.

Table 4.5 Comparative sales and market share of A-segment cars.

Year	2007/08		2008/09		2009/10	
Model	Sales (Units)	Mkt. Share	Sales (Units)	Mkt. Share	Sales (Units)	Mkt. Share
Ma 800	662	29%	225	13%	291	17%
Omni Van	200	7%	150	9%	104	6%

Source: Car dealer's show room

B-segmentation

This segment covers the vast variety of Cars. However, there is a intense competition amoung Daihatsu, Hyundai, Maruti most of the hatch back, small cars come under this category. And most of them are Indian manufactured

ones. They are relatively cheaper. The price ranges from 10-18 lakhs. 3067 units of this segment car were sold over the past 3 years. Some of them are-

Table 4.6 Comparative sales (units) and Market share of B-segment cars.

Year	2007/08		2008/09		2009/10	
Model	Sales (Units)	Mkt. Share	Sales (Units)	Mkt. Share	Sales (Units)	Mkt. Share
Daihatsu Sirion	192	17%	2540	25%	1600	17%
Maruti Zen	2380	21%	620	6%	400	5%
Maruti Alto	1470	13%	2350	24%	1060	11%
Maruti Wagon R	420	4%	490	5%	70	1%
Hyundai Santro	3600	32%	2900	29%	4380	47%
Daewoo Matiz	600	5%	450	5%	320	3%
Fait Uno	160	1%	20	0%	710	8%
Indica	250	2%	230	2%	470	5%
Matiz	480	4%	150	2%	160	2%
Perodua	100	1%	250	3%	120	12%
Total	11308	100	10000	100	9290	100

Source: Car Dealer's showrooms

C-segment

Cars with price ranging from 18 to 23 lakhs are under this segment. Honda, Kia, Opel, Ford, and Daihatsu are the winner in this segmentin term of sales.

They are sedan type mid-sized cars. This segment registered a sale of 175 units in the year 2007/08. Cars under this segment include.

Table 4.7 Comparative Sales and market share of C-segment cars.

Year	2008/09	
Medel	Sales	Mkt. Share
Daihatsu Terios	11	6%
Hyundai Accent	18	10%
Ford Ikon	21	12%
Gm Opel	14	8%
Honda City	34	19%
Mitsubishi lancer	63	36%
Kia Rio	14	8%
Toyota	175	100%

Source: Car Dealer's showrooms

D-segment

All imported, exclusive luxury cars are D-segment or more cars. Until recently, it was just Toyota Corolla which ruled the streets with an aggressive price and a brand image that worked everywhere in the world. But now the range of Choices has broadened. Some of the D-segment cars are-

Toyota Corala	Skoda Octavia
Toyota Echo	Peugeot (France)
Toyota Tusso	Daihatsu Terios
Toyota Celica	Honda Civik/Accord
Toyota Vitz	Merceedes Benz
Toyota Camary	Suzuki Liana
Nissan Primera	Jaguar
Samsung	Peugeot

Segmentation of cars on the basis of country of Origin

Until recently, cars were imported only from Japan. Ownership of a car, at that time was considered as status symbol in society. But present scenario is a different one. Most of the carmakers worldwide have registered their presence here in Nepal now. Japanese, Korean, Indian, Indian manufactured, German cars are the most preferred cars in Nepal. While mid-sized car market is still dominated largely by Japanese cars, small car market is almost totally dominated by Indian manufactured cars which include foreign joint-venture manufactures. Automobiles giants worldwide such as Toyota, Honda, Daimler, Chrysler (Mercedes Benz), Mitsubishi motors, Suzuki, General Motor Company, Ford Motor Company, Hyundai, Daewoo have already manufacturing base in India.

On the basis of the country of origin, cars that are available in Nepal are segmented as under-

Table 4.8 Segmentation of cars on the basis country of Origin

S.N.	Nativity	Model
1	Japanese	Daihatsu, Toyota, Honda, Mazda, Nissan, Mitsubishi
2	German	Volkswagen, Mercedes, BMW etc.
3	Korean	Hyundai, Kia, Daewoo etc.
4	American	Opel, Ford etc.
5	Indian	Tata, Maruti, Hindustan Motors and Foreign Joint-Venture Manufacture like Hyundai, Daewoo, Toyota, Mitsubishi, Honda etc.

Segmentation of Cars on the basis of Size

Cars we are generally come in three sizes viz. small, mid-sized and big cars. Of which, former two are only found plying in Nepalese streets. Maruti Udhyog is the first company to introduce small sized car, In the form of maruti 800, in the Nepalese market. This model is selling well till date. Maruti has other two models, namely Alto and Zen, in the small size. Nepalese Market is being flooded by compact cars manufactured in India, some of which are manufactured in India in foreign Joint venture.

On the basis of size, Cars may be segmented as under –

Hatch back

Small cars with no back are called hatchback cars. They are often called compact cars. These days demand for such cars is increasing trend. There are several reason to it as mentioned previously. There has been shifting trend in customer preferences Hyundai Santro and Tata Indica are the winner in this segment.

Example :   Daihatsu, Tata indica, Hyundai santro, Daewoo Matiz, Maruti Alto/Zen Perodue, Cuore, Fait palio etc.

Sedan

Bigger cars with 3-box, i.e. cars with distinct front, rear and body, are called Sedan cars. Sedan cars are the most popular type of cars worldwide. This category of car covers a large variety of models.

Some of them are -

Example: Tata Sirion, Toyota Corolla/Echo, Hyundai Accent/Sonata/Matrix, Honda City/Civic/accord. Opel Corsa/Astra, Ford Ikon, Kio Rio, Fait Sienna, Mitsubishi Lancer etc.

Station Wagon

Such types of car are more popular in USA than elsewhere. Daihatsu motors also has such wagon type car in its range of passenger cars and is soon introducing a modified version of that. Station wagons are popular in US and in European markets.

Example: Daihatsu Terios, Tata Estate, Kia Wagon, Volkswagen etc.

4.2 Market position of Daihatsu

Daihatsu was introduced and launched in Nepalese market in Jun 2005. Introduce in mid year and with not so much of publicity, it did a business of 27 units. That should be considered a good result, because it claimed a healthy and comfortable market share 11% in its segment, as shown on the
table 4.9

Table 4.9 Market Share analysis of Daihatsu.

Year	2001/02		2002/03	
Models	Sales	Mkt. Share	Sales	Mkt. Share
Daihatsu	-	-	27	11%
Maruti	11	7%	2	1%
Hyundai	18	11%	18	8%
Ford	21	13%	43	18%
Opel	14	9%	43	18%
Honda	34	21%	7	3%
Kia	63	39%	96	41%
Total	161	100%	236	100%

Source : HH company

A comparative study of Market Share of the C-segment cars shows that Kia is predominant in market and is the leader in the segment for two consecutive years. from another angle the other hand, 63 units of Kia cars were sold in 2006/07, the sales figure reached 96 in the following year-an increase of 52%.

Above table shows that Honda city is the biggest loser because it enjoyed second position with 21% market share and 34 units and in the

following year it went way down to second last position with nominal 3% in 2006/07 to 18% in 2007/08. Maruti Esteem and Hyundai Accent are other two losers.

Chart 4.6 comparative sales of C-segment cars
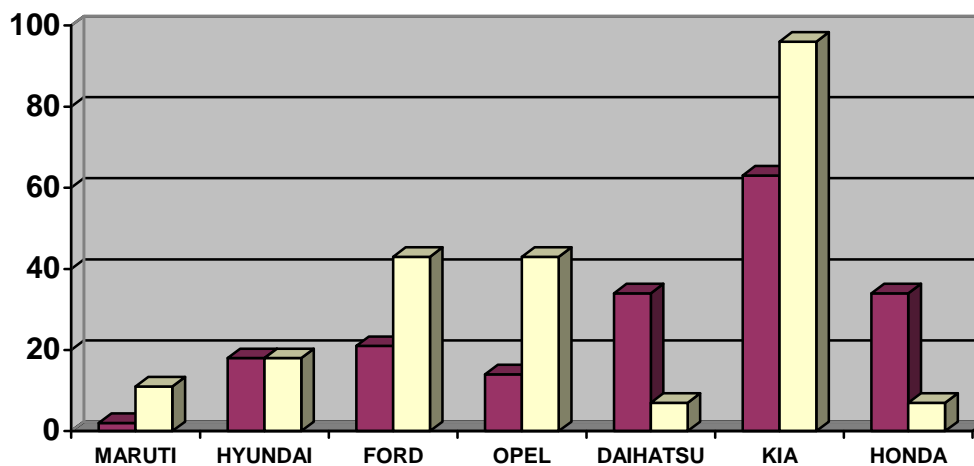
Significantly, Daihatsu has emerged as a new star. With 11% market share, it has already secured its position in third place in the year it was launched. With not much publicity, in only 6 months, 27 units were sold and 11% market share was achieved. HH Company is happy with this result and is very ambitious for future. HH Company has an ambition of becoming No. 1 in C-segment car market.

Chart 4.6 shows that Kia has a huge share of the pick Kia Rio/Wgon/Sephia/Sjuma share over 40% market share of the C-segment car market for the year 2006/07. And maruti Esteem and Honda City has a very nominal share. Daihatsu has a healthy market share of 11%. Securing over 10% market share in the year of its introduction is undoubtedly a significant achievement in itself.

The study is based on Market potential of Daihatsu in Kathmandu Valley. Kathmandu valley is single most major market in Nepal. As we can see in table, 21 units of total 27 units Daihatsu sold in whole Nepal is sold in Kathmandu itself. So, Kathmandu valley 78% market for Daihatsu

Table 4.10 Daihatsu Sales Dispersion

Region	Units Sold	Percentage
Kathmandu	21	78%
Birgunj	3	11%
Pokhara	0	0%
Butwal	1	4%
Biratnagar	2	7%
Nepalgunj	0	0%

Source : HH company

Analysis of Daihatsu based on its one year sales performance shows that 29 units of that were sold within one year after its launch in august. Table 4.11 shows that August, September, October and January, February, March were fruitful months for Daihatsu. That sort of sales pattern actually reflects the seasonal demand of cars, i.e. Festival seasons. That may also be a result of Dashain, Tihar schemes introduced by HH Company for boosting its sales.

Similarly, analyzing customers, based on 1 year sales performance after its launch, it was found that customers of Daihatsu were kind of identifiable ones. The Daihatsu owners were Books Depos owner, suppliers, industrialists, businessmen, Consultants / Engineers, School Owner, Business Entrepreneurs, Oil mill owner, NGO and Doctors.

Table 4.11 Sales of Daihatsu for year after its launch.

Month												Total
Aug 2002	Sep 2002	Oct 2002	Nov 2002	Dec 2002	Jan 2003	Feb 2003	Mar 2003	Apr 2003	May 2003	Jun 2003	Jul 2003	
3	4	5	0	1	5	4	3	0	0	1	1	27

Source : HH company

4.3 Technical Analysis of Daihatsu

The technical aspects of Daihatsu also need to be analyzed, in order for anybody to understand whether the product is technically sound. So, to have a technical analysis of Daihatsu, the technical specification of that is presented below, as per the leaflet of the cehicle.

Technical Specifications

	Wheelbase (mm)	2580
	Min. Ground Clearance (mm)	200
	Overall Length (mm)	4055
Dimensions and weights	Overall Width (mm)	1695
	Overall Height (mm)	1690
	Kerb Weight (kg)	1120
	Gross Vehicle weight (kg)	1750

Engine and Transmission	Engine	4 cylinder, 16 valve, DOHC, DVVT
	Volume (cc)	1495
	Max. Power (Kw / rpm)	77 / 6000
	Max. Torque (Nm / rpm)	140 / 4400
	Bore x Stroke (mm)	72.0 x 91.8
	Transmission	Forward 5 speed manual, all synchromesh
Suspension	Front	Mcpherson Strut with coil springs
	Rear	5-link rigid axel with coil springs
Brakes	Front	Disc brakes with booster
	Rear	Drum Brakes, Leading and Trailing
	Parking brakes	Mechanically operating on rear wheels
Tyres	Tyres (standard)	215/65 R 16
Fuel	System	EFI(Electronic Fuel Injection)
	Tank Capacity (Ltrs)	50
Seating	Capacity	5 persons
Steering	Type	Rack and Pinion with power – steering
	Min. Turning Radius (M)	4.9

Source : HH company

From the above specification, it is quite easily observed that Daihatsu is a 1495 cc car with 77 PS power generated by petrol variant. It also has independent 3-link rear suspension with anti-roll bar. Truck capacity or boot space in other words is 450 liters, which in fact is very large. And tyre size is 16", which is one of the biggest in similar other cars.

Features	Sirions	Terios
Comfort		
. Power Steering	Yes	Yes
. Steering Wheel	4-Spoke leather wrapped	4-spoke soft feel
. Gear-Shift Knob	Leather Wrapped PU	Almunium
. Windows (front and rear)	Power windows	Manual
. AC and HVAC system	AC	HVAC
Exterior Features		
. Rear fog lamp	Yes	No
. Bumpers	Body coloured	Body coloured
. Rub rails on doors	Yes	Yes
. Wheel covers	Full	Full
. Outer rear view	Both	Both

mirror	Sides	Sides
Interior Features		
. Fabric lining on seats	Full fabric	Partial fabric
. Moulded Roof lining	Yes	Yes
. RPM meter	Yes	No
. Digital Clock	Yes	Yes
. Anti-glare inner rear view mirror	Yes	Yes
. Cabin lamp with spot reading lamp	Front and rear	Front and rear
. Mobile phone Charger	Yes	Yes
. Door pads	Fabric Insert	Fabric Insert
. Boot lamp	Yes	Yes
. Rear seat with double-folding backrest	Yes	Yes
. Soft painted dashboard	Yes	No
. Carbon-Fibre/brushed Alumunium look laced interiors	Carbon-Fibre	Brushed Alumunium
. Light intensity adjustment for instrument cluster	Yes	No
. Sunglasses case	Yes	Yes

. Rear defogger	Yes	No
Safety		
. Central locking	Yes	No
. Key in/out, door open audio warning signal	Yes	No
. High mounted stop lamp	Yes	Yes
. Audio warning signal for driver seat belt	Yes	No
. Anti-submarine front seats	Yes	Yes
. Seat belts	Front and rear	Front and rear
. Child safety locks on rear doors	Yes	Yes
. Remote release for fuel and trunk lid	Yes	Yes

Source: Daihatsu Leaflet

4.4 Competitor analysis of Daihatsu

As said earlier, Daihatsu has to face stiff competition in the C-segment cars, which includes Indian manufactured and some Japanese cars. A major threat of competition is from similar Indian cars only. A threat from overseas come from Kia Motor Company, Korea.

Some Models of car Competitive to Daihatsu are as under

Maruti Esteem

Hyundai Accent

Ford Ikon

Kia Rio/Shuma/Sephia

Honda City

Mitsubishi Lancer

Opel Astra/Corsa

Fait Siena

Tata Indica

Looking at the sales records of last year in this segment, Huyndai is the most strong competitor, followed by Ford then by maruti, opel and so on in that order. Relatively sales and market share of the above models in already mentioned earlier.

Maruti Esteem has been in the market for over 18 years, but has not been successful so far. opel also has been in the market for some time and it is able to take a good share of market with about 80 units sale in 2005/06 and 68 units in 2006/07. Hyundai is gradually taking a strong position in this segment. Being foreign car with cheapest price, it is just eating up the market 113 units of it were sold last year. The same figure has been crossed in the first 4 month of the current year. Ford also seems quite promising. It is also available at cheaper price. So ford and Hyundai are the biggest threat as a competitor to Daihatsu.

An analysis of strength and weakness of the above models helps understand the strength and weakness of Daihatsu. Only fait and ford are available in diesel. However, the latter in Diesel version is expensive and sluggish. Maruti is an entry-level mid size. It enjoys the best service network in the country. Another advantage is that it has 1.3 liter 85 bhp engine which makes it the quickest car in C-segment. Fuel efficiency is terrific too. However, It is not available in Diesel moreover, the cramped interior and low seating are its biggest drawbacks.

The performance and interior design of Opel are good. As a result, it has attracted many customers. However, unattractive rear end styling and the interior space, perceived as insufficient, has turned some customers away.

4.4.1 Comparative study of prevailing prices

It is useful to make a comparative study of prices of C-segments cars based on 'option'. Primarily, there are 3 options, viz. Standard, semi option and full option.

Only Maruti, Fait, Ford, Tata and Daihatsu have basic models with A/C. As a basic model, maruti is the cheapest one. Semi-option category has Air conditioner and power steering. There are altogether 13 models available with this option. Kia is the cheapest one, which is available unbelievably at the less than 13 lakhs. Daihatsu DLX is available at less than 18 lakhs, the next cheaper one. Opel Astra advantage is the most expensive one. Other models are as expensive as over 24 lakhs. So Kia Rio and Daihatsu are more affordable car in semi-option.

In full option, again Kia Rio wagon is priced at 1564000 which is much much lower than any other models in this category. Ford Ikon Exi Endura is priced at 16 lakhs. Maruti Esteem VX and Daihatsu DLX is priced almost

similar at less than 18 lakhs. So Kia Rio is undoubtedly most affordable full-option car, followed by ford Ikon, Daihatsu and Maruti Esteem.

In summary, Kia Rio is the cheapest C-segment car, as well as cheapest full-option car. Daihatsu, Ford, Maruti have relatively cheaper models are thus affordable.

Table 4.12 Prevailing prices of C-segment cars

Option	Make	Model	Engine CC	Fuel	Retail price
Standard with A/C	Maruti Esteem	LX	1298	Petrol	1,919,010
	Ford Ikon	CIXI	1299	Petrol	2,075,000
	Fait Siena	EX	1200	petrol	1,998,000
	Daihatsu Sirios	DLX	1495	Petrol	2,050,000
Semi Option	Maruti Esteem	LXI	1298	petrol	1,870,000
A/C and Power Steering	Hyundai Accent	GVS	1495	Petrol	2,120,000
	Fait Siena	EL	1600	Petrol	2,325,000
	Opel Corsa	GL	1400	Petrol	2,179,000
	Opel Swing		1400	Petrol	2,097,000
	Opel Astra	Advantage	1700	Diesel	2,325,000
	Ford	CLXI	1600	Petrol	2,160,000
	Kia Rio	Wagon	1300	Petrol	2,498,000
	Daewoo Lanos	II	1500	Petrol	2,100,000
	Daihatsu Terios	DLX	1495	Petrol	2,350,000

	Maruti Esteem	VX	1298	Petrol	2,769,000
	Hyundai Accent	GLX	1495	Petrol	2,390,000
Full Option	Ford Ikon	EXI Endura	1299	Petrol	2,310,000
	Ford	NXT	1300	Petrol	2,325,000
	Fiat	ELX	1600	Petrol	2,050,000
	Opel Corsa	GLX	1400	Petrol	2,169,000
	Opel Swing	Royale	1600	Petrol	2,347,000
	Kia Rio	Wagon	1300	Petrol	2,464,000
	Kia Rio	DLX	1300	Petrol	2,798,000

Source : Various Car dealer's showrooms

4.5   Review of Prevailing prices of Daihatsu

Altogether 4 models of Daihatsu are available. Basically, there are 3 option available basic models with A/C, model with A/C and and model.There are other features like central locking, Child lock, RPM meter, Fog Lamps, Mobile Phone Charger, etc. As the options goes on adding on basic model to full option model prices also change significantly.

Table 4.13 Current Prices of Daihatsu (as on 2010)

S.N.	Model	Price
1	Daihatsu Sirion	2050000
2	Daihatsu Trevis	4280000
3	Daihatsu Copen	3755000
4	Daihatsu Terios	2350000

Source : HH Company

4.6 SWOT Analysis for Daihatsu

Strength

Brand Awareness and trust of the customers towards Daihatsu products are biggest strength of Daihatsu. Besides that sales outlet at all of the major cities and good service network all over is strength. Spare parts are cheaper and available almost everywhere. This is one competitive advantage and strength of Daihatsu and Support sales activities by understanding customers businesses better, Qualify prospective partners and suppliers, Keep fully up to date on competitors business structure, strategy and prospects obtain the most up to date company information available

Weakness

The price is not relatively cheaper.

Opportunity

Immense potential/opportunity exists for Daihatsu. Old customers, who had good faith, trust and loyalty toward Daihatsu products are inclines to purchase a Daihatsu car. Available also in Diesel is a major opportunity for Daihatsu.

Threat

There is intense competition that Daihatsu has to face, in c-segment. Overseas companies are already in the market offering cheaper cars. Kia Rio is the biggest threat to Daihatsu, followed by Opel Corsa then by Ford Ikon.

4.7 Customer Survey Analysis

The researcher Surveyed about 25 prospects, and responses were obtained from them. Those responses are 'Tabulated' ' Presented' and 'Analyzed in a logical manner. Raw data obtained from the field was first prepare that means legibility and accuracy of the data obtained was chacked information categories were established relative to research objectives. Then the prepared data was entered into the computer. And tabulation was done, which was followed by Presentation and analysis of data.

4.7.1 Customer's Purchase behavior

In response to a question asking respondents to rate various features/attributes in a car (asking them to rate the listed attributes in 1-5 scale), Availability of spare parts was rated the highest followed by safety and fuel efficiency. From the table 4.14, it seems that price

and comfort was less important to customers than availability of spare parts and safety.

Table 4.14 Rating of various attributes in a car by respondents.

S.N.	Features/ Attributes	Rate
1	Availability of Spare Parts	1st
2	Safety	2nd
3	Fuel Efficiency	3rd
4	Comfort and Smoth Ride	4th
5	Price	5th
6	External Design	6th
7	Interior Design	7th
8	Fuel Option	8th
9	Wide legroom and Luggage Room	9th

4.7.2 Customer's attitude towards different brands of car

For simplycity of the study, only seven brands were taken into consideration which of corse includes Daihatsu. As seen in the Table 4.8 Hyundai Accent is the most preferred car, followed by Opel corsa and Kia Rio. Maruti esteem stood as least preferred one, while Daihatsu ranked Forth.

4.15 Models of car preferred by customers

S.N.	Model	Preference
1	Hyundai Accent	1st
2	Opel Corsa	2nd
3	Kia Rio	3rd
4	Daihatsu	4th
5	Tata indigo	5th
6	Ford Ikon	6th
7	Maruti Accent	7th

In another response to question asking respondents to rate above brands of car on the basis of features/attributes mentioned earlier, Hyundai was rated highest and Ford Ikon was rated the least. Respondents were asked to tick on whatever models they felt were better than others in terms of those attributes. And the response were summed up for each of them.

As shown in table 4.16 below Daihatsu ranked second only to Kia Rio. In terms of single feature, most respondents believed Kia Rio as being best in external design. Regarding internal design, Opel Corsa is rated highest. Similarly, Honda City was rated as the most comfortable car. Maruti Esteem and Daihatsu were perceived by respondents as more fuel efficient than others. In the same way, Kia Rio was perceived as most reasonable priced car.

Table 4.16 Rating of various brands on the basis of some attributed/features

S.N.	Features	Daihatsu	Kia	Opel	Ford	Hyundai	Maruti	Honda
1	Ext. Design	2	6	2	2	1	1	3
2	Interior Design	-	3	5	-	2	1	2
3	Wide Legroom	4	5	1	1	1	-	1
4	Comfort	1	4	2	1	1	-	2
5	Safety	1	-	1	4	1	-	2
6	Fuel Efficiency	3	-	-	2	-	5	2
7	Price	3	5	-	-	-	3	-
8	Fuel option	6	2	1	-	1	-	-
Source		20	25	12	10	7	10	15
Rate		Second	First	Fourth	Fifth	Sixth	Fifth	Third

The Score shown on table 4.16 are based on responses given by respondents. They were asked to tick on whichever model they thought were good regarding a particular feature. Those responses were summed together to obtain score for all models. With 25 points score, Kia Rio is rated first by the respondents. Interestingly, Daihatsu is rated second with 21 points. Similarly, Honda City and Opel Corsa are Third and Forth.

Based on above result, it may be concluded that Kia Rio, Daihatsu, Honda City and Opel Corsa are the most liked cars in C-segment.

4.7.3 Age wise mix of customers

Chart 4.7 Age wise Mix of Potential Customers
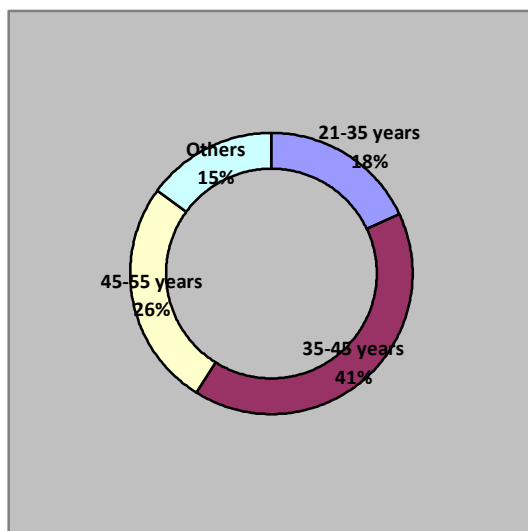
The largest age category of respondents (potential customers), as seen from chart is 35-45 years. It constituted 41% of total respondents. Likewise, 26% of the respondents were 45-55 years of age. And only 15% of the respondents claimed that they were above 55 years. It was observed and seen during the survey that the age category 35-45 years constituted professionals and young entrepreneurs. This means that most potential customers of car are professionals and young businessmen, who are aged 35-45 years.

4.7.4 Calculation of Market Potential

In table 4.19 Total estimated market potential of Daihatsu in Kathmandu Valley is calculated as something over 6000 units. As mentioned previously, Market

potential is maximum possible sales opportunities available to marketers of a good or services in a particular market segment. On the basis of average purchases per customers in each potential customer's category and number of customers in each customer's category, total market potential is calculated out.

Businessman is the single largest potential customer category. And among five listed categories, lawyers and engineers are the least potential customers. On the other hand 'Doctors" and Industrialists are the highly potential ones with very significant car ownership rate. For now, total market potential of cars in Kathmandu Valley is calculated as 6318 units, taking into consideration only those five categories of most potential customers.

Table 4.17   Calculation of Estimated Market potential of cars using market survey Approach.

Customer Categories [A]	Sample Size [B]	Purchase [C]	Average Purchase [D]	Population Size [E]	Market Potential [F]
Doctors	5	3	0.6	900	540
Engineer	5	1	0.2	1100	220
Businessmen	8	4	0.5	8654	4327
Industrialists	3	2	0.7	1212	848
Lawyers	4	1	0.25	1533	383
Total	25				6318

* Column

[A] Some specified customer categories making up the total market for cars.

[B] Sample taken for each categories.

[C] Ownership of car by the sample number of prospects.

[D] Average ownership of car per customer in each customers category. Computed by dividing column C by column 3.

[E] Number of prospects in Kathmandu Valley for the given customers categories. Data obtained from related professional association (Nepal Bar association, Nepal Medical Association, Nepal Engineers Association), FNCCI, Chamber of Commerce and Dept. of Industry.

[F] The resultant estimated market potential for the total Kathmandu valley Market. Computed by multi plying column D by column E.

Chart 4.8 Graphic view of Market potential of cars in Kathmandu Valley.
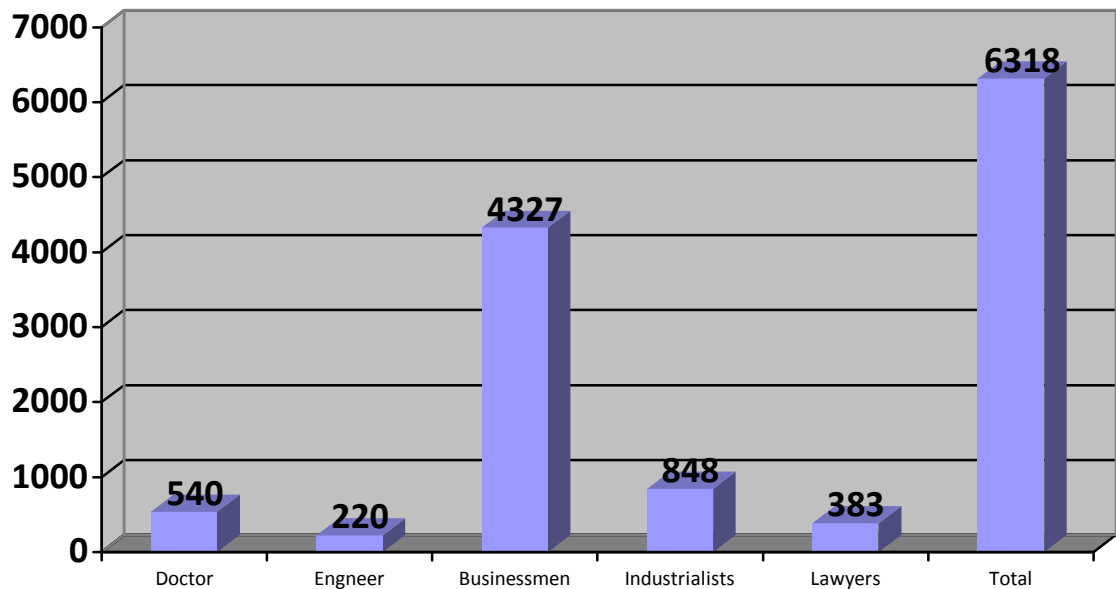
Looking at the chart 4.11 and table 4.19, Businessmen seem to be the most potential customers of cars, with total potential of 4327 units amounting almost 70% of total potential. Likewise, Industrialists and Doctors constitute 13% and 9% of total potential. Similarly, Engineers are the least potential customers with only 3% of total potential. This implies that businessmen, Industrialists and Doctors are relatively more capable than others in owning a car. And it is quite obvious that they have better incomes.

Table 4.18 Market potential of Cars in Kathmandu Valley.

Customer Category	Market Potential	Percentage
Doctors	540	9%
Engineers	220	3%
Businessmen	4327	69%
Industrialists	848	13%
Lawyers	383	6%

4.8   Major Findings of the Study

Based on the presentation and analysis of Primary and Secondary data, following are the major findings of the study.

1. It was found by analyzing Statistics published by Department of Transport Management that an average of 5000 units Car/Jeep/Van have been registered in Nepal over the past 5 years.

2. Analysis of Time series of registration of Car/Jeep/Van in Nepal from 2001 A.D. to 2010 A.D. shows very irregular fluctuations. This shows that a multiplicity of causes affected the sales of the vehicles in Nepal in the past 10 years. The problems may be of potential (like pro-democracy and post democracy period) or sociological (like changes in life styles, or increase general income levels). However, the general trend of registration of vehicles as shown by the trend line is upward.

3. The rise in number of vehicles registered each year in recent years owes to the fact that Banks/Finance Companies are quite easily financing the cost of the vehicles. As a result, very minimal down

payment need to be deposited and equal monthly installments are as low as 20000 per month (depending upon number of years). So anybody who is a professional having monthly income of around 40000 can easily ride a car. Therefore, owning a cars registered each year will rise significantly in the years to come given the present potential conflict is resolved soon.

4. Kathmandu valley is the single prime market for Car/Jeep/Van. Most of the vehicles are registered in Bagmati zone where almost 70% of total Car/Jeep/Van are registered. Narayani, Gandaki, Koshi, Lumbini are the only others zone where significant number of Car/Jeep/Vans are gegistered. So, the areas in these zones are very good potential markets for Daihatsu. Kathmandu Valley is 84% market for Daihatsu.

5. The study revealed that marketers of cars categories them in to different segments, based on Luxury, Prices and Country of Origin. Some are high-class luxury cars some are economical and less priced cars. On the basis of Price there are A-segments, B-segments, C-segments and D-segments cars. Prevailing prices actually reflect the various attributes/Features offered in a car. The more the features offered, the more the prices customers are bound to pay. C-segment cars have a very good market potential in Nepal.

6. Daihatsu was introduced and launched in Nepalese Market in 2002 Introduced in mid year and with not so much of publicity, it did a business of 27 units. That should be considered a good result because it claimed a healthy and comfortable market share 11% in its segment.

7. Kia Rio, Ford Ikon, Opel Corsa are the biggest competitors of Daihatsu. Kia Rio has over 40% market share in the C-segment. A comparative study of sales units and market share of the C-segment cars shows that

Kia Rio and variants are predominant in C-segment market and are the leader in the segment for two consecutive years.

8. Significantly, it was found that Daihatsu has emerged as a new star in C-segment car market. with 11% market share, it has already secured its position in third place in the year it was launched. With not much publicity in only 6 months, 27 units were sold and 11% market share was achieved.

9. Some models of car competitive to Daihatsu are Maruti, Hyundai, Ford, Kia, Honda, Mitsubishi and Opel. Maruti has been in the market for over 5 years, but has not been so successful so far. Opel also has been in the market for some time and it is able to take a good share of market. Kia is gradually taking a strong position in this segment. Being foreign car with cheapest price, it is just eating up the market. Ford also seems quite promising. It is also available at cheaper price. So ford and Hyundai are the biggest are the biggest threat as a competitor to Daihatsu.

10. An analysis of strength and weakness of the above models showed that only fait and ford are available in Diesel. However, the letter in Diesel version is expensive and sluggish. Hyundai comes with rich looks, luxurious and spacious interiors at a competitive price and is so the best value for money offering in C-segment. Maruti is an entry level mid-sizer. It enjoys the best service network in the country. It is quickest car in C-segment. Fuel efficiency is terrific too. However, it is not available in Diesel. Moreover, the cramed interior and low seating are its biggest drawbacks. The performance and interior design of Opel are good. However, the unattractive rear end styling and the interior space, perceived as insufficient has turned some customers away.

11. The study found that Brand Awareness and trust of the customers towards the biggest strength of Daihatsu. Besides that sales outlet at all of the major cities and good service network all over is strength. Spare parts are cheaper and available almost everywhere. The price is not relatively cheaper. Immense who potential/ opportunity exist for Daihatsu. Old customers who had good faith, trust, and loyalty toward Daihatsu. There is intense competition Daihatsu has to face in its segments, i.e. C-segments overseas companies.

12. Daihatsu is found to have a good market potential as customers preference very much seem for favor Daihatsu. While purchasing a car, customers regarded available of spare parts as the most important thing that they expect from a car. Among other feathers safety and fuel efficiency were other important things that customers of a car considered.

13. Daihatsu is the fourth most preferred car among seven competitor models that were taken into consideration. Hyundai Accent, Kia Rio and Opel Corsa are the first, second and third most preferred car. Maruti Esteem is the least preferred car.

14. Daihatsu is one of the best C-segment cars currently playing on streets of Nepalese. Based on customers perception of different features offered in car, Daihatsu ranked second only to Kia Rio customers perceived Daihatsu as a fuel efficient car. Customers are also very positive on outlooks of car. Hyundai accent is perceived by customers as having worse features. Similarly, customers perceived Honda city as more comfortable car. Kia Rio as having better external design and Opel corsa as having better internal design. Survey results confirm that Honda City, Opel Corsa, Kia Rio and Daihatsu are the some of the best

contemporary cars available in Nepalese market and are undoubtedly the best cars in C-segment.

15. Analysis of primary data i.e. survey data found that Daihatsu has an estimated market potential of over 6000 units in Kathmandu Valley. Among that Businessmen is the single largest potential customers category, amounting to almost 70% of total potential. And among five listed categories, Lawyers and Engneers are the least potential customers. On the other hand Doctors and Industrialists are the highly potential ones with very significient car owner ship rate. Businessmen, Industrialists and Doctors are relatively more capable than other in owning a car. And it is quite obvious that they have better incomes.

CHAPTER 5
SUMMARY, CONCLUSIONS AND RECOMENDATIONS

5.1 Summary

Marketers do market potential Analysis, as part of Marketing Research. Market Potential Analysis is a useful tool in the hands of management to measure the sales potential for a new product or service. Moreover, Marketing management is interested in obtaining sales potential for each of the geographical market it serves to help determine the amount of sales effort that should be allocated to a specific market.

Market potential analysis seeks to measure market potentials which then is used for multiplicity of purposes. Primarily, it is used to allocate marketing resources. It is also used to define sales territories and to set sales quotas.

The basic objective of the present research was to analyze and Estimate market potential of cars in Nepal, with special focus on Daihatsu. Behavior of customer regarding car purchases is analyzed like customer's preferences and choices. Secondary data like registration figures, Sales unit and Market share is also analyzed. Similarly, comparative study of several competitive models in also done, along with their strength and weakness all done to arrive finally at an analysis of Cars, especially C-segment cars. And at last survey result are analyzed to calculate and estimate, in empirical terms, the market potential of cars.

5.2   Conclusions

1.   Taking references of data published by Department of Transport Management (DTM) government watchdog of Transportation sector an average of 12000 units Car/Jeep/Van have been registered in Nepal over the past 5 years. Despite some irregular fluctuation; the general trend of registration of vehicles as shown by the trend line is upward.

2.   The rise in number of vehicles registered each year in recent years owes to the fact that banks/ finance companies are quite easily financing the cost of the vehicles. As a result, very minimal down payment need to be deposited and equal monthly installments are as low as 20000 per month (depending upon numbers of years).

3.   Anybody who is a professional having monthly income of around 40000 can very easily ride a car. Therefore, owning a car is not a distant dream for many people. So number of cars registered each year will rise significantly in the years to come, given the present political conflict is resolved soon.

4.   Kathmandu valley is the single prime market for Car/Jeep/Van. Definitely, the capital city is the commercial and financial hub of the country. So, there are top Business persons, top Doctors, Engineers and other professionals who can afford to purchase car. Kathmandu valley is 78% market for Daihatsu.

5.   Daihatsu is a C-segment car, which includes cars which are mid-sized and priced 18-24 lakhs. C-segments car market is the market of about 800 units annually. Mid-sized car are very popular in our country and so has a very good market potential, as they are affordable too by Nepalese middle-class.

6. Daihatsu was introduced and launched in Nepalese market in july 2003. Introduced in midyear and with not so much of publicity, it did a business of 27 units. That should be considered a good result because it claimed a healthy and comfortable market share 11% in its segment that year.

7. Some models of car competitive to Daihatsu are Maruti, Hyundai, Ford, Kia, Honda, Mitsubishi, Opel. Ford and Kia are the biggest threat as competitor to Daihatsu.

8. Brand Awareness and trust of the customers towards the biggest strength of Daihatsu. Besides that sales outlet at all of the major cities and good service network all over is strength. Spare parts are cheaper and available almost everywhere.

9. Daihatsu is found to have a good market potential as Customer's preferences very much seem to favor Daihatsu. While purchasing a car, Customer's regarded availability of spare parts as the most important things that they except from a car. Daihatsu is the fourth most preferred car among seven competitive models that were taken into consideration for the study. Daihatsu is one of the best C-segment cars currently playing on streets of Nepalese. Based on customer's perception of different features offered in car, Daihatsu ranked second only to Hyundai. Customers are also very positive on fuel option provided on Daihatsu.

10. Analysis of primary data, i.e. survey data found that Daihatsu has an estimated market potential of over 6000 units. in Kathmandu valley. Businessmen are the single largest potential customer category.

Doctors and Industrialists are the highly potential ones with very significant car ownership rate.

5.3   Recommendations

1.   Daihatsu has a good market potential in Nepal, especially inside Kathmandu Valley. However, many People are not aware of some of its stringent its features. Daihatsu is a bit expensive too, as many customers opine. Its price needs to be reduced to match a competition with other brands like opel corsa, Honda city and Kia Rio. Many customers regard Kia Rio as very reasonably priced, though being an overseas imported car.

2.   Cars are rarely bought on cash. Many customers need to finance the cost of Vehicle. Finance process is very troublesome for many. So, it is recommended that, HH company Pvt. Ltd. itself arrange for finances. For that, it can do tie-ups, or do subvention with some Banks or even finances companies. There should be schemes of variable 'Down Payments' Interest should also be as low as possible. Many customers demand financing facility from dealer itself more than anything else.

3.   Publicity measures like newspaper ads, hoarding board at major crossings in the city, Demonstrations festival schemes etc. should be done often. After sale support should also be strong. Free service camps should be done often.

4.   Exchange facility is also another weapon to win competition and attract customers. HH Company should engage itself in this activity. Potential car customers always want to try some new models. They don't like to go through hassles in exchanging their old vehicles with a new one. If

HH Company is able to take the burden it can easily win the competition.

5.   HH Company is rigid in terms of discounts. Some dealers of foreign cars are able to offer discounts up to one lakh. Moreover, there are lot more interesting and provoking schemes. Discount offer has become a trend. So, HH company should try to tune up itself with the trend.

5.   Last but not the least, an aggressive marketing is required by the company, as car market is a very competitive one. Many customers have not seen, or are aware of the Daihatsu. Being a newly introduced model, it should be marketed aggressively.

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Appendix 1

Survey Questionnaire
(For Potential Car customers)

Dear Respondents,

I would like to seek your kindness by sparing a few moment of precious time for filling up this questionnaire, which could contribute significantly to my research study for MBS.

1.   Age Category ?

       25-35   35-45   45-55   55 or more

2.   Marital Status

       Single   Married

3.   Sex?

       Male   Female

4.   Your Current / Past Occupation?

5.   Education?

       High School Undergraduate   Graduate   Post-Graduate

6.   Would you please let us know your Monthly Household Income category?

       Rs. 30-40000   Rs. 40-50000   Rs. 50-60000   More

7.   Do you currently own a Car?

Yes (Go to Q9)   No

8.   Did you own a Car in the past?

Yes   No (Go to Q10

9.   What is/was the Model of your Car?

10.   (if mentioned 'NO' in both Q7 and Q8), Do you have any plans to purchase a car in future ?

Yes ☐   No ☐ (Terminate)

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

A – Segment (up to Rs. 10 lakhs) B – segments (10-18 lakhs)
C – Segment (18-23 lakhs)   D-segments (23 lakhs above)

12.   Amongst the C-segment cars currently available, which model you would prefer to buy most, second most, third most?

Maruti Esteem   Hyundai Accent

Kia Ria   Ford Ikon

Opel Corsa   Daihatsu Terios

Honda City   Daihatsu Sirion

13.   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

2. Interior Design

3. Wide legroom/Luggage room

4. Comfort /Smooth ride

5. Safety

6. Fuel Efficiency

7. Price

8. Fuel Option (Diesel/Petrol)

9. Availability of Spare parts

14.   in terms of above attributes, how would you rate the below Makes/Brands?

Features	Kia	Opel	Ford	Hyundai	Maruti	Daihatsu	Honda
Ext. Design and Style							
Interior Design							
Legroom							
Luggage room							
Comfort							
Safety							
Fuel Efficiency							
Price							
Av. Of Spare parts							

15. You must have known Daihatsu?

HardlySeen   haven't heard or seen   Know well

16.   What is your attitude towards Daihatsu brand of Products, Car in Specific?

Enthusiastic   Positive   Indifferent   Negative

17. What is your perception about Daihatsu, as you have seen, or heard? (Ask to only those are aware of it ? Please rate in 1-5 scale.

1.External Design and Style

2. Interior Design

3. Legroom

4. Luggage room

5. Comfort
6. Safety

7. Fuel Efficiency

8. Price

9. Av. Of Spare parts

18. Do you have any suggestions regarding Daihatsu?