CHAPTER 1

Introduction

1.1   General Background

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

In late eighteenth century and early nineteenth century, many inventions had begun 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 machines. Every possible effort is being employed for the better features and specification of automobile. Now with this constantly being modified and better featured man-made object, man is really attaining better lives. Science & Technology has revolutionized the way we live.

In late eighteenth century, James Watt invented first efficient steam engine. The first successful steam engine train was built by George Stephenson in 1814 A.D. This began the era of land travel. Likewise, the first petrol cars were built in Germany in 1885 A.D. by Gottleib Daimler and Carl Benz. [1] Since then a lot of advancement has taken place in Automobiles and Transportation. Today, we have variety of motor vehicles suited to our differing transportation needs like Cars, Vans, Jeeps, Pick-ups, Buses, Trucks and Tractors.

Automobiles contribute a lot to our society. Our grandfathers walked hundreds of miles for more than a couple of days. The same thing now is a matter of just a few hours of ride in a motor vehicle. A

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[1] Hamlyn All-Color, *Science Encyclopedia,* Hamlyn, 1990, pp. 200-201.

lot of people rely on automobile line for their daily earnings. Automobile serve dual purpose of transportation of people and carriage of goods. Even more, some people are in the business of selling automobiles, as automobile dealers. More importantly, transport sector contributes a lot to our economy. Government collects huge revenue from this sector. Today, automobile has become a necessity item. As we all know, lives in cities are 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 accidents occur quite frequently.

In recent times, cars have become a necessity item rather than the luxury one. The government continues to look at automobiles as a luxury items and puts them in the highest tax bracket. Even though life styles of people have changes a lot, so they are ready to bear any taxes.

The automobile industry is growing faster everywhere. 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 14% of direct revenue, including two-wheelers, spares and lubricants. Indirectly, it employs over 200,000 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.[2]

Automobile has two active dimensions which are contributing to the development of the economy. One dimension is the business of automobile itself and another is the transportation and carriage of people and goods from one place to another in a very safe, reliable

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[2] *Nepali Times*, Editorial, Vol. 158, August 2003.

and convenient way. Thus, it has become an important part of the society and the world.

In context of automobile, car has become a necessary part of today's busy lives. With the rapid growth of life style, Nepalese people are also being very eager to have private family car. Exploring and watching all these demand of the Nepalese people, its neighboring countries and third countries are more eager to produce and export cars which are suitable to our country's road and family status.

In Nepalese market, with price competitiveness on one side and competitive technical features on the other, Korean and Indian automobiles are also gradually claiming their stake in the Nepalese automobile market.

1.2 Focus of the Study

Market Potential Analysis is the focus of this study. The study will focus on the effectiveness of marketing practices of the automobile car. 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 gives the Total Market Potential Estimate.

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

1.3 Present Car Market Scenario

Presently, Car market in Nepal is characterized by intense competition among Japanese, Korean, Indian brands. Indian manufactured foreign brand cars are gaining popularity these days, especially in small car segment. Major car makers worldwide, which include Ford, Opel, Toyota, Honda, Hyundai, Mercedes Benz, Mitsubishi, etc., have started their joint venture production base in India. They are relatively cheaper than foreign manufactured car. Moreover, cars imported from India come under Duty Refund Procedure (DRP), thus bringing down the prices. Cars manufactured in India, like Tata Indica, Hyundai Santro, Maruti Zen/ Alto/ 800, Daewoo Matiz, etc, largely 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 4000 units Car/Jeep/Van have been registered in Nepal over the past 5 years, with 5152 units, 4374 units, and 4851 units registered in last consecutive 3 years.[3]

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[3] Department of Transport Management, *Press Release*, Ashwin 2060 B.S.

1.3 Company Profile of TATA Motors

Established in 2039 B.S., Sipradi Trading Pvt. Ltd. (STPL) is the sole authorized dealer of Tata Motors Ltd., India, for the Kingdom of Nepal. Tata Motors commenced manufacturing vehicles collaborating with Daimler Benz AG of Germany in the year 1954 A.D. Since then the company has never looked back. Instead, it has diversified its products and advanced beyond. In the year 1991, Tata Motors diversified into the Passenger Car market by introducing Tata Estate and Tata Sierra cars. Tata Motors has manufacturing bases at five cities.

STPL is a Soaltee Group Enterprise. Its range of products includes Passenger Cars in form of Tata Indica, Indigo, Sumo, and Safari to Commercial vehicles in form of Trucks, Buses, and Trailers of several capacities. Sipradi Trading Pvt. Ltd. has over 90% Market share in Medium & Heavy Commercial Vehicles segment, and is leader in Light Commercial vehicle segment.

In Passenger Cars segment, Sipradi Trading Pvt. Ltd. has already sold over 800 units Tata Indica Cars since its introduction in the market. Tata Sumo jeep has already established itself as a successful brand. Tata Indigo car is already in the market with a good prospect. About 2000 units' vehicles were sold by Sipradi in the year 2003/04. Looking at the vehicle sales trend, it is in increasing trend after democracy. Its range of products includes 5 ton mini-trucks to 40 ton capacity trucks; light pick-ups, commonly known as Tata mobile; Indica car to Safari jeep; 20 seater minibuses to 45 seater buses.

Table 1.1   Variety of products offered by Sipradi Trading Pvt. Ltd.

Segment	Products
Cars	Tata Indica, Tata Indigo
Jeeps	Tata Sumo victa,sumoSE4x4,Spacio Gold, Tata Safari, Tata Grande
Pick-up	Tata-mobile Single/Double cabin Tata 207 DI Single/Double cabin Tata ACE Single cabin
Buses	20 seat to 45 seat buses
Trucks	4-ton to 40-ton trucks

Headed by Executive Chairman, Mr. Siddhartha SJB Rana and CEO, Mr. Saurya SJB Rana, the organization structure is classical, hierarchical with chain of command. With the state-of-the-art Workshop at Naikap, and Sales office and Service facilities at all of the major cities from east to west, there is no other automobile dealership in Nepal that can match the Sipradi Trading dealership. Recently, Sipradi Trading Pvt. Ltd. has been awarded with the "Outstanding Sales Award" by TATA Motors.

Tata Motors Limited, being the manufacturer of Tata vehicles, is the principal company of Sipradi Trading Pvt. Ltd. Tata Motors manufactures and sells more than 2 lakhs units of vehicles a year - about 1 lakh commercial vehicles and other 1 lakh passenger cars. Those figures are increasing very rapidly, due to increased demand in domestic and international market.

Now, Tata Motors is the largest commercial vehicle manufacturer in India and ranks sixth worldwide. Similarly, Tata Motors is India's largest private sector company. It is a part of Tata Enterprises- the largest industrial group in India. With presence of a diverse range of businesses including automobiles, steel, information technology, telecommunication, energy, chemicals, hotels and consumer products, the Tata name is amongst the most well recognized and respected names in India today.[4]

Moreover, Tata Motors has been exporting its products since 1969 and currently exports about a tenth of its output. Export Market includes the Middle East, Africa, South Asia, and South East Asia as well as countries in Europe like Spain, UK, France, and the Netherlands.[5]

1.4 Company Profile of HYUNDAI Motor:

Hyundai Motor Company was founded in 1976AD. It is located in Seoul, South Korea. Chung Ju–Yung along with a few friends purchased land to erect the company in April 1946 AD. Those were the years when Korea was passing through turbulent times. It required a lot of courage, more than anything else, to the US army,

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[4] Telco field sales kit, *Automobile Business Unit*, Tata Motors Limited, 1998, pp. 1-5.
[5] Ibid., p.6

then stationed in Korea. The dedication of these visionary soon made him popular and within a year his repair workshop metamorphosed into a plant with almost 100 employees. Since then the company has manufactured and exported almost 7.8 million cars over 190 Countries. Hyundai motors from South incorporate advance safety engineering and is said to be powered by the new advanced Hyundai engine.

Hyundai Motor Company is the parent company of Hyundai Motor India Ltd. Hyundai motor India Ltd. is producing and selling various lines of cars along with "Santro" cars. Hyundai Motors has scaled numerous obstacles and overcame the odds to earn global recognition for the advanced technology and quality of its automobiles. What have made all the differences are the people of Hyundai Motor and their courage to dream the impossible dream. In just over three decades, Hyundai Motor has grown in the world's eighth largest automaker.

Never contented with achievement, the company is pressing ahead to achieve its goal of joining the ranks of the world's elite automakers the global top five-backed by its sophisticated R&D capabilities, state of the art production facilities at home and abroad plus aggressive market strategies. So as long as Hyundai Motor abides by its commitment to offer high quality products with advanced, environment friendly technologies and which are sold through a competitive global marketing network that takes full advantage of innovations in information technology. Hyundai Motors ambition is to become one of the global top five automakers.

Hyundai branded cars are manufactured by Hyundai Motor Company (HMC), Korea and Hyundai Motor India Limited (HMIL). Small Passenger cars are manufactured by HMIL whereas passenger cars, jeep, truck etc are manufactured by HMC. Hyundai vehicles are loaded with advanced engine with glamorous looks and availability of high-tech safety and comfort to the passengers.

Hyundai Motor Company, Korea and Hyundai Motor India Ltd. manufacture different passenger cars and are export in different parts of the world. Hyundai Motor India Ltd. only manufactures

"Santro" cars whereas Hyundai Motor Company, Korea manufactures various models. The vehicles that are imported on Nepal which are produced by these companies are given below:

Table 1.2   Variety of products offered by AVCO International Pvt. Ltd.

Hyundai Motor Company, Korea.	Hyundai Motor India Ltd
Hyundai Getz	*Santro 'XO'*
Hyundai Accent	*Santro 'XL'*
Hyundai Matrix	*Santro 'XL/AT'*
Hyundai Santa-Fe	*Santro 'XK'*
Hyundai Terracan	*Santro 'XS'*

[Source: Avco International Showroom]

In Nepal, many other competitions are also importing different brands of vehicles. To compete with them and to be present in each and every city of the country AVCO International Pvt. Ltd has appointed sub-dealers and agent in the different cities of Nepal. Till date more than 3400 Hyundai vehicles are running on the Nepalese road.

1.6   Statement of the Problem

In heavy commercial vehicles segment, Sipradi Trading is virtually the single most players. In light commercial vehicle segment, that includes mini bus and mini trucks there is a fair competition. With a lot of choices available in the market, there is a stiff competition in the car market. Car industry has seen phenomenal growth in last few years. World renowned foreign companies, like Hyundai, Opel, Ford etc. through their joint venture manufacture in India, are able to offer their product in Nepalese market at a very competitive price.

Now, for Sipradi Trading as a dealer of Tata cars, it should be able to know the Market potential that exist for its new car. It needs to know whether or not its car can really compete well with other competitive brands that have already established their position in the market. On the other hand, Avco International Pvt. Ltd. as a

dealer of Hyundai motor company and Hyundai motor India Ltd. should also compete with Tata motors and other foreign brands, launching its luxurious cars that can be affordable by the middle class family of Nepal. Thus, the study aims to describe the present status of car market and explore the Market potential of Tata and Hyundai. There are tremendous chances that they can grow their proportion in car market.

The research questions posed in this research are how much would be the demand for Tata and Hyundai cars? Whether or not both the brands can really compete well with each other and other brands as well?

The basic problem area of this study revolves around estimating Market Potential of cars in Nepal, with a focus on Tata and Hyundai cars for better market planning, positioning, and planning marketing activities.

1.7   Objectives of the Study

Essentially, the foremost objective of the study is to analyze & estimate market potential of Cars in Nepal, with a special focus on Tata and Hyundai cars. This is the prime and specific objective of the study. Besides, there are also some general objectives, secondary importance to the research study, the fulfillment of which leads to accomplishment of specific objective. So, the objectives, primary & secondary of the study are as hereunder-

1.   To estimate and analyze the market potentiality of cars in Nepal, especially at Kathmandu valley, based on perceptions of car customers regarding it, along with the sales performance.

2.   To study the present car market scenario in Nepal, with a special focus on mid-sized, affordable cars and different segment of cars.

3.   To calculate market potential figures using Survey approach.

4.   To study the trend of Sales of Tata and Hyundai cars in Nepal with a focus in Kathmandu valley.

5. To study customer's attitude towards Tata and Hyundai cars, relative to other brands.

1.8 Need of the Study:

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

1.9 Significance of the 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 medicines. 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 & 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 results of market potential analysis help to allocate marketing resources optimally. It also helps to define sales territories- the one with more potential demands more care, and on the basis of Market potential sales quotas are allocated to sales person and to each of company's sales territories.

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

Clearly, the result of this research study would benefit the marketers of both the brands i.e. Tata and Hyundai.

1.10 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% representative of the whole of the universe. Because all of the customers who are potential buyers of a car could not be identified to be related to specified occupation. The universe couldn't be accurately defined.

Moreover, Businessmen are the one 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 from small business entrepreneurs to industrialists.

1.11 Organization of the Study

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

1.0 Introduction

Introduction serves the purpose of Chapter one. This chapter starts with general background shedding lights on automobile development and its contributions, and proceeds through general profiling of Sipradi Trading Pvt. Ltd., Tata Motors Ltd., Hyundai Motor Company, Hyundai Motor India Ltd. and Avco International Pvt. Ltd. companies under study. Then it is followed by focus of the study, statement of the problem, objectives of the study, need of the study, significance of the study, limitations of the study and organization of the study.

2.0 Review of Literature

Review of literature forms the second chapter of the study. Whatever is written in text books regarding Market Potential analysis is mentioned here. It includes conceptual frame work of the study matter. It studies the marketing practices of Tata & Hyundai cars in Nepal. Besides, previous theses and project works related to the subject matter of the study is briefly reviewed. Also, some related articles in journals, newsletters, bulletins are reviewed.

3.0 Research Methodology

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

4.0 Data Analysis and Presentation

Fourth chapter is a comprehensive one, as all collected data are presented and analyzed in a logical manner. It contains description of present car market scenario, analysis of sales of Tata and Hyundai cars, Customer survey analysis etc., including calculation of Market potential using survey data.

5.0 Summary, Conclusion, and Recommendation

Summary, conclusion and recommendation are the last chapter. It is based on the analysis of data & the study performed in previous chapters.

CHAPTER 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 are done. In addition to that, review of articles that are published in magazines, newsletters etc. are also done. So, this chapter basically contains following sections -

1. Conceptual Review
2. Review of Related Studies
3. Review of Articles

2.1 Conceptual Review

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

2.1.1 Fundamentals of Marketing

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

A company operating under the marketing concept takes its principal direction from the market place, i.e. from its knowledge and understanding of its customers' needs, wants, and desires. This

becomes, then, the main basis for organizing operations, not only marketing, but production, finance, and other organizational units are geared towards satisfying customers' 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.[6] That is the reason why we say marketing is nothing but is all about 4Ps, namely 'Product', 'Place', 'Price', and 'Promotion'.

John B. McKotterick, in his quest for Marketing Concept puts it this way:

"The *Marketing Concept* holds that the key to achieving organizational goals consists in determining the needs and wants of target markets and delivering the desired satisfactions more effectively and efficiently than competitors."[7]

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".[8]

The above definition outlines 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

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[6] Edward W. Cundiff, Richard R. Still, Norman A.P. Govoni, *Fundamentals of Modern Marketing*, 3rd ed. (Eaglewood Cliffs, N.J.: Prentice-Hall, 1980), pp. 4-5.

[7] John B. McKitterick, 'What is the Marketing Management concept?' *The Frontiers of Marketing Thought and Action* (Chicago: American Marketing Association, 1957), pp. 71-82.

[8] Philip Kotler, *Marketing Management*, 6th ed. (Eaglewood Cliffs, N.J.: Prentice-Hall, 1988), p. 3.

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 individual and organizational objectives*."This definition again outlines the core marketing concepts - *Planning, implementation, and control; ideas, goods, and services; exchanges; satisfaction etc.* The definition also highlights the concept of 4Ps.

Marketing Management has the task of influencing the level, timing, and composition of demand in a way that will help organization achieve its objectives. Marketing managers cope with this task by carrying out Marketing research, planning, implementation, and control. Within marketing planning, marketers must make decisions on *target markets, market positioning, product development, and pricing, channels of distribution, physical distribution, communication, and promotion*.[9]

Marketing Management relies heavily on research. Such research which help in setting Marketing policies, in planning marketing operations, and in controlling marketing operations and functioning of the sales units, is generally termed as *'Marketing Research'*.

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

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

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[9]Ibid, pp. 11-12.

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.[10]

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

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[10]Ibid, pp. 66-68.

their markets, and their share of markets. And approximately three fourths of the consumer products companies and more than half 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.[11]

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

Current Demand Estimate involves estimating Total Market Potential, Area Market Potential, and Total Industry Sales and Market Share, while ***Future Demand Estimate*** is basically a Sales Forecast. The design of marketing mix is based on estimates of current market demand. The current market demand is estimated by the - Total market potential estimate, Area market potential estimate, & company market share estimate.[12]

Total Market potential Estimate: It 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

[11] Dik W. Twedt, *Survey of Marketing Research* (Chicago: American Marketing Association, 1983), pp. 41-44.
[12] Dr. Govind Ram Agrawal, *Marketing Management in Nepal* (Kathmandu: M. K. Publishers & Distributors, 2002) p. 45-46.

multiplied by average purchase quantity, and which again multiplied by price gives the Total Market Potential Estimate.

Total Market Potential =
No. of Potential Buyers x Average Quantity Purchased x 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 expenditures to different territories having different Sales Potentials. In such a case, Area Market 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 is 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 level of Industry Marketing expenditure would yield higher levels of demand. However, marketing expenditure beyond a certain level would not stimulate much further demand, thus suggesting an upper limit to a level of demand, which can be termed as Market Potential. Thus, Market Potential is the limit approached by market demand as industry marketing expenditures approach infinity for a given marketing environment. Market Potential depends upon the marketing environment. Potentials vary during times of recession & prosperity. So, the total market potential is the maximum limit of sales of a product or services in a specified

time period under the specific level of industry's combined marketing efforts within the specified marketing environment.[13]

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 or 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.*[14]

2.1.5 Market Potential Analysis

Conducting Market Research and Analysis is one of the main components of a marketing plan. Marketing Research includes 'Market Potential Analysis', 'Market Share Analysis', 'Sales Analysis', & 'Sales Forecasting'. Market Potential Analysis is a major activity under Marketing Research.

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[13] Ibid, pp. 45-46.
[14] Downloaded from *http://www.uwa.com*, Urban Wallace Associates, 2003.

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.

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

Another school of thought says, Market Research and Analysis consist of following components:

A. Economic Trend Analysis

B. Political and Social Analysis

C. Product and Service Analysis

D. Customer Analysis

E. Market Potential Analysis

F. Competitive Analysis

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

support market potential data and to make the best prediction of annual sales.

Estimating what percentage of total market sales your company might capture from the competition is very important. Every source possible is used in 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 fluctuations. Sales increase projections for additional years may be estimated by multiplying sales by a reasonable percentage such as the Gross National Product (GNP) or other economic activity indicator.[15]

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-Erickson, to prepare advertising for a line expansion that includes a $120,000 "Super Car".

The company plans to launch its $120,000 "Super Car," a direct competitor to the Italian-made Ferrari Testarossa, in 1990 or 1991. Lotus plans to build 200 to 250 of the cars a year.

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

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

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[15]Downloaded from *http://www.learnthat.com*, 2003.

According to Mr. Frederick's estimation, there are 10,000 to 20,000 persons in the U.S. who can afford and would be interested in owning one of the Lotus models. [16]

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 Quotas

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 potentials is to focus attention on the relative worth of individual markets. No firms should, however, rely completely on such rankings as basis for allocating 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

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[16] Based on Patricia Storad, "Lotus to add new models," *Advertising Age*, April 27, 1987, p.31, presented in Harper W. Boyd Jr. et.al., *Marketing Research*, 7th ed. (Homewood, IL.: Richard D. Irwin, 2001), p. 761

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 than in an area with less potential.

Sales quotas set in light of sales potentials furnish a much better basis for measuring the efficiency of sales representatives than do the quotas set by the old rule of thumb. If two sales representatives turn in the same annual sales volume, they are usually paid about the same and are held in equal esteem by the sales manager. If market analysis shows that sales representative, A has a territory with far less potential then sales representative B, the sales manager may wonder if representative A may not actually be superior. A shift of the two might lead to an improvement in 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 stimulates the best effort by the salesman. Since salesman varies in personal reactions to the challenge 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 is, 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. [17]

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 is broken down into 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 each territory.

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[17] Harper W. Boyd Jr. et.al, *Marketing Research*, 7th ed. (Homewood, IL: Richard D. Irwin, 2001), p. 765.

The following illustration gives the example of this method-

Table 2.1 Illustration of use of Direct Data Method

Company Sales Territory	Total Industry Sales Volume (Rs '000)	Percent Of Nepal	Company Potential (in Rupees)	Actual Company Sale (in Rupees)
1	100	13	12,500	10,000
2	200	25	25,000	20,000
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**

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 & 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 principal advantage of using total industry sales to measure market potential is that actual results (sales) are being used. The method is straight-forward and doesn't require as much clerical work as do some of the other methods.

However, several limitations prevent this method from being used by more firms. First of all, there are a few commodities on which total sales are available. Another 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 absence of direct data on the sales of individual products by desired geographical

areas, the manager must turn to corollary data. Lastly, this method requires a pre-estimated Total Country Market Potential.

B. Corollary Data Method:

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 a second series of data (such as no. of employed persons), the distribution of second series by market area may be used to indicate the distribution of the first series in the same market areas.

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

*Single Factor Index***es** 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 Hyundai cars can be used as an index of the potential for sales of Hyundai parts (cars).

Factors other than sales of related products are also used in the corollary data, single-factor method. For example, Population & 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 potentials for industrial products use the number of production workers in the target industries to measure the potential of different areas. Discretionary Income is a general index often used

to measure potential for luxury goods like Cars. Whatever is the case, 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 organizations, frequently publishers, as indexes of market potential for consumer products in general.

Special multiple factor indexes are designed to measure the relative potentials of different markets for a particular product. Such indexes have the advantage of taking into account several factors that 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 cannot be proven

Let us assume, potential buyers for Hyundai 'Getz' cars may be identified as people-

Age: 30-50 years old.

Status: Professionals/Doctors/Engineers/Businessmen.

Annual incomes higher than 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 25,000 professional men aged 30-50 would have zero potential for Tata Indigo if none of them had incomes of more than 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 larger 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 recommend 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 classified on the basis of SIC system.[18] 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; forestry and fisheries; mining; construction; manufacturing; transportation; communication; electricity; wholesale and retail trade; finance; insurance; services; and government. All manufacturing establishments are combined into about 20 major groups, sub groups, and industries.

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

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[18] Central Beureau of Statistics, *Statistical Pocket Book*, National Planning Commission Secreteriat, HMG/N, 2001.

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 conceivably 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 expenditures 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 than for industrial goods. Buying intention studies are typically limited to major purchase item for obvious reasons. However, the procedure for estimating market potentials for consumer goods using the survey method is essentially the same as for industrial goods. [19]

2.2 Review of Related Studies

This section 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 Theses

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:

⌡ Mr. Suresh Malla Conducted a research study entitled, *A Study on Market Potentials of Chevrolet AVEO in Kathmandu* [20] with the objectives of:

1. To find out and analyze the market potential of cars in Kathmandu valley with a special focus on mid- sized, affordable cars, commonly known as C- segment.
2. To analyze market potentiality of Chevrolet AVEO.
3. To find out customer's attitude towards toward Chevrolet AVEO.
4. To suggest and recommend for the improvement to all concerned parties on the basis of finding and customers' base on this study.

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[19]Harper W. Boyd, Ralph Westfall, Stanley F. Stasch, opcit, pp. 761-774.

[20] Suresh Malla, (2006), *A Study on Market Potential of Chevrolet AVEO in Kathmandu*, Unpublished Master's Thesis, MBS, Nepal Commerce Campus.

<u>Malla's findings were</u>:

⌡In Kathmandu valley, total registration of car, van, jeep, is in increasing trend every year. But sales for the last few years are affected adversely by political insatiability and Maoist insurgency.

⌡Sales of car, van, jeep is Bagmati zone is comparatively high than others.

⌡By analyzing last two months sales of AVEO, researcher found that AVEO has been able to grab large part of market share which shows that market potential of vehicles is very positive.

⌡By doing survey on most preferred car by customers in Kathmandu valley in terms of its features, researcher found AVEO got highest rating which proves it to most like cars in C- segment.

⌡By analyzing rating of various attributes of cars by respondents, researcher found that customers give most priority to availability of spare parts followed by safety and fuel efficiency.

⌡By doing analysis on most potential customers researcher found that business man are the most potential customers in Kathmandu valley for Chevrolet AVEO.

⌡By going through price of all competing C-segment cars, researcher found that Chevrolet AVEO is priced average on C-segment category with highest being Toyota Yaris.

⌡By SWOT analysis of Chevrolet AVEO, researcher found that brand awareness and trust of the customers towards General Motors products are biggest strength of the vehicles whereas high price can be considered against weakness. Opportunity of AVEO is there are many customers favoring product of GM. whereas intense competition from other imported cars can be taken as big threat.

<u>Malla's Study on: Passenger Car Market Share Analysis</u>.

Maruti was a market leader with 36 percent market share in 2061/62. Its market went up to 39 in 2062/63. Interestingly, the market share rose up to 3 percent even of growing competition. The reason for the growing market of Maruti brand can be Maruti 800 which is sole leader for the taxi which was also geared by the government decision to replace black tempos with Maruti 800.

Similarly, Hyundai has remained in second position for the both 1 a row with 24 percent and 26 percents for the year 2061/62 and 2062/63 respectively. It is 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 deal company has also time and again done and aggressive marketing.

AVCO International Pvt .Ltd. sole authorized dealer of Hyundai Santro has been pursuing varieties of promotional programs to attain and retain its customers, providing Dashain offer, exchange fare, cash discount etc.

Table 2.2: Passenger Car Market Share Analysis in Kathmandu.

Brand Name	Units sold in fiscal year 61/62	Market share in percentage	Units sold for fiscal year 62/63	Market share in percentage
Proton	35	2%	39	2%
KIA	278	14%	236	11%
Hyundai	502	24%	515	26%
Perodua	39	2%	30	1%
Nissan	56	3%	39	2%
Maruti	753	36%	804	39%
Suzuki	76	4%	46	2%
Tata	107	5%	129	6%
Toyota	31	2%	51	2%
Opel	76	4%	82	4%
Chevrolet	7	0%	8	0%
Others	88	4%	110	5%

⌡ A study on "Consumers' Behavior towards Buying Cars in Kathmandu Valley" revealed that the consumer behavior is the most important psychological and physiological aspect, which influences their buying decision. [21] The logic just mentioned defines the fact that the success and failure of any business firm entirely depends on consumers' reaction to its offerings of a product or services to that product. It is therefore essential for marketers or manufactures to understand the consumer buying behavior as far it is possible. Understanding consumer behavior itself is a complex task, it requires continuous efforts of investigation and exploration of consumer, customer's response and suggestion. However such practices are rare in Nepal. The study, therefore, focuses on market

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[21] Mukesh Batagoo, (2007), *Consumer's Behavior Towards Buying Cars in Kathmandu Valley*, an unpublished Master's Degree, Thesis Nepal Commerce Campus, Min Bhaban T.U.

segmentation of car market, understanding the factors influencing the consumer's buying decision, buying process and their awareness level.

According to researcher's conclusion, consumers in Kathmandu valley show mixed behavior due to their economic status, education, professional life, brand awareness etc. The Kathmandu valley is growing rapidly, and so car market is also growing rapidly. Consequently, car selling has become complex, competitive and challenging. To survive in such a changing and intense competitive business environment, the marketers have no option rather than understanding buyer's behavior and implementing strategy as per requirement.

Researcher has tried to find out the major market segmentations, factors influencing car buying decisions, buying process and brand awareness of customer's of Kathmandu valley.

An interesting fact to note of the total vehicles registered throughout the country, over two thirds are in Bagmati Zone and more than 52 percent vehicles are in Kathmandu valley alone. This makes study relevant nationwide.

Researcher also cleared that there are different customer groups of car buyers, they have different decision process, and they are influenced by different factors and features during car buying. The important market segments, important features of Kathmandu valley. They are now more informative and analytical in Kathmandu valley. They are brand aware and more or less satisfied.

Researcher recommended that it could be helpful for developing: specific marketing campaign targeting specific market segment, identify popular features and factors that customers of Kathmandu valley for specific brand of vehicles. New exclusive study could be started to find out the level of: brand awareness, customer's satisfaction and effectiveness of promotional effects.

⌡ A study on Advertising & 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 & promotion to promote their business, and every automobile dealer is coming out with competitive promotional schemes, that includes financing schemes at lowest interest rates.[22]

The basic objective of the study was to evaluate effectiveness of advertising & sales promotion for attaining and retaining the market, 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 interview. Promotional activities planned and implemented by AVCO international (Hyundai motor dealer for Nepal) was analyzed. Lastly, the researcher recommends bringing out advertising and promotional scheme regularly.

2.2.2 Review of Project Reports

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 such studies, in precision, done by the researchers in form of Project work.

ʃ 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.[23] The study had the basic objective of developing 'Market Strategy for Tata Mint'. The name was later changed to 'Tata Indica'. The efforts of the researchers, on this regard, are worth praising.

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[22] Rita Rai, *A study on Advertising and Sales Promotion of Cars in Nepal; with reference to Hyundai Santro*, an unpublished Master's Degree Thesis, Shanker Dev Campus, Tribhuvan University, 2003.

[23] Kavita Sharma, Pravin T.Lama, Sandeep Kedia, Sarjesh Rajbhandari, *A Marketing Strategy for Tata Mint*, an unpublished Master's Degree Project Report, School of Management, Kathmandu University, 1998.

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

The researchers also made an analysis of the competition of the Tata brands with other available brands, including Hyundai brands as well. Some of which had been already established in the market. Researchers have also estimated market for Tata brands in the years to come. Besides that, researchers also have done SWOT (Strength, Weakness, Opportunity, and Threat) analysis, for the product. Marketing plans have also been proposed like advertising plans, new showroom plan etc.

Major findings of the research are-

1. There is a shifting 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 in India, also a shift from big cars to small cars due to ever increasing traffic congestion, increase in no. of nuclear families. Customers also considering an easy and cheap availability 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 Tata brands have.

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

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

6. SWOT analysis revealed that Tata brands like Tata Indica & Tata Indigo being a diesel car are low priced. Indian car has good strength, plenty of 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 a 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 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.[24] The objective 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 cars 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 6-8 lakhs to purchase a car. Of rest 44%, 41% were willing to spend 8-10 lakhs. Tata Indica (Diesel) at the time was priced at 7.25 lakhs. This showed a good prospects and Potential for Tata Indica. Approximately, two-third of the responses favored diesel engine 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

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[24] Gayatri Basnet, *A Report on Marketing Strategy of Tata Indica*, an unpublished Master's Degree Project work, Campion College, Tribhuvan University, 2002.

in the market targeting a particular segment 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.

ﾉ 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.[25] 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 consumer behavior. For that, interviews and observation were carried out. Target groups are identified with a geographical 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 INGO/NGOs, Industries, and lastly Individuals.

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.

ﾉ An issue of customer newsletter, published by Tata Engineering (Manufacturer of Tata vehicles) states that Tata Engineering named its latest entrant in the Passenger car segment, the 'Indigo' – The car that is set to create waves in the 'C' segment.[26] It is written that the car was unveiled in Delhi, at

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[25] R. Bhatta, *A Market Study of Toyota Vehicles*, an unpublished Master's Degree Project Report, School of Management, Kathmandu University, 1994.

[26] "Way to go – Indigo", O.K. Tata, *Customer Newsletter*, September 2002.

the auto expo, in the early 2002. The name is in keeping with the sentiment that India is rating to 'Go' and dazzle the world.

⌡ Looking at the recent trends in Automobile business, there is an increasing trend of Nepal's import of vehicles and spare parts.[27] Nepal's import of Vehicles and spare parts totaled about 4.5 billion in the year 1998/99. 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 Vaidhya, 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

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[27] Madan Lamsal, "Auto Trends," *Business Age*, October 2000, pp. 18-25.

line is that customers strongly consider 'economy' before making a purchase decision.[28]

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 Tata 'Indigo' is considerable.

∫ The influx of Korean Vehicles in Nepal is changing the contours of the domestic auto market. [29] Luxury car markets are expensive and cheap car are not luxuries. That's the way it has been. But the fast growing Asian manufactures of low priced vehicles are breaking this fight compartmentalization around the world and through Nepalese auto market is small. The speedy growth of Korean auto giants have also compelled other global manufactures including Indian vehicles manufactures to offer new choices to buyers which certainly is an advantages to customers.

∫ On the basis of Himalayan news service, although Nepal's economy is progressing slowly, Nepalese car marker has been continuously widening scope in terms of brand expansion and launch of new model. The completion has been cut throat. Japanese, Korean and Indian cars have their own strong holders in different segments and categories for decades, through the market seize is relatively small, cars makers from other countries are eyeing to push their product in Nepal. Malaysian car made their debut a few years ago. Today, two major Malaysian car manufactures have their product in Nepal. Within a short span of rolling in, the Malaysian cars have won the hearts of its 515 plus customer. [30]

∫ On the basis of Himalayan News Service, the auto market in Nepal has witnessed a phenomenal growth over the last decade,

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[28] "Car Tips," *Business Age*, October 2002, p.29

[29]"Auto Page Korean Vehicles in Nepal, *The Himalayan Times*, May 27,2005,p.8
[30] *The Himalayan Times*, Nepal auto show 2005 June 17 2005 p8

despite many economical hindrances. Dominated by Japanese and Indian models early 90's, the competition escalated with the influx of Korean cars in the domestic market in mid 90's. Competition became very tough and sale of vehicles sky-rocked when financial institutes started offering auto loans on easy installments and low interest rate @7 – 9 percent. The auto loans increased accessibility of the middle class to own automobiles. Today, if someone has steady income source of about 25000 per month a car is no longer dream.

Today, more than 80 percent of vehicles are being sold under finance scheme. It is not that people do not have buying capacities but with easy availability of vehicles, people can invest the same money in some other business.

Though financial scheme from commercial banks have helped expand sales in urban areas, a lack of attention to rural areas has kept the sales of multi- utility vehicles low.

) Nepal's budget has just crossed the 100 billion mark but the value of imports of motor vehicles & spare parts have reached 7 billion a year, writes Bijay B. Khatry.[31]

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. Indian 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

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[31] Bijay Babu Khatry, "Vehicle market booms*, *Nepal Monthly*, Chaitra 2058 B.S., pp. 16-31.

motor cars. Due to several reasons, whole economy is sliding downside, but automobile sale is not affected much.

Table2.3 Import situation of vehicles & spare parts annually

Year	From India	From overseas
2003/04	15886	14846
2004/05	21411	19019
2005/06	30224	15228
2006/07	26957	25322
2007/08	45438	21630
2008/09	48317	23205

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 a jeep worth 25 Lakhs or a car worth about 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 particular, attesting the expansion of a sector of the society that can absorb the rising costs of vehicles and increased tax levies on automobile sector.[32]

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 import duty forces consumers to pay a very high price for vehicles they purchase.

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[32] "Phenomenal Growth of Automobile Industry," *The Himalayan Times Daily,* 25 August 2003, p.5.

CHAPTER 3

Research Methodology

This section describes the research procedure. The research procedure includes overall research design, the sampling procedure (describing sample and population), and the data collection method (i.e. how and by what means and from where data were collected). Besides, this section also highlights data analysis tools and procedure. Methodology followed for this research is not free from certain limitations, which would be included here. Last but not the least, a quick review of related studies is also included in this section.

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 relationships 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 particular 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 the 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 the 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.

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 administered to the prospects and response duly filled by them. Prospects would be the ones who turn out in the showroom for a sales enquiry and bookings. Customer's attitude towards different brands of car and towards Tata and Hyundai would clearly be reflected in the questionnaire. Purchase behavior shown by potential buyers of a car is also reflected in the questionnaire.

3.5 Data Analysis 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.

3.7   Review of Related studies

Study of all relevant literature is done, which includes previous theses, project works, journals, magazines, newsletter etc.

Review of two 'theses' is done. One of them is regarding Market potential Analysis of Chevrolet AVEO in Kathmandu, and another is Consumer's Behavior towards buying Cars in Kathmandu valley.

Similarly, review of three 'project works' are presented. Two of them are regarding market study of Tata mint and Tata Indica. And one of them is regarding Market study of Toyota vehicles (United Traders Syndicate Pvt.Ltd.). Lastly, review of relevant articles published in newspapers, newsletters of Tata and Hyundai motors, business magazines, The Himalayan Times etc. were also included.

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 4,000 units Car/Jeep/Van have been registered in Nepal over the last 5 years (in the Table), with 5,152 units and 4374 units registered in last 2 years. The same number was just over 2,000 units in 1991/92. The department has put Car, Jeep, and Van under same category. However, it is assumed that 60% of that is registered as car alone. That means an average of around 2,500 units of cars are registered each year in recent times.

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

Year	Till 1995/96	96/97	97/98	98/99	99/00	00/01	01/02	02/03	03/04	04/05	05/06	06/07	07/08	08/09
Units	23050	1893	2115	2266	3049	3043	5261	2993	4139	2507	3647	5152	4374	4851

[Source: Department of Transport Management]

Analysis of Time series of registration of Car/Jeep/Van in Nepal from 1996 A.D. to 2007 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) or 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 the 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.
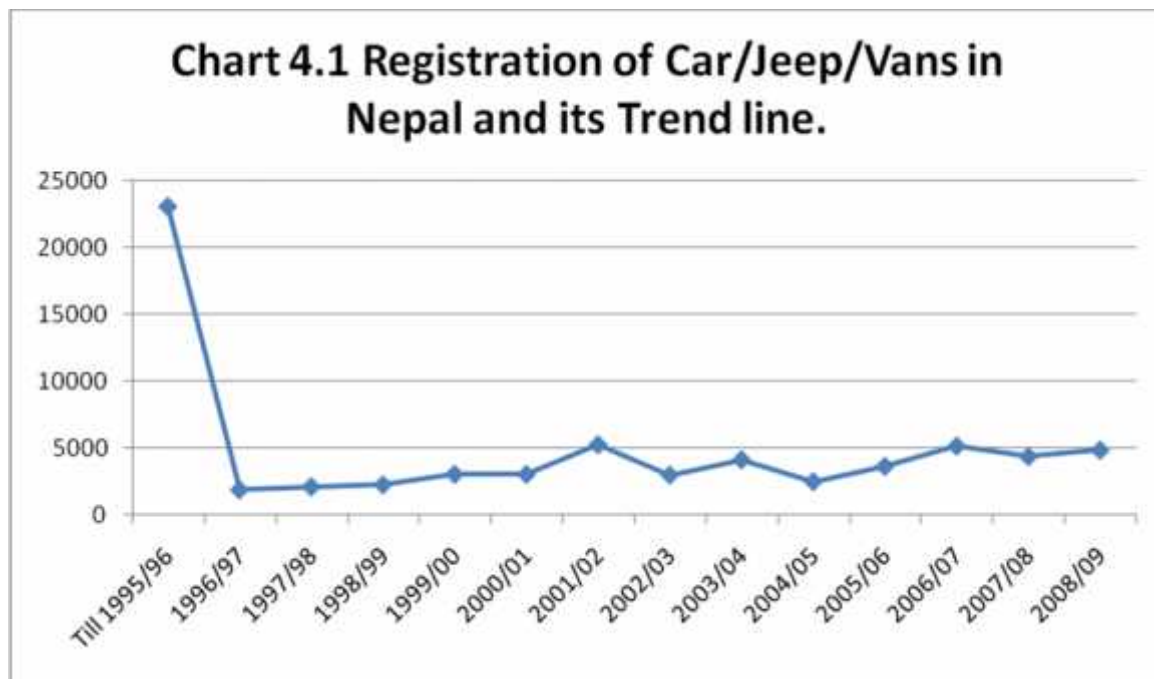
Similarly, registration data specific to Kathmandu valley reveal that a total of over 30,000 units of Car/Jeep/Vans are registered in Kathmandu (Bagmati Zone). That means, an average of 3,000 units of Car/Jeep/Vans are registered and hence sold in Kathmandu Valley. From another angle, the number of vehicle registered has more than doubled in the last 10 years. Till 2054/55, it was only 20,748 units. The same figure after a decade

in 2060/61 is 51,541 units. The most significant fact is the figure for last fiscal year 2064/65 (2007/08). In that very single year, the total registration number is record breaking high, i.e. 6180 units, followed by 2177 units in 2008/09.

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 people at Kathmandu valley is definitely higher than those of outside. People's life styles have changed a lot.

Table 4.2 Registration of Car/Jeep/Van in Kathmandu Valley for past 12 years

Nepali Year	English Year	Units
Till 2054/55	Till 1997/98	20748
2055/56	1998/99	2240
2056/57	1999/00	22248
2057/58	2000/01	27153
2058/59	2001/02	28915
2059/60	2002/03	30919
2060/61	2003/04	35993
2061/62	2004/05	40674
2062/63	2005/06	43409
2063/64	2006/07	45361
2064/65	2007/08	51541
2065/66	2008/09	53718

[*Source: Department 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 (EMI)' are as low as 10,000 per month (depending upon number of years).

Moreover, cars have become very cheaper than ever. So, anybody who is a professional having monthly income of above 25,000 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 43,409 units Car/Jeep/Van are registered in Bagmati Zone alone, the total number of all Nepal being 63489 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 all Nepal 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 (Car/Jeep/Van)/ as record date of 2062/2063

Zone	Mechi	Koshi	Sagarmatha	Janak pur	Bagmati	Gandaki
Units	566	3095	424	544	43409	3844

Zone	Narayani	Lumbini	Rapti	Bheri	Seti	Mahakali
Units	7950	2232	224	734	236	231

[*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/Van is registered. Narayani, Gandaki, Koshi, Lumbini are the only other zones where

significant number of Car/Jeep/Vans are registered. So, the *areas in these zones are very good potential markets for* Tata & Hyundai Vehicles. Seti, Mahakali, Rapti are the least potential markets for them. 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 2063/64)	Percentage
Bagmati	43409	68%
Mechi	566	1%
Lumbini	2232	4%
Koshi	3095	5%
Gandaki	3844	6%
Janakpur	544	1%
Sagarmatha	424	1%
Seti	236	0%
Mahakali	231	0%
Rapti	224	0%
Bheri	734	1%
Narayani	7950	13%
Total	**63489**	**100%**

[Source: Department of Transport Management]

4.1.2 Passenger Car Market Share Analysis

As shown in following charts, one thing is quite significant. That is, Maruti was a market leader with 57% market share in 2004/05. In the

Following year as competition grew, its market share went down and down to 46% in 2005/06, and 35% in 2006/07. Interestingly, the market share again rose up abruptly to 67%. The reason for the boom was government's decision to replace 2-stroke old tempos with taxis. It was Maruti 800 which was a sole claimer for the taxis.

Similarly, Hyundai has remained in second position for 4 years in a row, with 17% market share in 2007/08. In 2008/09, it maintains its record. 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 pursuing 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 discounts etc.

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.[33]

Tata has maintained its 3ʳᵈ position in terms of the market share except in 2006/07. That is a very healthy position. That position can be attributed to Tata Indica. Now, with the introduction of Tata Indigo, Sipradi Trading is optimistic that it will soon go one step ahead to 2ⁿᵈ position.

Chart 4.2   Passenger Car Market Share 2008/09

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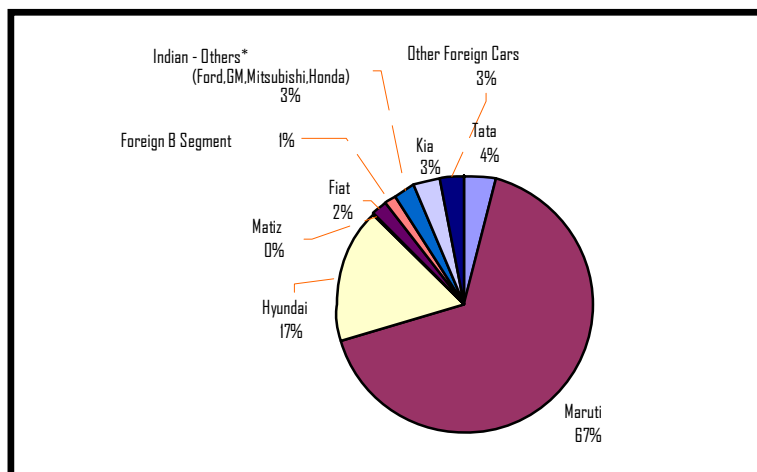
[33] Rita Rai, *A study on Advertising and Sales Promotion of Cars in Nepal; with reference to Hyundai Santro*, an unpublished Master's Degree Thesis, Shanker Dev Campus, Tribhuvan University, 2003, pp. 70-77

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 category for the purpose of study. Moreover, marketers have categorized big cars into segments, based on Luxury, Prices, & 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 8 lakhs are under this segment. For example-Maruti 800, and Maruti Omni. These are the cheapest cars available so far in Nepal. A total of 1632 unit's cars of the class were sold over the past 3 years. Market position of this segment cars are shown below-

Table 4.5 Comparative Sales and Market share of A-segment cars

Year	2006/07		2007/08		2008/2009	
Model	*Sales (Units)*	*Market Share*	*Sales (Units)*	*Market Share*	*Sales (Units)*	*Market Share*
Maruti 800	*291*	*74%*	*697*	*80%*	*470*	*81%*
Omni Van	*104*	*26%*	*165*	*20%*	*111*	*19%*

NB: market Share vs. Car Industry
Source: Car Dealers' showrooms

B-segment

This segment covers the vast variety of cars. However, there is an intense competition among Tata Indica, Hyundai Santro, & Maruti Alto/Zen/Wagon-R. Most of the Hatchback, small cars come under this category. And most of them are Indian manufactured ones. They are relatively cheaper. The price ranges from 9-13 lakhs. 2876 units of this segment car were sold over the past 3 years. Some of them are –

Table 4.6 Comparative Sales (units) & Market share of B-segment cars

Year / Model	2006/07 Sales (Units)	2006/07 Market Share	2007/08 Sales (Units)	2007/08 Market Share	2008/09 Sales (Units)	2008/09 Market Share
Tata Indica	192	17%	254	25%	160	17%
Maruti Zen	238	21%	62	6%	40	5%
Maruti Alto	147	13%	235	24%	106	11%
Maruti WagonR	42	4%	49	5%	7	1%
Hyundai Santro	360	32%	290	29%	438	47%
Daewoo Matiz	60	5%	45	5%	32	3%
Fiat Uno	16	1%	2	0%	71	8%
Dai'tsu Cuore	25	2%	23	2%	47	5%
Matiz(Korean)	48	4%	15	2%	16	2%
Perodua	10	1%	25	3%	12	12%
Total	**1138**	**100%**	**1000**	**100%**	**929**	**100%**

[Source: Car Dealers' showrooms]

C-segment

Cars with price ranging from 15 lakhs to 20 lakhs are under this segment. Honda, Kia, Opel, Ford are the winners in this segment in terms of sales. They are sedan type mid-sized cars. This segment registered a sale of 172 units in the year 2008/09. Cars under this segment includes –

Table 4.7 Comparative Sales and Market share of C-segment cars

Year / Model	2008/09 Sales	2008/09 Mkt. Share
Maruti Essteem	10	8%
Hyundai Accent	21	15%
Ford Ikon	32	18%
GM Opel Corsa	9	7%
Honda City	34	20%
Kia Rio/Wagon	55	32%
Toyota Soluna	11	9%
Total	**172**	**100%**

D-segment

All imported, expensive 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 *Corolla*   Skoda *Octavia*
Toyota *Echo*   Peugeot (France)
Toyota *Tusso*   Daihatsu *Terios*
Toyota *Celica*   Honda Civic/Accord
Toyota *Vitz*   Mercedes Benz
Toyota *Camary*   Suzuki *Liana*
Nissan *March/ Sunny*   Proton *Wira*
Nissan *Primera*   Jaguar
Samsung   Mitsubishi *Lancer*

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 includes foreign joint-venture manufactures. Automobile giants worldwide, such as Toyota, Honda, Daimler Chrysler (Mercedes Benz), Mitsubishi motors, Suzuki, General Motor Company, Ford Motor Company, Hyundai, Daewoo have already have manufacturing base in India.

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

Table 4.8 Segmentation of cars on the basis of country of origin

NATIVITY	MODELS
Japanese	Toyota, Suzuki, Honda, Mazda, Nissan, Daihatsu, Mitsubishi etc.
German	Volkswagen, Mercedes, BMW etc.
Korean	Hyundai, Kia, Daewoo etc.
American	Opel, Ford etc.
Indian	Tata, maruti, Hindustan Motors, and foreign joint-venture manufacture, like Hyundai, Daewoo, Toyota, Mitsubishi, Honda etc.

[Source: Car Dealers' showrooms]

Segmentation of Cars on the basis of Size

Cars we see 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. Recently, 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 –

Hatchback

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

Example: *Tata Indica, Hyundai santro, Daewoo Matiz, Maruti Alto/Zen, Perodua, Daihatsu Cuore, Fiat Palio etc.*

Sedan

Bigger cars with 3-box, i.e. cars with distinct front, rear, & 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 Indigo, Toyota Corolla/Echo, Hyundai Accent/Sonata/Matrix, Honda City/Civic/accord, Opel Corsa/Astra, Ford Ikon, Kia Rio, Fiat Sienna, Mitsubishi Lancer etc.*

Station Wagon

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

Example: Tata *Estate, Kia Wagon, Volkswagen etc.*

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. 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 20% market share and 34 units. Ford Ikon has also increased its market share from 13% in 2006/07 to 18% in 2007/08. Maruti Esteem and Hyundai Accent are other two losers.

Chart 4.7 shows that Kia has a huge share of the pie. Kia Rio/Wagon/Sephia/Shuma share over 40% market share of the C-segment car market for the year 2007/08. And Maruti Esteem and Honda City have a very nominal share. Tata Indigo 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. That sort of sales pattern actually reflects the seasonal demand of Car, i.e. festival season. That may also be a result of Dashain-Tihar schemes introduced by Sipradi Trading Pvt. Ltd. for boosting its sales.

Kathmandu valley is the single most major market in Nepal. It covers ¾ total market of Nepal. So, there is maximum number of possibilities of sale at Kathmandu Valley.

4.2 Competitor analysis

Looking at the sales records of last year in this segment, Kia Rio is the most strong competitor, followed by Honda City, Ford Ikon, Hyundai Accent then by Toyota Saluna, Maruti Esteem, Opel Astra, and so on in that order. Relative Sales and Market share of the above models is already mentioned earlier.

Maruti Esteem has been in the market for over 5-year, but has not been so successful so far. Opel Corsa also has been in the market for some time, and it is able to take a good share of market with about 50 unit's sale in 2005/06 and 23 units in 2006/07. Kia Rio is gradually taking a strong position in this segment. Being foreign car with cheapest price, it is just eating up the market. 63 units of it were sold last year. The same figure has been crossed in the first 4 months of the current year. Ford Ikon also seems quite promising. It is also available at cheaper price. So, Ford Ikon and Kia Rio are the biggest threat as a competitor to Tata & Hyundai in this segment.

An analysis of strength and weakness of the above models helps understand the strength and weakness of Tata & Hyundai Vehicles. For Tata motors, Indica and Indigo both could be the supportive one as they are available in both petrol & diesel engines. And in other, only Fiat Sienna and Ford Ikon are available in Diesel. However, the latter in Diesel version is expensive and sluggish. Hyundai Accent comes with rich looks, luxurious and spacious interiors at a competitive price. Hyundai Accent is also backed with superb after sales service.

Maruti Esteem is an entry-level mid-sizer. It enjoys the best service network in the country. Another advantage is that it has 1.3 litre; 85 bhp engines which make 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 *Corsa* are good. As a result, it has attracted many customers. However, the unattractive rear end styling and the interior space, perceived as insufficient, has turned some customers away.[34]

4.2.1 Comparative study of prevailing Prices

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

Only Maruti, Fiat, Ford, & Tata have basic models with A/C. As a basic model, Maruti Esteem is the cheapest one. Semi-option category has Air conditioner and Power steering. There are altogether 13 models available with this option. Kia Rio wagon is the cheapest one, which is available unbelievably at less than 20 lakhs. Tata Indigo GLX is available at less than 19 lakhs, the next cheaper one. Opel Astra Advantage is the most expensive one. Other models are as expensive as over 23 lakhs. *So, Kia Rio and Tata Indigo is more affordable car in Semi-option.*

In full-option, again Kia Rio wagon is priced at 16, 64,000, which is much much lower than any other models in this category. Ford Ikon EXi Endura is priced at 19 lakhs. Maruti esteem VX and Tata Indigo GLX is priced almost similar at less than 19 lakhs. *So, Kia Rio is undoubtedly most affordable full-option car, followed by Ford Ikon, Tata Indigo, and Maruti Esteem.*

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

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[34]*Autocar India*, February 2002, Vol. 3 No. 6. p.32

Table 4.9 Prevailing prices of C-segment cars

Option	Make	Model	Engine CC	Fuel	Retail Price
Standard with A/C	Maruti Esteem	LX	1298	Petrol	1,900,000
	Ford Ikon	CLXi	1299	Petrol	2,075,000
	Fiat Siena	EX	1200	Petrol	1,998,000
	Tata Indigo	GLE	1405	Petrol	2,202,522
Semi-option	Maruti Esteem	Lxi	1298	Petrol	NA
A/C		D	1500	Diesel	1,990,000
And	Hyundai Accent	GVS	1495	Petrol	2,020,000
Power					
Steering	Fiat Siena	EL	1600	Petrol	1,925,000
	Opel Corsa	GL	1400	Petrol	1,779,000
	Opel Swing		1400	Petrol	1,997,000
	Opel Astra	Advantage	1700	Diesel	2,223,000
		Advantage	1600	Petrol	2,210,000
	Ford	CLXI	1300	Petrol	1,825,000
	Kia Rio	Wagon	1300	Petrol	1,998,000
	Daewoo Lanos	II	1500	Petrol	1,700,000
	Tata Indigo	GLS	1405	Petrol	1,770,242
		LS	1405	Diesel	1,950,727
Full Option	Maruti Esteem	VX	1298	Petrol	1,869,040
	Hyundai Accent	GLS	1495	Petrol	2,290,000
		DLS	1527	Diesel	
	Ford Ikon	EXi Endura	1299	Petrol	1,700,000
		SXi Rocam	1597	Petrol	1,851,000
	Ford	NXT	1300	Petrol	1,825,000
	Ford	ZXI	1600	Petrol	2,275,000

Ford	ZXI D	1800	Diesel	2,325,000
Fiat Siena	ELX	1600	Petrol	1,850,000
Opel Corsa	GLS	1400	Petrol	1,669,000
	Royale	1600	Petrol	1,947,000
Opel Swing		1600	Petrol	1,857,000
Opel Astra	GLi	1700	Diesel	2,768,000
	Club	1700	Diesel	2,670,000
	GLi	1600	Petrol	2,525,000
	Club	1600	Petrol	2,463,000
Kia Rio	Wagon	1300	Petrol	1,664,000
Kia Rio	DLX	1300	Petrol	1,998,000
Kia Sephia	II LS	1600	Petrol	1,845,000
Daewoo Nubira	II	1600	Petrol	2,800,000
Tata Indigo	GLX	1405	Petrol	1,900,000
	LX	1405	Diesel	2,010,000

[Source: Various Car dealers' showrooms in Kathmandu]

For those who want just A/C to be fitted on, and nothing else can go for a basic model, which is priced affordable and reasonable.

Looking at the competitive models, only Tata Indigo is available in all of three options - Semi & Full option. Similarly, only Tata Indigo and Opel Corsa have semi-option. Kia Rio, Honda City, and Hyundai Accent are available in full options only.

4.3 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 prepared, that means legibility and accuracy of the data obtained was checked, and 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'.

4.3.1 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 4.10 Rating of various attributes in a car by respondents.

S.no.	Features/ Attributes	Rank
1	Availability of Spare Parts	First
2	Safety	Second
3	Fuel Efficiency	Third
4	Comfort and Smooth Ride	Fourth
5	Price	Fifth
6	External design	Sixth
7	Interior design	Seventh
8	Fuel option	Eighth
9	Wide legroom & Luggage Room	Nineth

4.3.2 Customer's attitude towards different brands of cars

For simplicity of the study, only seven brands were taken into consideration, including Tata Indigo and Hyundai Accent. As seen in the Table 4.8, Honda City is the most preferred car, followed by Opel corsa, and Kia Rio. Maruti esteem stood as least preferred one.

Table 4.11 Models of car preferred by customers

S. No.	Model	Preference
1	Honda City	First
2	Opel Corsa	Second
3	Kia Rio	Third
4	Tata Indigo	Fourth
5	Ford Ikon	Fifth
6	Hyundai Accent	Sixth
7	Maruti Esteem	Seventh

In another response to question asking respondents to rate above brands of car on the basis of feature/attributes mentioned earlier, Kia Rio was rated highest, and Hyundai 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 Reponses were summed up for each of them.

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. Hyundai Accent, Maruti Esteem and Tata Indigo were perceived by respondents as more fuel efficient than others. In the same way, Kia Rio was perceived as most reasonably priced car.

However in overall ratings, Kia Rio scored highest, *followed by Hyundai Santro & Accent, Tata Indigo*, Honda City, and Opel Corsa. So, this result shows that those models are amongst the best contemporary cars currently plying in Kathmandu valley.

S.n.	Features	Tata Indigo	Kia Rio	Opel Corsa	Ford Ikon	Hyundai Accent	Maruti Esteem	Honda City
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	-	5
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	-	-
	Score	**21**	**25**	**12**	**10**	**7**	**10**	**15**
	Rank	*2nd*	*1st*	*4th*	*5th*	*6th*	*5th*	*3rd*

Table 4.12 Rating of various brands on the basis of some attributed/features.

The scores 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 scores for all models.

4.3.3 Customer's preference of different car segments

The Table and chart below shows that 54% of the respondents preferred B-segment cars. Similarly, 21% preferred C-segment cars. Interestingly, though A-segment cars are the cheapest ones, only 21% preferred it.

Table 4.13	Preference of Car segment by respondents	
Car Segment	No. of respondents	Percentage
A-segment	4	17%
B-segment	13	54%
C-segment	5	21%
D-segment	2	8%

**Chart 4.3** Car segment prefered by Respondents
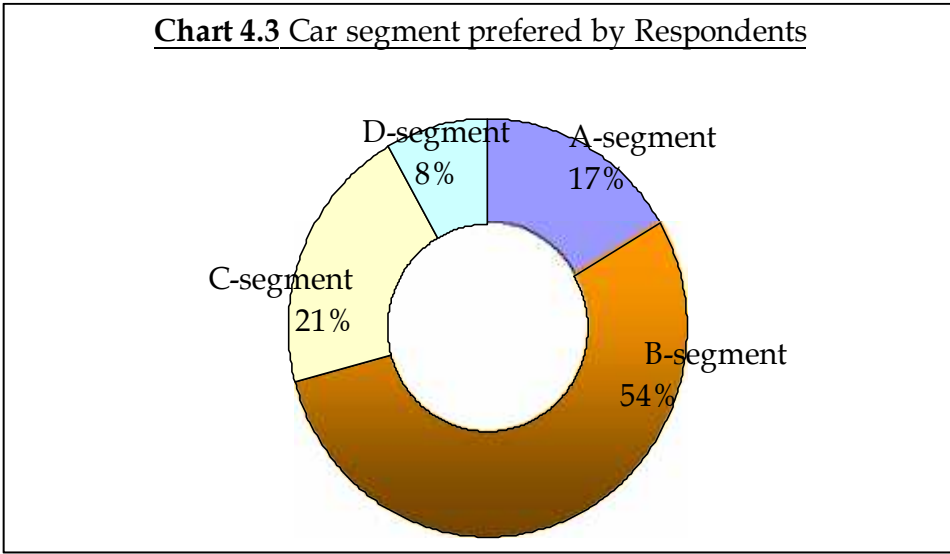
It implies that customers just don't consider only cash and compromise other things. It is only B-segment cars which is relatively cheaper and has some features which customer desires, and these were the cars most customers preferred. D-segment car are the expensive ones and not many customers can afford it. So, only 8% preferred this segment of car.

4.3.4 Age wise mix of 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.

Chart 4.9 Age-wise Mix of Potential Customers
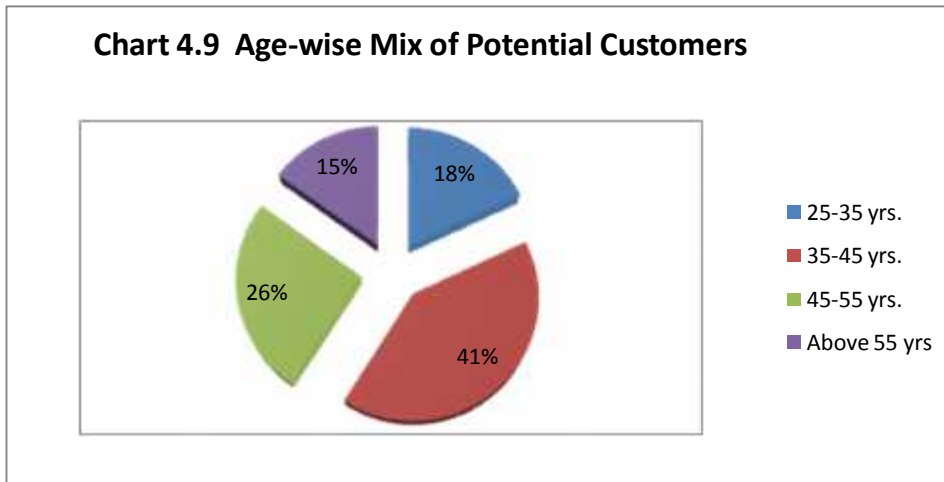
4.3.5 Petrol Vs Diesel Car

Over 55% of total respondents believed that Petrol cars were better than Diesel ones as shown in chart and table below -
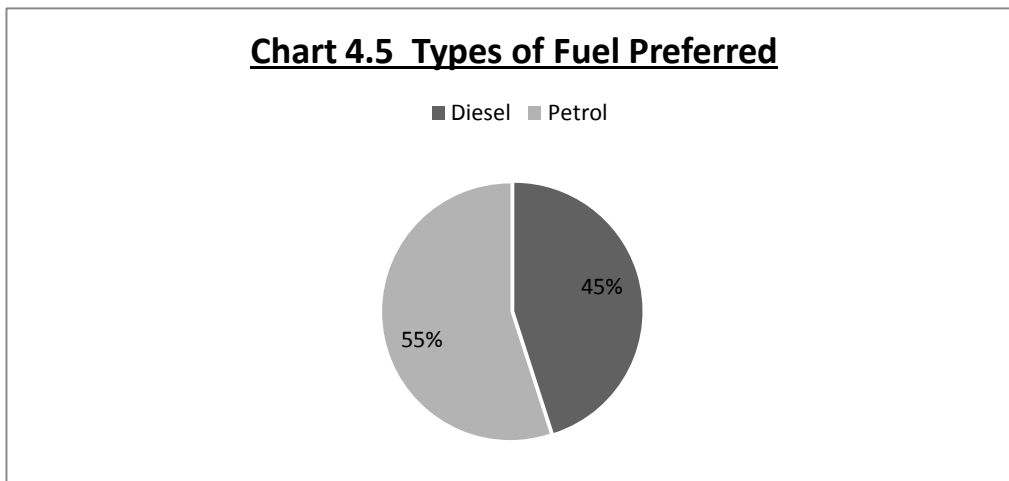
Chart 4.5 Types of Fuel Preferred

Table 4.14 Respondents preference for Diesel or Petrol car

Fuel Option	No. of Responses	Percentage
Diesel Car	11	44%
Petrol Car	14	56%
Total	**25**	**100%**

4.3.6 Calculation of Market Potential

As mentioned previously, Market potential is the maximum possible sales opportunities available to marketers of any goods or services in a particular market segment. On the basis of average purchases per customers in each potential customer category and number of customers in each customer category, total Market Potential is calculated out.[35]

Businessmen' 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.

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[35] Harper W. Boyd Jr. et.al., opcit, p.771

Table 4.15 Calculation of Estimated Market Potential of cars using Market Survey Approach					
Category [A]	Sample Size[B]	Purchases [C]	Avg. Purchase[D]	Population size[E]	Market Potential[F]
Doctor	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 reveals:

[A]   Some specified customer categories making up the Total Market   for Cars.

[B]   Sample taken for each category.

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

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

[E]   No. of prospects in Kathmandu Valley for the given customer categories. Data obtained from related professional association (Nepal Bar association, Nepal Medical Association, Nepal Engineers Association), FNCCI, Chambers of commerce & Dept. of Industry.

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

Chart 4.6 Graphic view of Market Potential of Cars in Ktm Valley

Chart 4.6 Graphic view of Market Potential of Cars in Ktm Valley
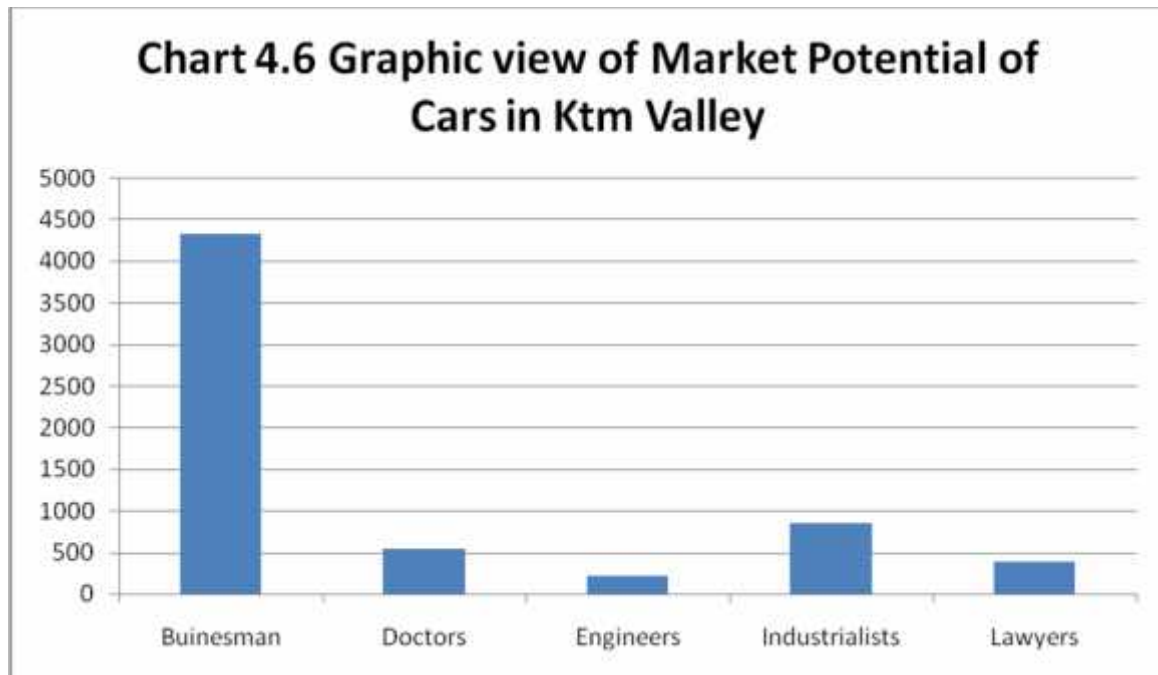
Looking at the chart 4.11 & Table 4.19, Businessmen seem to be the most potential customers of cars, with total potential of 4327 units amounting almost 70% of total potential. Likewise, Industrialists and Doctors constitute 13% and 9% of total potential. Similarly, Engineers are the least potential customers with only 3% of total potential. This implies that Businessmen, Industrialist, and Doctors are relatively more capable than others in owning a car. And it is quite obvious that they have better incomes.

Table 4.16   Market Potential of Cars in Kathmandu Valley

Customer Category	Market Potential	Percentage
Doctor	540	9%
Engineer	220	3%
Businessmen	4327	69%
Industrialists	848	13%
Lawyers	383	6%
Total	**6318**	**100%**

4.4 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 4,000 units Car/Jeep/Van have been registered in Nepal over the past 5 years, with 5,152 units, 4374 units and 4851 units registered in last 3 years.

2. *Analysis of Time series of registration of Car/Jeep/Van in Nepal from 1996 A.D. to 2008 A.D shows very irregular fluctuations. This shows that a multiplicity of causes affected the sales of the vehicles in Nepal in the past 12 years. The problems may be of Political (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 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 (EMI)' are as low as 10,000 per month (depending upon number of years). On the other hand, cars have become very cheaper than ever. So, anybody who is a professional having monthly income of around 25,000 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, given the present political 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 is registered. Narayani, Gandaki, Koshi, Lumbini are the only other zones where significant number of Car/Jeep/Vans are registered.

5. The study revealed that Marketers of cars categorize them into different segments, based on Luxury, Prices, & Country of Origin. Some are high-class luxury cars, some are economical, and less priced cars. On the basis of Price, there are A- segment, B- segment,C- segment,& D-segment

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. C-segment car are sedan type mid-sized cars. Kia, Honda, Ford, Opel are the winners in this segment in terms of sales and Market share. C-segment car market is the market of about 200 units annually. All the expensive and most of the overseas imported luxury cars are in D-segment. Toyota and Nissan are the winners in the segment.

7. Kia Rio, Ford Ikon, Opel Corsa are the biggest competitors of Tata Indigo. 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. Sales of Kia Rio increased by over 50% from 2006/07 to 2007/08.

8. Sipradi Trading has an ambition of becoming No. 1 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. Sipradi Trading is happy with this result and is very ambitious for future.

9. An analysis of strength and weakness of the above models showed that only Fiat Sienna and Ford Ikon are available in Diesel. However, the latter in Diesel version is expensive and sluggish. Hyundai Accent comes with rich looks, luxurious and spacious interiors at a competitive price and is so the best value-for-money offering in C-segment. Hyundai Accent is also backed with superb after sales service. Maruti Esteem is an entry-level mid-sized. It enjoys the best service network in the country. It is 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 Corsa are good. However, the unattractive rear end styling and the interior space, perceived as insufficient, has turned some customers away.

10. The study found that Brand Awareness and trust of the customers towards Tata & Hyundai products are

outstanding. 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. Tata Indigo & Tata Indica are available in both Diesel and Petrol, which is available in few other cars. Similarly Hyundai Santro/Xing are the most acceptable product by the consumers as they are cheapest, luxurious and affordable one. These are the competitive advantage and strength of Tata & Hyundai products. Interestingly, Price differential between Diesel and Petrol is expected to drive the market to Diesel. However, the price is not relatively cheaper. Immense potential/ Opportunity exist for Tata Indigo. Old customers who had good faith, trust, and loyalty toward Tata Products are inclines to purchase a Tata Car. There is intense competition that Indigo has to face in its segment, i.e. C-segment. Overseas companies, with JV manufacturing in India, are already in the market offering cheaper cars. Kia Rio is the biggest threat to Tata Indigo, followed by Opel Corsa, then by Ford Ikon. While purchasing a car, Customers regarded 'Availability of Spare parts' as the most important thing that they expect from a car. Among other features, 'Safety' and Fuel Efficiency' were other important things that customers of a car considered. It seems rather that 'Price' and 'Comfort' were relatively less important.

11. While most of the potential customers of car preferred B-segment, the one which includes Tata Indica, Hyundai Santro etc., about one fourth of potential car customers preferred C-segment. Customers liked B-segment cars because they are relatively cheaper and have many significant car features. D-segment is expensive and not many customers prefer them. Its only C-segment car which is not much expensive, and has a complete shape and size of a car. C-segment cars have a very good potential in Nepalese market. However, Customers who have money go for expensive D-segment. On other hand, those who have just enough income and want to own just a car, have a tendency to go for B-segment. And undoubtedly, B-segment hatchbacks are very popular in Nepal these days.

12. 'Businessmen' is the single largest potential customer category, amounting to almost 70% of total potential. 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. Businessmen, Industrialist, and Doctors are relatively more capable than others in owning a car. And it is quite obvious that they have better incomes.

Thus, it can be said that the market of Tata & Hyundai car are becoming strong. They successfully got the market and enjoying the considerable market in Nepal especially in Katmandu Valley.

CHAPTER 5

Summary, Conclusion, and Recommendation

5.1 Summary and Conclusion

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 are 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 a special reference on TATA and HYUNDAI. Behavior of customers 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 is also done, along with their strength and weakness, all done to arrive finally at an analysis of Cars. Lastly, survey results are analyzed to calculate and estimate, in empirical terms, the market potential of cars.

Taking reference of data published by Department of Transport Management (DOTM) - government watchdog of Transportation sector - an average of 4,000 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.

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 (EMI)' are as low as Rs.10,000 per month (depending upon number of years).

On the other hand, cars have become very cheaper than ever. So, anybody who is a professional having monthly income of around 25,000 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, given the present political conflict is resolved soon.

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 TATA and Hyundai.

Nepal Government has taken open policy and levied 100 % tax and other extra duty in the vehicles even though number of vehicles has been importing in the country. But today we are in 21st century, any business cannot sustain without marketing policies. Marketing starts even before the business concept emerges. The concept of business needs marketing to get the identity in the market and sustain in the global market competition. Marketing is most important thing in every stage of product life cycles.

There is no other voice against the importance of advertisement because it is true that advertisement plays a vital role in the field of marketing of any product and services. An ISO certified company and other successful companies are making expenses of huge amount on the advertising of the product or services. A remarkable portion of marketing budget is devoted to advertising. Advertisement has become a means of very easy and prompt mass communication. Any organization can communicate its mission, object, service and product to its target market. Advertising is one of the most important promotional tools for companies to direct persuasive communication to target buyers and publics.

Profit earning, non-profit earning and the government organization like Nepal Telecom, Spice Nepal, UN, WTO, World Bank etc. are frequently using advertising for their product, service, idea, mission and public issues. They are doing through various means or Medias such as print media, audio advertising (radios), visual media (film slide), audio visual

media (film, television), display (window display, sky display, hoarding boards, electric board).

Nepalese market of automobile has really become competitive. There are lots of automobile brand. Customers choose any of these brands. It is no doubt that customers have many options to choose. They can move anywhere as they like. To become successful in such hard market situation, each and every marketer are trying to provide as much facilities as can be offered. They are using varieties of promotional tools to attract potential customer enquiries toward showroom.

To achieve the targeted sales, customers are being offered varieties of facilities. Dealers and sub- dealer are also equally being motivated to the sell product. They are motivated by providing product advertising, credit facility, cash discounts, Bonus scheme etc.

5.2   Recommendation

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, Sipradi Trading Pvt. Ltd. & AVCO International itself arrange for finances. For that, they can do tie-ups, or do subvention with some Banks or even finance 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.

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

Exchange facility is also another weapon to win competition, and attract customers. Sipradi Trading Pvt. Ltd. & AVCO International 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 both of the companies are able to take the burden, they can easily win the competition.

AVCO international and Sipradi Trading Company Pvt. Ltd. are getting aggressive to push their sales in the market. It is adapting every possible and available promotional tool to sell its product in the market. Their frequent seasonal

schemes also support their product sales. It wants to have the challenger attitude not the leader in the market. The two companies believe that technologically advanced product and the strong brand appeal are pulling the feet of the customers toward showroom. To capture the greater market share, both companies are expanding their sub-dealers and personal sell agent. Along with that, both companies support financially in social works such as blood donation, sport event, car exchange facilities, mobile service etc.

Sipradi Trading is rigid in terms of discounts, whereas, AVCO International & some dealers of foreign cars are able to offer discounts up to one lakh. Moreover, there are a lot of more interesting and provoking schemes. Discount offer has become a trend. So, Sipradi Trading should also try to tune up itself with the trend. In addition, AVCO International should also think about its Hyundai cars to launch in both petrol and diesel options as we could see the petroleum shortages frequently.

Last but not the least, an aggressive marketing is required by both the companies (Tata & Hyundai), as Car market is a very competitive one.

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Appendix I

Survey Questionnaire

(For Potential Car customers)

Dear Respondents,

I would like to seek your kindness by sparing a few moment of your 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. 30-40,000   ∝ Rs. 40-50,000   ∝ Rs. 50-60,000
   ∝ 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 – Segment (10-15 lakhs)
    ∝ C - Segment (15-20 lakhs)
    ∝ D–segment (20 lakhs or more)

    (**Terminate**)

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 Rio   ∝

    OpelCorsa   ∝ Ford Ikon   ∝ Honda City ∝ Tata Indigo   ∝

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 & 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:	Tata	Kia	Opel	Ford	Hyundai	Maruti	Honda City
	Indigo	Rio	Corsa	Ikon	Accent	Esteem	
Ext. Design & Style	∝	∝	∝	∝	∝	∝	∝
Interior Design	∝	∝	∝	∝	∝	∝	∝
Legroom/							
Luggage room	∝	∝	∝	∝	∝	∝	∝
Comfort	∝	∝	∝	∝	∝	∝	∝
Safety	∝	∝	∝	∝	∝	∝	∝
Fuel Efficiency	∝	∝	∝	∝	∝	∝	∝
Price	∝	∝	∝	∝	∝	∝	∝
Fuel option	∝	∝	∝	∝	∝	∝	∝
Av. of Spare parts	∝	∝	∝	∝	∝	∝	∝

15. You must have known Tata Indigo?

∝ Heard Only   ∝ Seen   ∝ haven't heard or seen ∝ know well

(Go to Q. 17)

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

    1. External Design & 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 ∝   ∝   ∝   ∝   ∝

17. Though cost of Diesel is relatively cheaper, Diesel Cars are noisier than Petrol ones. With this view, which one do you prefer more?

   ∝ Diesel   ∝ Petrol

18. What is your attitude towards Tata & Hyundai brands of products, Car in specific?

   ∝ Enthusiastic ∝ Positive   ∝ Indifferent

   ∝ Negative   ∝ Hostile

19. Do you have any suggestions regarding Tata and/or Hyundai vehicles?

Table: Example of Market Potential Calculation for Product Y using Market Survey Approach for National
Manufacturing Co.

SIC	Effective Industries	Market Survey Results			Nationa...
				Average Purchases per Worker	Nationa... Market... No. of Workers
		Product Purchases	No. of Workers		
3611	Electric Measuring	$1,600	3200	$0.50	34913
3612	Power Transformers	50150	4616	10.86	42587
3621	Motors, generators	28400	10896	2.61	119330
3622	Electric industrial controls	40100	4678	8.57	46805
3631	Household cooking equipment	2600	2104	1.24	23502
3632	Home Refrigerators	149600	5215	28.69	47981
3633	Home Laundry Machines	35200	3497	10.07	35493
3634	Minor Electric appliances	1200	3208	0.37	31218
3635	Vacuum cleaners	1875	402	4.66	4572
3636	Sewing machines	600	912	0.66	8182
3639	Appliances, NEC	225	1100	0.2	9029
3661	Telephone Equipment	65500	6451	10.15	62345
3662	Radio and TV equipment	132100	6889	19.18	67137
3693	X-ray	14000	491	28.51	5725

Total	$523,150

Source: Harper W. Boyd Jr. et.al., Marketing Research, 7th ed. (Homewood, IL.: Richard D. Irwin, 2001), p. 772

Appendix III

NEPAL GOVERNMENT

MINISTRY OF LABOUR AND TRANSPORT MANAGEMENT

DEPARTMENT OF TRANSPORT MANAGEMENT

EKANTAKUNA, LALITPUR

ANNUAL REGISTERED VEHICLES

Fiscal Year	Year	Bus	Mini Bus	Crain/Dozer/Truck Tipper/Damfar/Tanker	Car/Jeep/ Van	Pickup	Micro	Tempo	Motor cycle	Tr
050/51	**1993/94**	2489	1464	7969	23050	0	0	2359	32776	6
051/52	**1994/95**	458	226	800	1893	0	0	856	4954	
052/53	**1995/96**	413	148	1524	2115	0	0	1207	8154	
053/54	**1996/97**	606	185	1491	2266	0	0	62	7608	
054/55	**1997/98**	1168	77	1740	3049	0	0	154	8653	1
055/56	**1998/99**	850	83	1629	3043	0	0	241	9401	1
056/57	**1999/00**	486	82	1151	5261	0	0	117	13855	2

057/58	**2000/01**	608	175	907	2993	0	0	185	12633
058/59	**2001/02**	899	130	1291	4139	0	0	344	12306
059/60	**2002/03**	872	19	978	2507	0	0	388	17090
060/61	**2003/04**	494	122	829	3647	0	0	789	19755
061/62	**2004/05**	1203	250	1271	5152	0	0	232	29291
062/63	**2005/06**	868	475	1798	4374	0	0	248	38522
063/64	**2006/07**	432	298	1212	2906	581	232	17	29404
064/65	**2007/08**	732	237	1477	7079	478	884	16	26547
Grand total		**12578**	**3971**	**26067**	**73474**	**1059**	**1116**	**7215**	**270949**

Table: **Registration of Car/Jeep/Van till 2007/08.**

Fiscal Year	Year	Car/Jeep/ Van
Till 050/51	Till 199/94	23050
051/52	1994/95	1893
052/53	1995/96	2115
053/54	1996/97	2266
054/55	1997/98	3049
055/56	1998/99	3043
056/57	1999/00	5261
057/58	2000/01	2993
058/59	2001/02	4139
059/60	2002/03	2507
060/61	2003/04	3647
061/62	2004/05	5152
062/63	2005/06	4374
063/64	2006/07	2906
064/65	2007/08	7079
Grand total		73474