

# CHAPTER 1

## *Introduction*

---

### **1.1 General Background**

In late 18<sup>th</sup> century and early 19<sup>th</sup> 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. Science & Technology has revolutionized the way we live.

James Watt invented first efficient steam engine in late 18<sup>th</sup> century. The first successful stem engine train was built by George Stephenson in 1814 A.D. This began the era of land travel. Likewise, the first petrol cars were built in Germany in 1885 A.D. by Gottlieb Daimler and Carl Benz. <sup>1</sup> Since then a lot of advancement has taken place in Automobiles and Transportation. Today, we have variety of motor vehicle suited to our differing transportation needs, like Trucks, Buses, Cars, Tractors, Pick-ups, Jeeps, and Vans.

Automobiles contribute a lot to our society. Our grandfathers walked hundreds of miles for more than a couple of days. The same thing now is a matter of just a few hours of ride in a motor vehicle. A lot of people rely on automobile line for their daily earnings. Automobile serve dual purpose of Transportation of People and carriage of goods. Even more, some people are in the business of selling automobiles, as automobile dealers. More importantly, transport sector contributes a lot to our economy. Government collects huge revenue from this sector. Today, automobile has

---

<sup>1</sup> Hamlyn All-Colour 'Science Encyclopedia,' Hamlyn, 1990, pp. 200-201.

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. Our government treats car as a luxury item, and levies more than cent percent customs duty, making it much expensive for average Nepalese. Life styles have changes a lot, and people are eager to own a private family car.

The government continues to look at automobiles as a luxury and puts them in the highest tax bracket. This is one industry that is growing fast everywhere, including India and China. Automobiles reflect the change in people's needs as a society develops, so growth in this sector is inevitable. There are other benefits, too. The automobile industry contributes about 14 percent 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.<sup>2</sup>

---

<sup>2</sup> Nepali Times, Editorial, Vol 158, August 2003.

## **1.2 Objectives of Study**

Essentially, the foremost objective of the study is to analyze & estimate market potential of Tata 'Indigo' car, a new product from Tata Motors. This is the prime and specific objective of the study. Besides, there are also some general objectives, secondary in importance to the research study, the fulfillment of which leads to accomplishment of specific objective. So, the objectives, primary & secondary, of the study are as hereunder-

1. To estimate, empirically, the market potential of cars in Kathmandu valley.
2. To analyze market potentiality of Tata Indigo based on its sales performance.
3. To analyze market potentiality of Tata Indigo based on perceptions of car customers regarding itself.
4. To study the present car market scenario in Nepal, with a special focus on mid-sized, affordable cars, commonly known as C-segment
5. To calculate market potential figures using Survey approach.
6. To study the trend of Tata Indigo Sales in Kathmandu valley based on first one-year sales since its introduction.
7. To study customer's attitude towards Tata Indigo, relative to other brands.

## **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, 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 and 4374 units registered in last 2 years.<sup>3</sup>

#### **1.4 Company Profile**

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. Sipradi is a Soaltee Group Enterprise. Its range of products includes Passenger Cars in form of Tata Indica, Indigo, Sumo, Safari to Commercial vehicles in form of Trucks, Busses, Trailers of several capacities. Sipradi Trading 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 600 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.

---

<sup>3</sup> Department of Transport Management, "press release," Ashwin 2060 B.S.

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 Tatamobile; Indica car to Safari jeep; 20 seater minibus to 45 seater bus.

**Table 1.1** Range of products offered by Sipradi Trading

<b>Segment</b>	<b>Products</b>
<b>Buses</b>	20 seater to 45 seater buses
<b>Trucks</b>	4-ton to 40-ton trucks
<b>Pick-up</b>	Tatamobile Single cabin/Double cabin Tata 207 DI Single cabin/Double cabin
<b>Cars</b>	Tata Indica, Tata Indigo
<b>Jeeps</b>	Tata Sumo victa, sumoSE4x4, spacio gold, Tata Safari, Tata Grande

Headed by Mr. Siddhartha SJB Rana, at the Executive Chairman position, and Mr. Saurya SJB Rana, at the position of CEO, 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.

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 another 1 lakh passenger cars.

Those figures are increasing very rapidly, due to increased demand in domestic and international market.

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.

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.<sup>4</sup>

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.<sup>5</sup>

## **1.5 Tata Indigo**

With huge success of Tata Indica, Sipradi Trading Private Limited (STPL), the sole authorized dealer of Tata vehicles for Nepal, has introduced a new product from Tata Motors, in the form of Tata 'Indigo' car. It is a big sedan car. Tata Indigo is the latest entrant to Sipradi's Passenger car segment. Having a good claim of share on small car market, Sipradi Trading intends to capture share of mid-sized car market which, till date, is hugely dominated by foreign imported cars.

Tata motors unveiled its new product "Tata Indigo" in Auto expo2002 held in Delhi in February. It was launched in the market

---

<sup>4</sup> Telco field sales kit, Automobile Business Unit, Tata Motors Limited, 1998, pp. 1-5.

<sup>5</sup> Ibid., p.6

later in September the same year. With the introduction of Tata Indigo, Tata Motors has jumped into mid-sized car market.

Some people might think that Tata Indigo is nothing new, but just Tata Indica with a boot. For this, Tata Motors wants to assure its valued customers that the new Tata sedan is not just an Indica with a boot; it is a new mid-sized car with more space, more power, and comfort. It is rather a full-fledged car.<sup>6</sup>

Speaking at the launch of Tata Indigo in Auto Expo 2002, Mr. Ratan Tata, Chairman, Tata Motors, spoke of the virtues of the car, which include the class-leading space, a new suspension, larger wheels, wider wheelbase, and improved ergonomics. Tata Motors had invested hundreds of crores in developing the Tata Indigo.

Tata Motors claim that one feels such a comfort that he might spoil himself riding indigo. 'Spoil Yourself' is the slogan that Tata Motors have put forward for Tata Indigo.<sup>7</sup>

Now let us see what features does Tata Indigo have. Let us also see benefits and advantages of those features for the rider. Some of the significant features that are offered in the vehicle are -

- a. Independent, McPherson Strut with coil spring, antiroll bar.
- b. The 3-link Rear Suspension (Independent)
- c. Maximum Cabin space.
- d. 14" bigger tyres.
- e. Wide Legroom and Luggage room.
- f. Available in Six Colors.
- g. Turbo charged Engine (for Diesel option).
- h. 18 months warranty with extended warranty scheme.
- i. Available in 5 models.
- j. Large Boot space (450 liters).

---

<sup>6</sup> Autocar India, February 2002, Vol. 3 No. 6. p.27

<sup>7</sup> Ibid. p.36.

Tata Indigo has Independent, McPherson strut with Coil Spring, and *Anti roll bar*, that provide an excellent cushion on bad roads. The 3-link rear suspension offers excellent body control; helps locate the body in both the longitudinal as well as lateral direction. Due to these, plus due to having maximum cabin space (as a result enhanced legroom and luggage room), and largest tyre size, Tata Indigo offers an *unmatched comfort*.<sup>8</sup>

Surveys indicate that *safety* is valued very much by the customer while looking for a car. In this regard, Tata Motors is the only manufacturer in India to have its own 'Crash-test' facility and test with Indigo confirmed that it meets the tough European offset frontal crash regulation. Some of the safety measures that are offered in Indigo are -

- a. High seating position for clear and all round view.
- b. Big tyres
- c. Collapsible steering column
- d. Fire prevention system
- e. Power steering (reduces effort)
- f. Doors with wide angle of opening, making getting in and out easy.

Regarding tyres, Tata Indigo has the *biggest tyre* in its class (C-segment). This provides enhanced grip and handling. Even the cars in higher D-segment ride on the 13" tyres as compared to 14" tyres of Tata Indigo. Large tyres are crucial for both Safety and Comfort.

Engine is the heart of a vehicle. Tata Indigo is available in both Diesel and Petrol versions. The 1.4 liters, MPFI (Multi Point Fuel Injection) Petrol Engine delivers a power of 85 bhp (British Horse Power) and a torque (pulling) of 11 kgm@3000rpm. Similarly, the 1.4 liter turbo charged Diesel Engine, delivers a power of 62 bhp and a torque of 12.5 kgm@2500rpm. Tata Indigo has the only turbocharged

---

<sup>8</sup> Draws heavily on *A handbook on Tata Indigo*, published by Tata Motors Limited, 2002.



engine in C-segment. Turbocharger, an important part of engine, uses exhaust gases from engine to generate extra power and to enhance fuel economy by increasing mileage.

Another significant feature of Tata Indigo is that it has a boot capacity of 450 liters. It is one of the largest in C-segment. Ford Ikon has only 410 liters, Hyundai Accent has 380 liters, Honda City has 380 liters, and Maruti Esteem has 376 liters.

Moreover, Tata Indigo offers a range of luxury features. Some of those features are-

- a. Soft feel dashboard.
- b. Power steering
- c. Power window
- d. Central locking
- e. HVAC (Heating Ventilation and Air Conditioning)
- f. Defogging/Demisting for rear windshield glass
- g. Leather feel steering wheel
- h. Leather feel gear shift knob
- i. A lot of storage places for like spectacles, gloves etc.
- j. Digital clock

Besides, there are a lot of Accessories that come with Tata Indigo, which a customer can get at the time of delivery along with the vehicle. They are- Floor mats, Car cover, Steering wheel cover, neck rest, sun shade products, car care products, Music system, Air fresheners, Alloy wheel. Tata Indigo is currently available in 6 colors- Meadow green, Arctic silver, Crystal mica, Topaz blue, and Mica black.

Lastly, Tata Motors has put 'Spoil Yourself' as a promotional slogan for Tata Indigo, as generally do other vehicle manufacturers for their new and existing models. Its abstract meaning is that the Indigo offers comfort that will spoil you for good.<sup>9</sup>

---

<sup>9</sup> Based on leaflets, catalogues, other literature of Tata Indigo, and say of salesmen.

## **1.6 Focus of Study**

Market Potential Analysis is the focus of this study. Market Potential Analysis is a major activity under Marketing Research. Market Potential Analysis applies to those studies of individual markets that seek to determine the Sales Potential within them. Through Market Potential Analysis Research, a company seeks to obtain Sales Potential for each of the geographical markets it serves to help determine the amount of sales effort that should be allocated to a specific market. Market Potential is stated for a given product for a given area for a given period of time. The Market Potential for a product in a given geographical area for a given year is the maximum amount that can be sold in that area by all sellers of the product in that area.

Conducting Market research and Analysis is one of the main components of a marketing plan. Total Market potential is the maximum amount of sales that might be available to all firms in an industry, during a given period, under a given level of Industry Marketing effort and environment conditions. First of all, all potential buyers are identified, by arriving at a suspect pool of prospects. This figure multiplied by average purchase quantity, and which again multiplied by price gives the Total Market Potential Estimate.

## **1.7 Statement of 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. With the success of Tata Indica, and in the midst of the stiff competition, Sipradi Trading has introduced a bigger version of Tata Indica, in the name of 'Tata Indigo'. Tata Indigo is aimed at satiating the expectation of C-segment buyers. C-segment contains mid-sized cars priced 14-17 lakhs. A popular brand image, aided by availability

of the vehicle in Diesel/Petrol, is the jewel of Tata Indigo. So, there seems to be a good prospect for Tata Indigo.

However, as stated previously, there is a stiff competition in the C-segment market. World renowned foreign companies, like Hyundai, Opel, Ford, through their JV manufacture in India, are able to offer their product in Nepalese market at a very competitive price. Kia Motor company of Korea has come up with a cheapest price for its Rio car.

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

The research questions posed in this research are how much would be the demand for Tata Indigo? Whether or not Tata Indigo can really compete well with other brands?

The basic problem area of this study revolves around estimating Market Potential of Tata Indigo for better market planning, Positioning, planning Marketing activities.

## **1.8 Significance of Study**

To the knowledge of researcher, no previous research has been found to be done which specifically analyses market potential of an automobile vehicle. Previous researches were done on Market potential of products like Aluminum Architectural structures, Noodles, Ayurvedic 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. Analysing 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 helps to allocate marketing resources optimally. It also helps to define sales territories- the one with more potential demands more care, and on the basis of Market potential sales quotas are allocated to sales person and to each of company's sales territories. For a new product like Tata Indigo, an analysis of its market potential is even more important, which clearly portrays the potential volume of sales, and potential Rupees of sales.

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

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

Clearly, the result of this research study would benefit the marketers of the Tata Indigo Car.

## **1.9 Limitations of the Study**

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

Due to constrain of time, money etc., as is always in many of the researches, this study geographically limits itself inside Kathmandu valley only. Other limitation of the study is that sample is not a 100% 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 couldnot be accurately defined.

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

## **1.10 Organization of 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. and Tata Motors Limited, company under study. A general description of Tata Indigo is also mentioned. Then its followed by focus of study, statement of problem, objectives of study, and limitations of 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. 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 Chapter 3 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 Tata Indigo, Customer survey analysis etc. Also, Market potential is calculated using survey data.

### **5.0 Summary, Conclusion, and Recommendation**

Summary, conclusions, and recommendation are the last chapter. It is based on analysis of data and study done 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 is 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 -

- I. Conceptual Review
- II. Review of Related Studies
- III. 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.<sup>10</sup> 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 need and wants of target markets and delivering the desired satisfactions more effectively and efficiently than competitors."*<sup>11</sup>

Marketing guru Mr. Philip Kotler in his famous book 'Marketing Management' defines Marketing as, "a social and managerial process by which individuals and groups obtain what they need and want through creating and exchanging products and values with others".<sup>12</sup>

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

---

<sup>10</sup> Edward W. Cundiff, Richard R. Still, Norman A.P. Govoni, *Fundamentals of Modern Marketing*, 3<sup>rd</sup> ed. (Eaglewood Cliffs, N.J.: Prentice-Hall, 1980), pp. 4-5.

<sup>11</sup> John B. McKitterick, "What is the Marketing Management concept?" *The Frontiers of Marketing Thought and Action* (Chicago: American Marketing Association, 1957), pp. 71-82.

<sup>12</sup> Philip Kotler, *Marketing Management*, 6<sup>th</sup> ed. (Eaglewood Cliffs, N.J.: Prentice-Hall, 1988), p. 3.



## 2.1.2 Marketing Management

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

*“Marketing Management is the process of planning and executing the conception, Pricing, promotion, and distribution of ideas, goods, and services to create exchanges that satisfy 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 decision s on *target markets, market positioning, product development, and pricing, channel of distribution, physical distribution, communication, and promotion.*<sup>13</sup>

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

---

<sup>13</sup>Philip Kotler, *Marketing Management*, 6<sup>th</sup> ed. (Eaglewood Cliffs, N.J.: Prentice-Hall, 1988), pp. 11-12.

1. Gather information and measure market demand
2. Scan Marketing Environment
3. Analyze Consumer Market and buyer behavior
4. Dealing with the Competition
5. Identifying Market Segments and selecting target market.

The marketing Environment is changing at an accelerating rate. So, the need for real-time Marketing information is greater than at any time in the past. Marketing Information System (MIS) is an important tool in the hands of Management to gather information regarding market. And MIS consists of four components- Internal Record System, the 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.<sup>14</sup>

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;

---

<sup>14</sup>Philip Kotler, *Marketing Management*, 11<sup>th</sup> ed. (Eaglewood Cliffs, N.J.: Prentice-Hall, 2003) pp. 66-68.

manages and implements the data collection process; analyze the results; and communicates the findings and their implications.

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

In context of country like U.S., surveys done by American Marketing Association in industrial and consumer products companies reported that almost every company(99 percent) used marketing research to measure market potentials, characteristics of their markets, and their share of markets. And approximately three fourths of the consumer products companies and more 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.<sup>15</sup>

### **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

---

<sup>15</sup> Dik W. Twedt, *Survey of Marketing Research* (Chicago: American Marketing Association, 1983), pp. 41-44.

While Future demand estimate is basically a Sales Forecast, estimating current demand involves estimating Total Market Potential, Area Market Potential, and Total Industry Sales and Market Share. The design of marketing mix is based on estimates of current market demand. The current market demand is estimated by the - Total market potential estimate, Area market potential estimate, & company market share estimate.<sup>16</sup>

*Total Market potential Estimate.* Total Market potential is the maximum amount of sales that might be available to all firms in an industry, during a given period, under a given level of Industry Marketing effort and environment conditions. First of all, all potential buyers are identified, by arriving at a suspect pool of prospects. This figure multiplied by average purchase quantity, and which again multiplied by price gives the Total Market Potential Estimate.

$\text{Total Market Potential} = \text{Potential No. of Buyers} \times \text{Average Quantity Purchased} \times \text{Price}$
---

*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 0market

---

<sup>16</sup> Dr. Govind Ram Agrawal, *Marketing Management in Nepal* (Kathmandu: M. K. Publishers and Distributors, 2002) pp. 45-46.

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 service in a specified time period under the specific level of industry's combined marketing efforts within the specified marketing environment.<sup>17</sup>

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

---

<sup>17</sup> K. D. Koirala, *Marketing Management* (Kathmandu: M. K. Publishers and Distributors, 2060), pp. 34-35.

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*.<sup>18</sup>

### **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.

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

---

<sup>18</sup> Downloaded from <http://www.uwa.com>, Urban Wallace Associates, 2003.

business is one that has carved out a "Market Niche" or unique benefit for its customers. People buy results, not products. Therefore, good marketing is determining what customers need and want, and then fulfilling that need better than your competitors. The first step toward developing a marketing plan is collecting and analyzing relevant data. Market research defines the needs for the product, aids in predicting market share, identifies competition, provides direction for efficient use of advertising and promotional rupees, identifies problems and opportunities, and establishes 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.<sup>19</sup>

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 is 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 Fredericks, 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.*

*Mr. Fredericks estimated there are 10,000 to 20,000 persons in the U.S. who can afford and would be interested in owning one of the Lotus models.<sup>20</sup>*

### **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

---

<sup>19</sup>Downloaded from <http://www.learnthat.com.com>, 2003.

<sup>20</sup> 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*, 7<sup>th</sup> ed. (Homewood, IL.: Richard D. Irwin, 2001), p. 761



## **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 nonadvertising promotion - should be allocated only after a consideration of potentials. In the most simple 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 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 than 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 vary 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. <sup>21</sup>

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.

The following illustration gives the example of this method-

**Table 2.1** Illustration of use of Direct Data Method

Company	Total Industry Sales		Company Potential	Actual Company Sale
	Volume	Percent		
Sales Territory	(Rs '000)	Of Nepal	(in Rupees)	(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
<b>Total</b>	<b>800</b>	<b>100%</b>	<b>100,000</b>	<b>90,000</b>

<sup>21</sup> Harper W. Boyd Jr. et.al., *Marketing Research*, 7<sup>th</sup> ed. (Homewood, IL.: Richard D. Irwin, 2001), p. 765.

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

Comparison of potential sales with actual sales indicates this company is weak in sales territories 1, 2, and 4 and strong in territories 3 and 5. It might be concluded that management should exert itself in the weak areas where the firm has not been able to obtain its proper sales.

The 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 Indexes* are the most simple of the corollary data methods of market analysis. A typical example of Single Factor Index Method is use of the sale of one product to indicate the Market Potential of another. This is more apt to be satisfactory if the two items have a closely related demand - i.e. demand for one is derived from the other or is a complementary demand. Automotive replacement parts offer a good illustration of a derived demand. The demand in any area is closely related to the number of cars in the area. For example, the number of Tata cars can be used as an index of the potential for sales of Tata parts (cars).

Factors other than sales of related products are also used in the corollary data, single-factor method. For example, Population & 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 not cannot be proven

Let us assume, potential buyers for Tata 'Indigo' sedan cars may be identified as people-

30-50 years old.

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.<sup>22</sup> 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 information is then projected to the universe of all firms in those categories.

---

<sup>22</sup> Central Beureau of Statistics, *Statistical Pocket Book*, National Planning Commission Secreteriat, HMG/N, 2001.

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.<sup>23</sup>

## **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:

- J 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.<sup>24</sup>

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 analyse the importance of promotion in building a company's reputation.

---

<sup>23</sup>Harper W. Boyd, Ralph Westfall, Stanley F. Stasch, *Marketing Research*, 7<sup>th</sup> ed. (Homewood, IL.: Richard D. Irwin, 2001), pp. 761-774.

<sup>24</sup> Rai, Rita, "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.

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 to bring out advertising and promotional scheme regularly.

) A study on 'Market Potential of Aluminum Architectural products in Kathmandu valley' suggests that use of such products in Kathmandu valley is in increasing trend, and so is the number of establishments producing such goods, and so is the consequent sales.<sup>25</sup>

The researcher, through his thesis, has made an effort to examine the Potentiality of the above-mentioned products and performances of Nepalese manufacturers regarding production, distribution, promotion, and services, thus enabling other producers and users to analyze variety of products. Observation and Interviews were done to collect primary data.

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

The major findings of the research were:

1. Mostly used aluminum products in Kathmandu valley are aluminum sliding windows because of easy operation, less space taken, good looks etc.
2. Raw materials are being imported from neighboring countries.

---

<sup>25</sup>Ved Prakash Baral, "Market Potentiality of Aluminum Architectural Products in Kathmandu Valley," *An unpublished Master's Degree Thesis*, Shanker Dev Campus, Tribhuvan University, 2001.

3. The establishing rate of firms is increasing annually in Kathmandu valley and consequently the sales.
4. Use of Aluminum products is in increasing trend.
5. Most of the non-users were not convinced of the strength prevalent on Architectural Aluminum products (AAP), and lack technical know-how.
6. AAP are expensive but durable, smooth in operation, and non-rusty.
7. Marketing effort to increase awareness of AAP among general masses is lacking.

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

J) Another research study done nearly 2 decades ago to explore the Market Potential of Gandaki noodles in Kathmandu valley revealed that majority of customers preferred Rara brand of Gandaki noodles at that time, and among other brand available, sales volume of Gandaki noodles were above 84%.<sup>26</sup> The product being newly introduced at the time, the study revealed that a huge Market potential existed for the Gandaki noodles brands in Kathmandu valley.

For the study, the researcher obtained and analyzed information about the sales of different brands of noodles at the time. Consumer's opinion on Price, quality, tastes of different brands were obtained. Consumer's loyalty over several brands expressed in percentage were computed. Similarly, price, quality, tastes, and sales of Gandaki noodles were compared

---

<sup>26</sup> N.B. Basnyat, "A study on Market Potentiality of Gandaki Noodles in Kathmandu Valley," *An unpublished Master's Degree Thesis*, Shanker Dev Campus, Tribhuvan University, 1985.

with that of other brands in the industry. And lastly, data on consumption (percentage) of different brands were collected. For the purpose of data collection, respondent's profiles were defined; sample was selected from different aspects of economy; behavior of the total universe were defined.

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

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

### **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. two of the studies is of one of the variants of Tata car in hatchback form (small-sized).

J 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.<sup>27</sup> 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.

The researchers explored the whole Car Market in Nepal at the time. On several bases, like size & prices, country of origin, Regionality, 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, as Tata Indica is a small sized car. Survey was carried out, with well administered questionnaire.

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

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

---

<sup>27</sup> 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.

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 Indica is.
4. Researchers also developed several matrices comparing No. of family members, income, monthly salary against choice of car.
5. Competitor analysis showed Maruti car as already prevalent one in the market.
6. SWOT analysis revealed that Tata Indica being a diesel car, low priced, Indian car has good strength, plenty opportunities, and there is threat of intense competition.

In summary, the research have explored several aspects of car market and developed several bases on which a comprehensive Market strategy can be developed for a new car, and can be very helpful any such research in this field.

J A further market study on Tata Indica suggested that small car market in Nepal is expected to grow further , and Market potential of Tata Indica is high being a Small, cheap diesel car.<sup>28</sup> The objective of the study named 'Marketing Strategy for Tata Indica' was to analyse 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 in the market targeting a particular segment of customers, in the face of rumour that cheaper family cars will be flooded from neighboring country China in the Nepalese market. She also recommends a more strategic advertisement campaign.

J Toyota vehicle is considered as a status symbol by the buyers, and is perceived by them as expensive but tough, durable, safe,

---

<sup>28</sup> Gayatri Basnet, “ A Report on Marketing Strategy of Tata Indica” *An unpublished Master’s Degree Project work*, Campion College, Tribhuvan University, 2002.

and economic in operation.<sup>29</sup> 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 I/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.

- ) 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.<sup>30</sup> It is written that the car was unveiled in Delhi, at the auto expo, in the early 2002. The name is in keeping with the sentiment that India is raring to 'Go' and dazzle the world.

---

<sup>29</sup> R. Bhatta, "A Market Study of Toyota Vehicles," *An unpublished Master's Degree Project Report, School of Management, Kathmandu University, 1994.*

<sup>30</sup> "Way to go - Indigo", *O.K. Tata, Customer Newsletter, September 2002.*



J Looking at the recent trends in Automobile business, there is an increasing trend of Nepal's import of vehicles and spare parts.<sup>31</sup> 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 Baidhya, President, Toyota vehicle dealership, as saying that, he was amazed at the buying capacity of private sector, and saw the good opportunity and potential for brand new cars, as the import of cheap, reconditioned, foreign brand cars are restricted by the environmental regulations. The writer views that the government plan of phase out of vehicles older than 20 years is sure to add new dimension to sales of brand new cars.

J 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

---

<sup>31</sup> Madan Lamsal, "Auto Trends," *Business Age*, October 2000, pp. 18-25.

line is that customers strongly consider 'economy' before making a purchase decision.<sup>32</sup>

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.

J) 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. Khatri.<sup>33</sup>

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

**Table 2.2** Import situation of vehicles and spare parts annually

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

<sup>32</sup> "Car Tips," *Business Age*, October 2002, p.29

<sup>33</sup> Bijay Babu Khatri, "Vehicle market booms", *Nepal Monthly*, Chaitra 2058 B.S., pp. 16-31.

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.<sup>34</sup>

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.

---

<sup>34</sup> "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 Indigo 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 three 'theses' is done. One of them is concerning market study of Hyundai car. Other two is regarding Market potential analysis of Aluminum architectural products, and Gandaki Noodles.

Similarly, review of three 'project works' is presented. Two of them are regarding market study of Tata Indica, sister of Tata Indigo (focus of this study). And one of them is regarding Market study of Toyota vehicles. Lastly, review of relevant articles published in newspapers, newsletters of Tata motors, business magazines etc were also done.

## 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
Units	23050	1893	2115	2266	3049	3043	5261	2993	4139	2507	3647	5152	4374

*Source: Department of Transport Management*

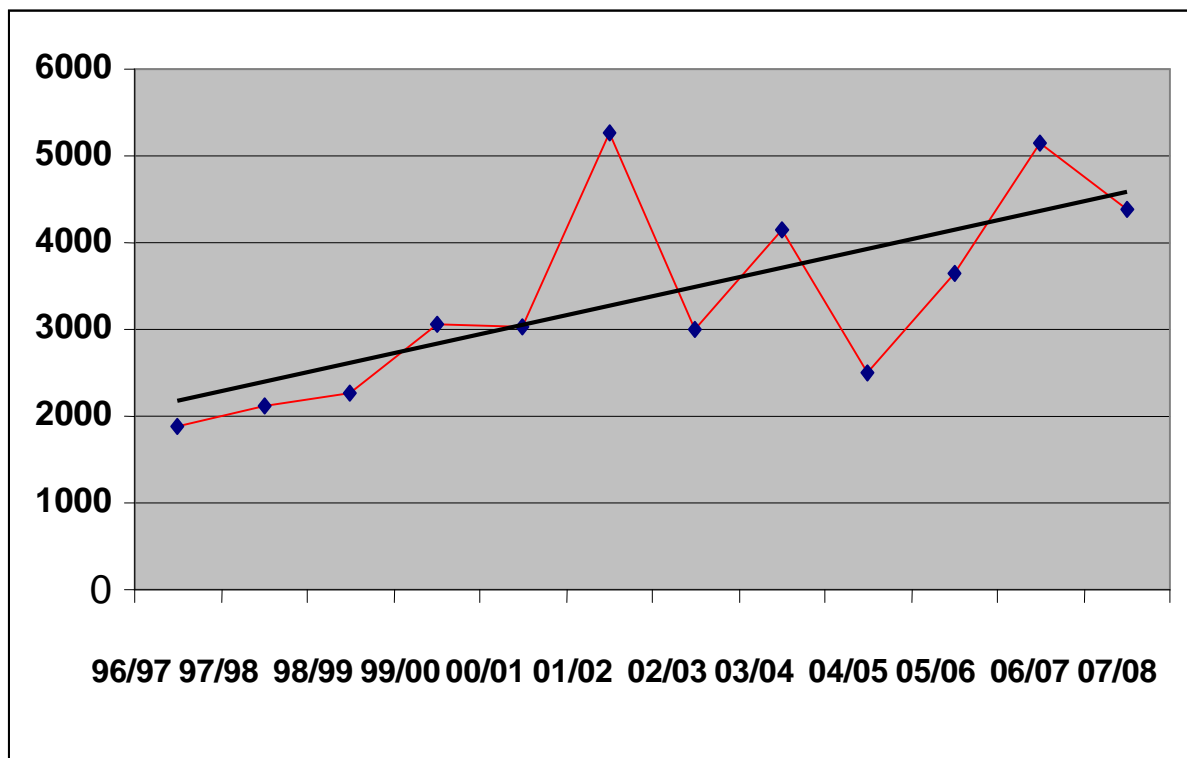
*Analysis of Time series* of registration of Car/Jeep/Van in Nepal from 1996 A.D. to 2007 A.D. shows very irregular fluctuations. This shows that a multiplicity of causes affected the sales of the vehicles



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.

*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 Kathmanduites is definitely higher than of those outside. People's life styles have changed a lot.

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

<b>Nepali Year</b>		<b>English Year</b>		<b>Units</b>
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

*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** Zonewise Registration of Vehicles (Car/Jeep/Van)/ Till date

<b>Zone</b>	<b><i>Bagmati</i></b>	<b><i>Narayani</i></b>	<b><i>Lumbini</i></b>	<b><i>Koshi</i></b>	<b><i>Gandaki</i></b>	<b><i>Janakpur</i></b>
<b>Units</b>	43409	7950	2232	3095	3844	544

<b>Zone</b>	<b><i>Sagarmatha</i></b>	<b><i>Seti</i></b>	<b><i>Mahakali</i></b>	<b><i>Rapti</i></b>	<b><i>Bheri</i></b>	<b><i>Mechi</i></b>
<b>Units</b>	424	236	231	224	734	566

*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 Indigo. Seti, Mahakali, Rapti are the least potential markets for Tata Indigo. These zones have not even 1% share of total vehicle registered in Nepal.

**Table 4.4** Car/Jeep/Van registration dispersion  
(Zonewise)

<b>Region</b>	<b>Units sold</b> (Till 2063/64)	<b>Percentage</b>
<i>Bagmati</i>	43409	68%
<i>Narayani</i>	7950	13%
<i>Lumbini</i>	2232	4%
<i>Koshi</i>	3095	5%
<i>Gandaki</i>	3844	6%
<i>Janakpur</i>	544	1%
<i>Sagarmatha</i>	424	1%
<i>Seti</i>	236	0%
<i>Mahakali</i>	231	0%
<i>Rapti</i>	224	0%
<i>Bheri</i>	734	1%
<i>Mechi</i>	566	1%
<b>Total</b>	<b>63489</b>	<b>100%</b>

Source: Department of Transport Management

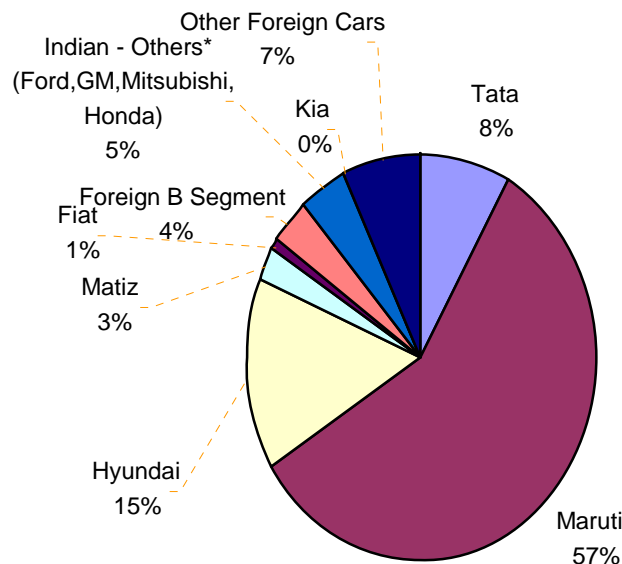
#### 4.1.2 Passenger Car Market Share Analysis

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.

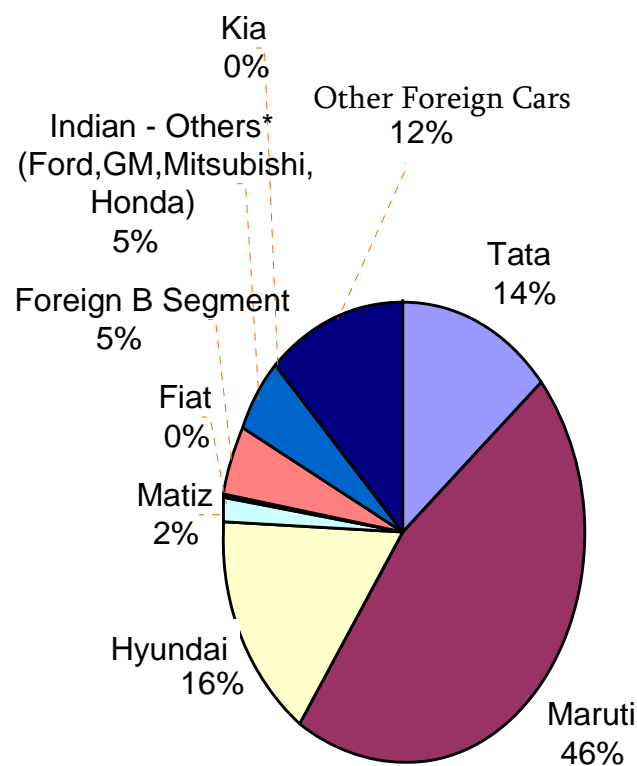
Similarly, Hyundai has remained in second position for 4 years in a row, with 17% market share in 2007/08. Its because of the famous model Hyundai Santro. The B-segment hatch back is a smaller, cheaper, attractive car, which is very popular in India and Nepal. In addition, the dealer company has also time and again done an aggressive marketing.

**Chart 4.2 Passenger Car Mkt. Share  
2004/05**



AVCO International private limited, sole authorized dealer of Hyundai Santro has been perusing 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.

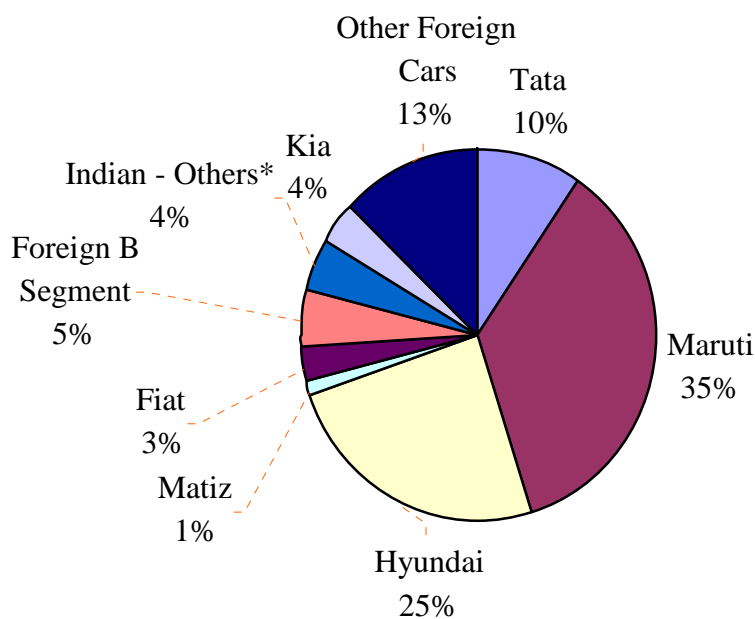
**Chart 4.3 Passenger Car Mkt. Share  
2005/06**



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.<sup>35</sup>

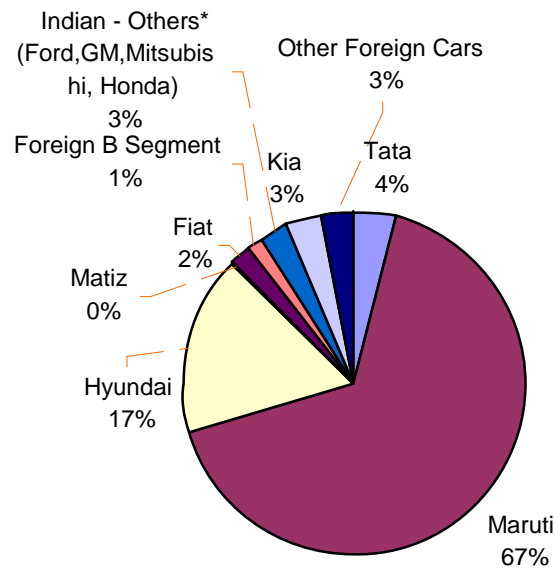
**Chart 4.4 Passenger Car Mkt. Share  
2006/07**



*Tata has maintained its 3<sup>rd</sup> 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, Siprodi Trading is optimistic that it will soon go one step ahead to No. 2.*

<sup>35</sup> Rai, Rita, "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

**Chart 4.5 Passenger Car Mkt. Share  
2007/08**



#### **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

<b>Year</b>	<b>2005/06</b>		<b>2006/07</b>		<b>2007/08</b>	
<b>Model</b>	<i>Sales (Units)</i>	<i>Mkt. Share</i>	<i>Sales (Units)</i>	<i>Mkt. Share</i>	<i>Sales (Units)</i>	<i>Mkt. Share</i>
Maruti 800	662	29%	225	13%	291	17%
Omni Van	200	7%	150	9%	104	6%

*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/WagonR. Most of the Hatch back, small cars come under this category. And most of them are Indian manufactured ones. They are relatively cheaper. The price ranges from 9-13 lakhs. 3067 units of this segment car were sold over the past 3 years. Some of them are -

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

Year	2005/06		2006/07		2007/08	
	Sales (Units)	Market Share	Sales (Units)	Market Share	Sales (Units)	Market Share
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%
Hy'dai 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%
<b>Total</b>	<b>1138</b>	<b>100%</b>	<b>1000</b>	<b>100%</b>	<b>929</b>	<b>100%</b>

*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 175 units in the year 2006/07. Cars under this segment includes -

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

<b>Model</b>	<b>Year</b>	<b>2006/07</b>	
		<i>Sales</i>	<i>Mkt. Share</i>
Tata Indigo		-	-
Fiat Siena		-	-
Maruti Essteem		11	6%
Hyundai Accent		18	10%
Ford Ikon		21	12%
GM Opel Corsa		14	8%
Honda City		34	19%
Mitsubishi lancer		-	-
Kia Rio/Wagon		63	36%
Kia Shuma/Sephia		-	-
Toyota Soluna		14	8%
<b>Total</b>		<b>175</b>	<b>100%</b>

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

### *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

<b>NATIVITY</b>	<b>MODEL</b>
<b>Japanese</b>	Toyota, Suzuki, Honda, Mazda, Nissan, Daihatsu, Mitsubishi etc.
<b>German</b>	Volkswagen, Mercedes, BMW etc.
<b>Korean</b>	Hyundai, Kia, Daewoo etc.
<b>American</b>	Opel, Ford etc.
<b>Indian</b>	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, nad 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 has such wagon type car in its range of passenger cars, and is soon introducing a modified version of that. Station wagons are popular in US, and in European markets.

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

## 4.2 Market position of Tata Indigo

Tata Indigo was introduced and launched in Nepalese market in July 2006. Introduced in mid year, and with not so much of publicity, it did a business of 27 units. That should be considered a good result, because it claimed a healthy and comfortable market share 11% in its segment, as shown on the Table 4.9

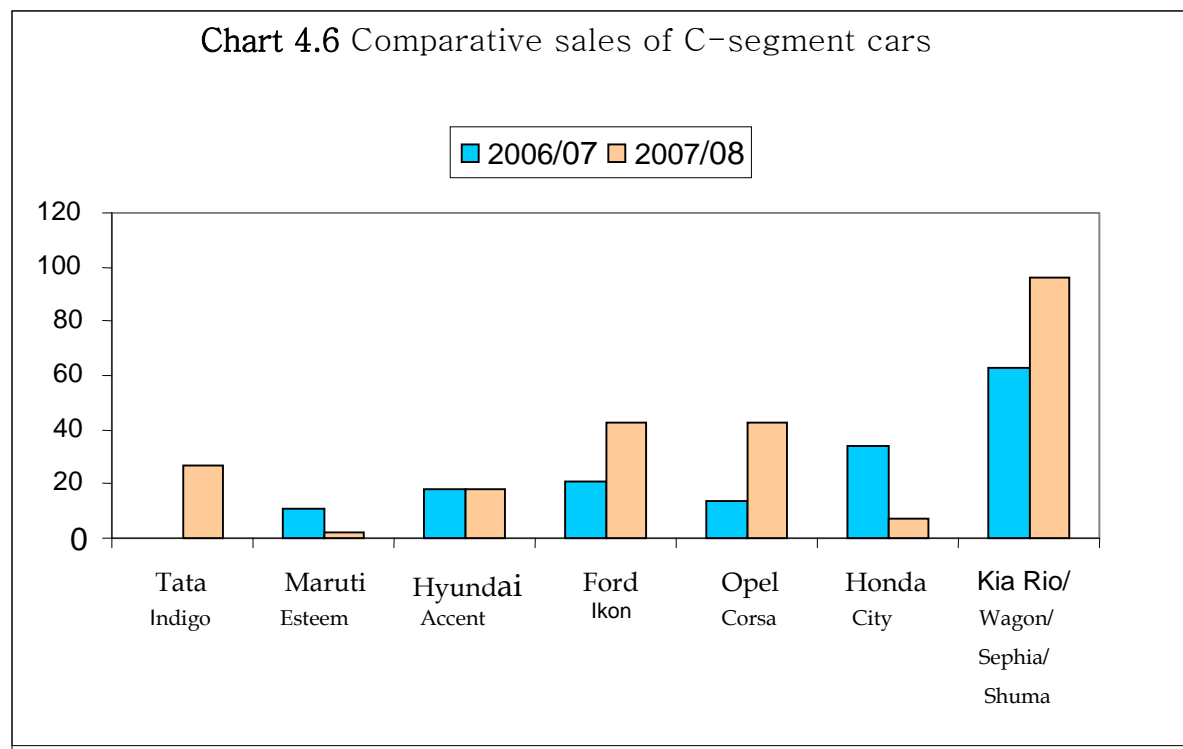
**Table 4.9** Market share analysis of Tata Indigo

Year	2006/07		2007/08	
	Sales	Mkt. Share	Sales	Mkt. Share
Tata Indigo	-	-	27	11%
Maruti Essteem	11	7%	2	1%
Hyundai Accent	18	11%	18	8%
Ford Ikon	21	13%	43	18%
GM Opel Corsa	14	9%	43	18%
Honda City	34	21%	7	3%
Kia Rio/ Wagon/ Sephia/ Shuma	63	39%	96	41%
<b>Total</b>	<b>161</b>	<b>100%</b>	<b>236</b>	<b>100%</b>

*Source: Sipradi Trading Pvt. Ltd, Thapathali*

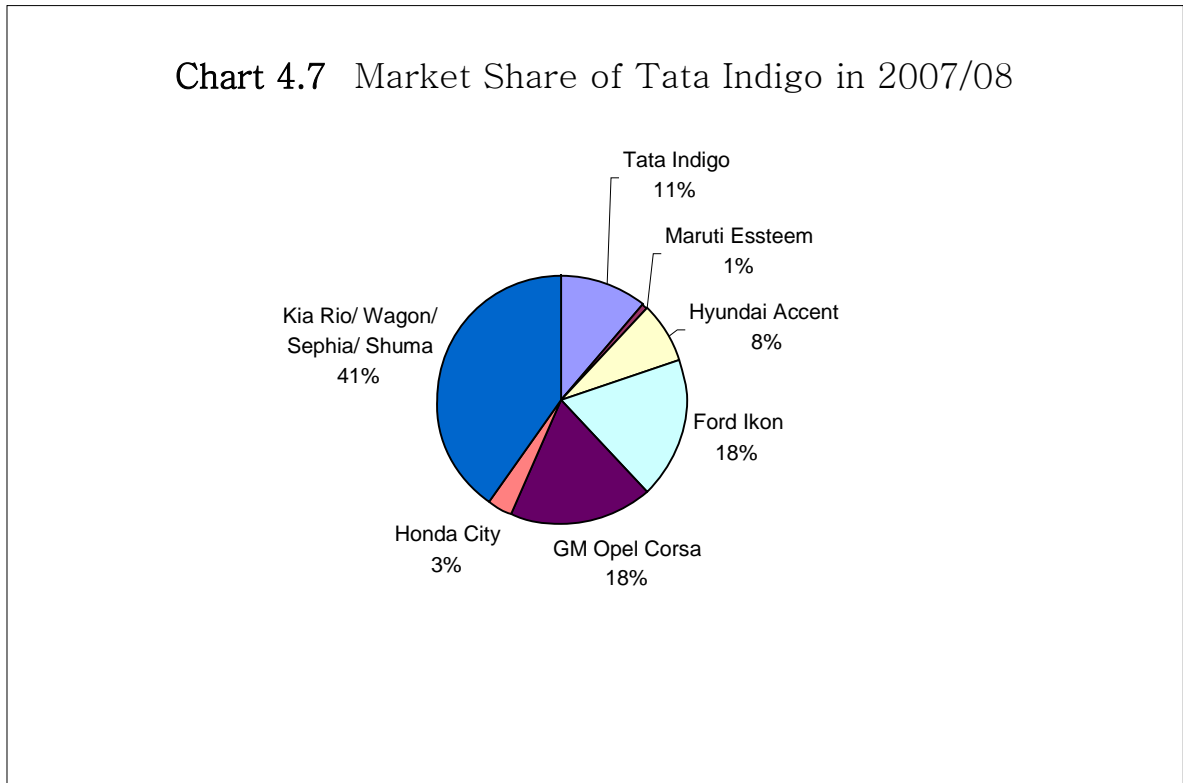
A comparative study of *Market Share* of the C-segment cars shows that Kia is predominant in market, and is the leader in the segment for two consecutive years. From another angle, the other hand, 63 units of Kia cars were sold in 2006/07, the sales figure reached 96 in the following year - an increase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

Above table shows that Honda City is the biggest loser because it enjoyed second position with 21% market share and 34 units, and in the following year it went way down to second last position with nominal 3% market share. 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.



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

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



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



**Table 4.10** Tata Indigo Sales Dispersion

<b>Region</b>	<b>Units sold</b>	<b>Percentage</b>
Kathmandu	21	78%
Birgunj	3	11%
Pokhara	0	0%
Butwal	1	4%
Biratnagar	2	7%
Nepalgunj	0	0%
<b>Total</b>	<b>27</b>	<b>100%</b>

*Source: Siprodi Trading Pvt. Ltd, Thapathali*

Analysis of Tata Indigo based on its one year sales performance shows that 29 units of that were sold within one year after its launch in August. Table 4.11 shows that August, September, October and January, February, March were fruitful months for Tata Indigo. 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 Siprodi Trading Pvt. Ltd. for boosting its sales.

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

<b>Table 4.11</b> Sales of Tata Indigo for one year after its launch													
<b>Month</b>	<b>Aug</b>	<b>Sep</b>	<b>Oct</b>	<b>Nov</b>	<b>Dec</b>	<b>Jan</b>	<b>Feb</b>	<b>Mar</b>	<b>Apr</b>	<b>May</b>	<b>Jun</b>	<b>Jul</b>	<b>Total</b>
<b>Model</b>	<b>2007</b>	<b>2007</b>	<b>2007</b>	<b>2007</b>	<b>2007</b>	<b>2008</b>	<b>2008</b>	<b>2008</b>	<b>2008</b>	<b>2008</b>	<b>2008</b>	<b>2008</b>	<b>12 months</b>
Indigo GLE													<b>0</b>
Indigo GLS		1										1	<b>2</b>
Indigo GLX						1							<b>1</b>
Indigo LS	2	2	2			1	2	2				1	<b>12</b>
Indigo LX	1	1	4		1	3	2	2					<b>14</b>
<b>Total</b>	<b>3</b>	<b>4</b>	<b>6</b>	<b>0</b>	<b>1</b>	<b>5</b>	<b>4</b>	<b>4</b>	<b>0</b>	<b>0</b>	<b>1</b>	<b>1</b>	<b>29</b>

Source: Sipradi Trading Pvt. Ltd, Thapathali, Kathmandu

### 4.3 Technical Analysis of Tata Indigo

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

<b>SPECIFICATIONS</b>	
<b>ENGINE</b>	
Petrol	1405 cc MPFI Petrol Engine.
	Maximum Power - 85 PS @6000 rpm
	Maximum Torque - 11Kgm@3000 rpm
<b>Diesel</b>	
	Turbo-charged 1405 cc
	Indirect Injection Engine
	Maximum Power - 62PS @ 4500 rpm
	Maximum Torque - 12.5 Kgm @ 2500 rpm
<b>SUSPENSION</b>	
Front	Independent McPherson strut with anti-roll bar
Rear	Independent 3-link McPherson strut with anti-roll bar
<b>STEERING</b>	
Type	Rack and Pinion type collapsible steering column.
	Power assisted available in all models except GLE
Turning Radius	5.0 m
<b>DIMENSIONS</b>	
Length (mm)	4150
Width (mm)	1620
Height (mm)	1540
Wheelbase (mm)	2450
Ground Clearance (mm)	165

Trunk Capacity (lts)	450
Fuel Tank Capacity (lts)	42
<b>BRAKES</b>	
Type	Vacuum assisted dual circuit, diagonal split hydraulic brakes through tandem master cylinder
Front	Disc brake
Rear	Drum brake
<b>TYRE &amp; WHEELS</b>	
Type	Radial Tube
Size	175/65 R14
<b>SEATING</b>	
Front	2 persons
Rear	3 persons
<b>WEIGHT</b>	
Kerb Weight (kg)	1070
Gross Vehicle Weight (kg)	1490

Source: Tata Indigo Leaflet

From the above specification, it is quite easily observed that Tata Indigo is a 1405 cc car with 85 PS power generated by petrol variant. It also has independent 3-link rear suspension with anti-roll bar. Trunk capacity, or boot space in other words, is 450 liters, which in fact is very large. And tyre size is 14", which is one of the biggest in similar other cars.

<b>FEATURES</b>	<b><i>GLX</i> (Petrol)</b>	<b><i>GLS</i> (Petrol)</b>	<b><i>GLE</i> (Petrol)</b>	<b><i>LX</i> (Diesel)</b>	<b><i>LS</i> (Diesel)</b>
<b>COMFORT</b>					
• <b>Power Steering</b>	Yes	Yes	Manual	Yes	Yes
• <b>Steering wheel</b>	4-spoke, leather wrapped	4-spoke, soft-feel	2-spoke	4-spoke, leather wrapped	4-spoke, soft-feel
• <b>Gear-shift knob</b>	Leather-wrapped	Aluminium	PU	Leather-wrapped	Aluminium

	PU			PU	
• <b>Windows (Front &amp; Rear)</b>	Power Windows	Manual	Manual	Power Windows	Manual
• <b>AC &amp; HVAC systems</b>	HVAC	HVAC	AC (with recirculation feature)	HVAC	HVAC
<b>EXTERIOR FEATURES</b>					
• <b>Rear fog lamp</b>	Yes	No	No	Yes	No
• <b>Bumpers</b>	Body-coloured	Body-coloured	Grey	Body-coloured	Body-coloured
• <b>Rub rails on doors</b>	Yes	Yes	No	Yes	Yes
• <b>Wheel covers</b>	Full	Full	Partial	Full	Full
• <b>Outer rear view mirror</b>	Both Sides	Both Sides	Driver's Side	Both Sides	Both Sides
<b>INTERIOR FEATURES</b>					
• <b>Fabric lining on seats</b>	Full fabric	Partial fabric	Partial fabric	Full fabric	Partial fabric
• <b>Moulded roof lining</b>	Yes	Yes	Yes	Yes	Yes
• <b>RPM meter</b>	Yes	No	No	Yes	No
• <b>Digital clock</b>	Yes	Yes	Yes	Yes	Yes
• <b>Anti-glare inner rear view mirror</b>	Yes	Yes	Yes	Yes	Yes
• <b>Cabin lamp with spot reading lamp</b>	Front & Rear	Front & Rear	Front & Rear	Front & Rear	Front & Rear
• <b>Mobile phone charger</b>	Yes	Yes	No	Yes	Yes
• <b>Door pads</b>	Fabric insert	Fabric insert	No	Fabric insert	Fabric insert
• <b>Boot lamp</b>	Yes	Yes	No	Yes	Yes
• <b>Rear seat with double-folding backrest</b>	Yes	Yes	Yes	Yes	Yes
• <b>Soft-painted dashboard</b>	Yes	No	No	Yes	No
• <b>Carbon-fibre/Brushed Aluminium look</b>	Carbon-fibre	Brushed Aluminium	None	Carbon-fibre	Brushed Aluminium

<b>laced interiors</b>					
• <b>Light intensity adjustment for instrument cluster</b>	Yes	No	No	Yes	No
• <b>Sunglasses case</b>	Yes	Yes	Yes	Yes	Yes
• <b>Rear defogger</b>	Yes	No	No	Yes	No
<b>SAFETY</b>					
• <b>Central locking</b>	Yes	No	No	Yes	No
• <b>Key in/out, door open audio warning signal</b>	Yes	No	No	Yes	No
• <b>High mounted stop lamp</b>	Yes	Yes	Yes	Yes	Yes
• <b>Audio warning signal for driver seat belt</b>	Yes	No	No	Yes	No
• <b>Anti-submarine front seats</b>	Yes	Yes	Yes	Yes	Yes
• <b>Seat belts</b>	Front & Rear	Front & Rear	Front & Rear	Front & Rear	Front & Rear
• <b>Child safety locks on rear doors</b>	Yes	Yes	Yes	Yes	Yes
• <b>Remote release for fuel and trunk lid</b>	Yes	Yes	Yes	Yes	Yes

Source: Tata Indigo Leaflet

#### 4.4 Spoil yourself

As stated earlier on, Tata Motors has put '*Spoil Yourself*' as the promotional slogan for Tata Indigo. The company claims to spoil rider in comfort, space, safety, performance, and style, literally. The same is presented below in their own words<sup>36</sup>:

*Spoil yourself in comfort*

<sup>36</sup> Taken from *Tata Indigo leaflet* (Catalogue)

The luxurious Tata Indigo comes with something that more expensive cars should, but don't: an independent 3-link Rear Suspension. This advanced suspension system, unique in this class of cars, uses 3 linked struts to evenly distribute bumps and dampen shocks. Inside, its anti-submarine seats have greater wrap profile to keep you cushioned in comfort without compromising on your safety. The company has given the seats additional lumbar and thigh support to keep your fatigue free on long drives. The Indigo comes with larger 14" wheels, superior to the 13" wheels that come with most cars in this class. These wheels provide enhanced grip and handling and therefore, smoother rides.

With special anti-vibration Melt Sheets and high quality cabin insulation ensure that noise, heat, and vibration are kept to a minimum. How else could it have passed stringent refinement tests at one of the world's best testing agencies? And if that is not enough to feel like you're being indulged, how about leather-wrapped steering wheel and gear knob? Or the carbon fibre, brushed aluminum look interiors? Or indeed, Power Steering, Power Windows and HVAC system?

### *Spoil yourself with space*

The Indigo is designed for you to travel in huge space and great comfort. Start off by opening Indigo's doors. Their wide opening angle makes getting in and out very easy, also reducing load on your knees and back. Sit down and you will discover a comfortable, high-seating position and ergonomically designed cabin larger than that of many far more expensive cars.

This extra space has been made possible by some smart designing. We have extended the wheelbase to maximize cabin space, while keeping the exteriors compact to allow for high maneuverability

in traffic. Coupled with this space is the 450 liter boot, essential for letting your family spoil themselves with their favorite things on getaways.

### *Spoil yourself with safety*

What use is comfort is with out peace of mind? That's why we have put the Indigo through rigorous test at our, and India's only, crash test facility. There, its solid steel monocoque frame sailed through European standards of full frontal and offset frontal crash tests. We also installed a fire-preventing inertia switch that minimizes fuel leakage in the event of an accident. Then there's the Vent/Drum brake system with 9" boosters to ensure safe emergency stops. Finally, let's not forget front and rear seat belts that come as standard equipment. As do side-impact beams, crumple zones, and a collapsible steering column.

### *Spoil yourself with performance*

With the Tata Indigo, we want to spoil you for choices too. That's why we offer two powerful engine options. You could choose the 1.4 liter, MPFI petrol engine. This workhorse powers out 62 PS@4500 rpm and a torque of 12.5 kgm @ 3000 rpm. While a stiffened body shell, larger wheels, a sophisticated suspension and a responsive steering wheel combine to offer you class-leading ride and handling characteristics.

### *Spoil yourself with style*

The Indigo is as distinctive on the outside as it is on the inside. Its contemporary styling ensures that it stands out in a crowd. And to understand how it does just that, take a look at the details.



Like the chromed-lipped grille and rear number plate. The elegant clear lens headlamps. The eye-catching trapezoidal, clear lens tail lights. Its sinful velour upholstery and plush trim levels. Last, but definitely not the least, its classy, understated colors.

#### **4.5 Competitor analysis of Tata Indigo**

As said earlier, Tata Indigo has to face stiff competition in the C-segment cars, which includes Indian Manufactured (Indigenous/foreign JV), and some Korean cars. A major threat of competition is from similar Indian cars only. A threat from overseas come from Kia Motor Company, Korea.

Some models of car Competitive to Tata Indigo are as under -

- Maruti Esteem
- Hyundai Accent
- Ford Ikon
- Kia Rio/Shuma/Sephia
- Honda City
- Mitsubishi Lancer
- Opel Astra/Corsa
- Fiat Siena

Looking at the sales records of last year in this segment, Kia Rio is the most strong competitor, followed by Ford Ikon, then by 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 Indigo.

An analysis of strength and weakness of the above models helps understand the strength and weakness of Tata Indigo. 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.<sup>37</sup>

---

<sup>37</sup>Autocar India, February 2002, Vol. 3 No. 6. p.32

#### 4.5.1 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.

**Table 4.12** Prevailing prices of C-segment cars

Option	Make	Model	Engine CC	Fuel	Retail Price
Standard with A/C	Maruti Esteem	LX	1298	Petrol	1,900,000
	Ford Ikon	CLXi	1299	Petrol	2,075,000
	Fiat Siena	EX	1200	Petrol	1,998,000
	Tata Indigo	GLE	1405	Petrol	2,202,522

<b>Semi- option</b>	<b>Maruti Esteem</b>	Lxi	1298	Petrol	NA
A/C		D	1500	Diesel	1,990,000
And	<b>Hyundai Accent</b>	GVS	1495	Petrol	2,020,000
Power	<b>Fiat Siena</b>	EL	1600	Petrol	1,925,000
Steering	<b>Opel Corsa</b>	GL	1400	Petrol	1,779,000
	<b>Opel Swing</b>		1400	Petrol	1,997,000
	<b>Opel Astra</b>	Advantage	1700	Diesel	2,223,000
		Advantage	1600	Petrol	2,210,000
	<b>Ford</b>	CLXI	1300	Petrol	1,825,000
	<b>Kia Rio</b>	Wagon	1300	Petrol	1,998,000
	<b>Daewoo Lanos</b>	II	1500	Petrol	1,700,000
	<b>Tata Indigo</b>	GLS	1405	Petrol	1,770,242
		LS	1405	Diesel	1,950,727
<b>Full Option</b>	<b>Maruti Esteem</b>	VX	1298	Petrol	1,869,040
	<b>Hyundai Accent</b>	GLS	1495	Petrol	2,290,000
		DLS	1527	Diesel	
	<b>Ford Ikon</b>	EXi Endura	1299	Petrol	1,700,000
		SXi Rocam	1597	Petrol	1,851,000
	<b>Ford</b>	NXT	1300	Petrol	1,825,000
	<b>Ford</b>	ZXI	1600	Petrol	2,275,000
	<b>Ford</b>	ZXI D	1800	Diesel	2,325,000
	<b>Fiat Siena</b>	ELX	1600	Petrol	1,850,000
	<b>Opel Corsa</b>	GLS	1400	Petrol	1,669,000
		Royale	1600	Petrol	1,947,000
	<b>Opel Swing</b>		1600	Petrol	1,857,000

<b>Opel Astra</b>	GLi	1700	Diesel	2,768,000
	Club	1700	Diesel	2,670,000
	GLi	1600	Petrol	2,525,000
	Club	1600	Petrol	2,463,000
<b>Kia Rio</b>	Wagon	1300	Petrol	1,664,000
<b>Kia Rio</b>	DLX	1300	Petrol	1,998,000
<b>Kia Sephia</b>	II LS	1600	Petrol	1,845,000
<b>Daewoo Nubira</b>	II	1600	Petrol	2,800,000
<b>Tata Indigo</b>	GLX	1405	Petrol	1,900,000
	LX	1405	Diesel	2,010,000

Source: Various Car dealers' showrooms in Kathmandu

#### 4.6 Review of prevailing prices of Tata Indigo

Altogether 5 models of Tata Indigo are available - two models on Petrol and three models on Diesel. Basically, there are 3 options available - basic model with A/C, model with A/C & Power Steering, and model with full option. First of all, there is basic model which has standard fitments with A/C. This model is available in Petrol only.

Second, there are two models, one each in both Diesel and Petrol. These models have A/C plus Power Steering. Lastly, there are other two models, one each in both Diesel and Petrol, which have full option including A/C, Power steering and other features.

Besides those basic features, there are also other features like Central Locking, Child Lock, RPM meter, Fog Lamps, Mobile phone charger, etc. As the options goes on adding on basic model to full option model, prices also change significantly.

**Table 4.13** Current Prices of Tata Indigo (as on 18.09.2004)

S.n.	Model	Fuel	Price (Nrs.)
1.	Tata Indigo GLS	Petrol	17, 70,000.00
2.	Tata Indigo GLX	Petrol	19, 00,000.00
3.	Tata Indigo LS	Diesel	19, 50,000.00
4.	Tata Indigo LX	Diesel	20, 10,000.00

Source: *Sipradi Trading Pvt. Ltd, Thapathali*

While the basic model is available only at Rs. 17, 70,000.00, full option is priced at 20, 10,000.00. It can be considered a very competitive price. 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.

#### **4.7 SWOT Analysis for Tata Indigo**

##### ***Strength***

Brand Awareness and trust of the customers towards Tata products are the biggest strength of Tata Indigo. 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. And Tata Indigo is available in both Diesel and Petrol, which is available in few other cars. This is one competitive advantage and strength of Tata Indigo. Interestingly, Price differential between Diesel and Petrol is expected to drive the market to Diesel.

### *Weakness*

Some customers confuse Tata Indigo to Tata Indica (Smaller one). But fact of the matter is that there is vast difference between these two. The biggest challenge is that it has to match the features of car manufactured by world renowned companies, in order to be competitive in market. The price too is not relatively cheaper.

### *Opportunity*

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. Availability also in Diesel is a major opportunity for Tata Indigo.

### *Threat*

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.

## **4.8 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'.

#### 4.8.1 Customer's Purchase behavior

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

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

<b>S.no.</b>	<b>Features/ Attributes</b>	<b>Rate</b>
1	Availability of Spare Parts	1 <sup>st</sup>
2	Safety	2 <sup>nd</sup>
3	Fuel Efficiency	3 <sup>rd</sup>
4	Comfort and Smooth Ride	4 <sup>th</sup>
5	Price	5 <sup>th</sup>
6	External design	6 <sup>th</sup>
7	Interior design	7 <sup>th</sup>
8	Fuel option	8 <sup>th</sup>
9	Wide legroom & Luggage Room	9 <sup>th</sup>

#### 4.8.2 Customer's attitude towards different brands of car

For simplicity of the study, only seven brands were taken into consideration, which of course includes Tata Indigo. 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, *while Tata Indigo ranked fourth.*

**Table 4.15** 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 Responses were summed up for each of them.

As shown in table 4.16 below, *Tata Indigo ranked second only to Kia Rio.* In terms of single feature, most respondents believed Kia Rio as being best in external design. Regarding internal design, Opel Corsa is rated highest. Similarly, Honda City was rated as the most comfortable car. Maruti Esteem and 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.

Regarding Fuel option, *Tata Indigo* is rated much higher than others. That means, respondents knew that *Tata Indigo* is available in both Diesel and Petrol, and that those who cared operating economy could choose *Indigo* (Diesel). And those who cared comfort, power, noise, and other things could choose *Indigo* in Petrol.

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

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

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	-	-
<b>Score</b>		<b>21</b>	<b>25</b>	<b>12</b>	<b>10</b>	<b>7</b>	<b>10</b>	<b>15</b>
<b>Rate</b>		<b>Second</b>	<b>First</b>	<b>Fourth</b>	<b>Fifth</b>	<b>Sixth</b>	<b>Fifth</b>	<b>Third</b>

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. With 25 point score, Kia Rio is rated first by the respondents. Interestingly, Tata Indigo is rated second with 21 points. Similarly, Honda City and Opel Corsa are third and fourth.

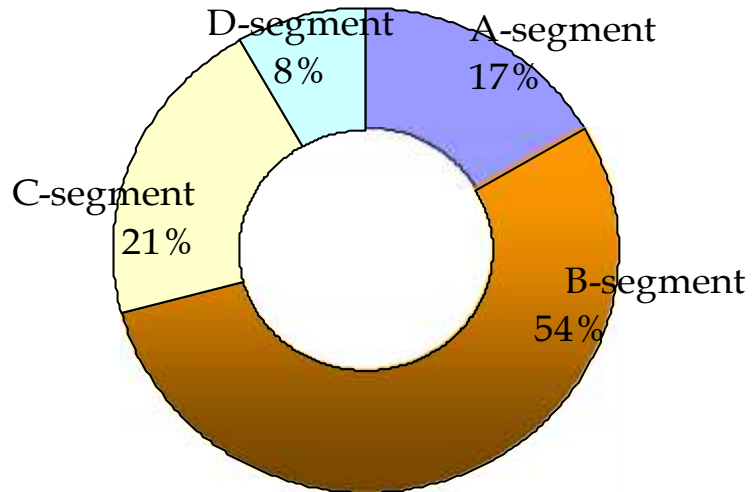
Based on above result, it may be concluded that Kia Rio, *Tata Indigo*, Honda City, and Opel Corsa are the *most liked cars* in C-segment.

#### 4.8.3 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.

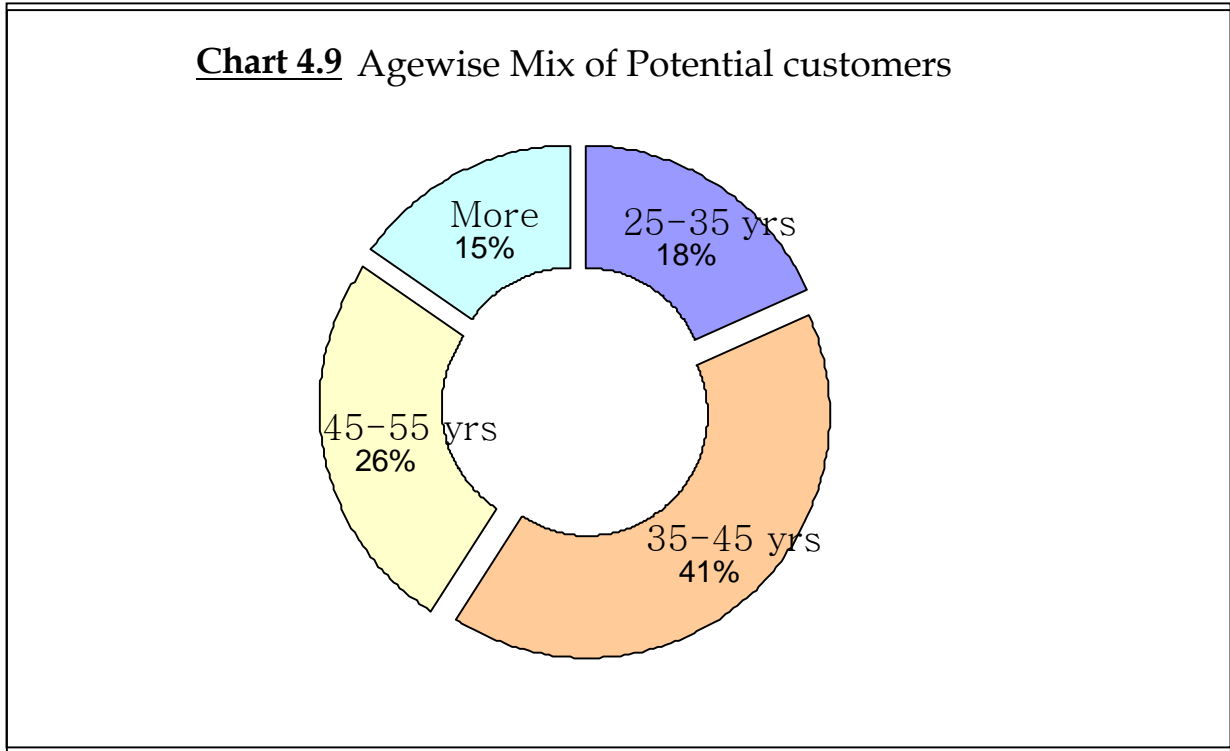
<b>Table 4.17</b> Preference of Car segment by respondents		
<b>Car Segment</b>	<b>No. of respondents</b>	<b>Percentage</b>
A-segment	4	17%
B-segment	13	54%
C-segment	5	21%
D-segment	2	8%
<b>Total</b>		<b>100%</b>

**Chart 4.8** Car segment preferred by Respondents



It implies that customers just don't consider cash only and compromise other things. It is only B-segment cars which is relatively cheaper and has some features which customer's desire, and these were the cars most customers preferred. D-segment car the expensive ones and not many customers can afford it. So, only 8% preferred this segment of car. Consequently, Tata Indigo is in C-segment. So, it is in 2<sup>nd</sup> most preferred car segment.

#### 4.8.4 Age wise mix of Customers



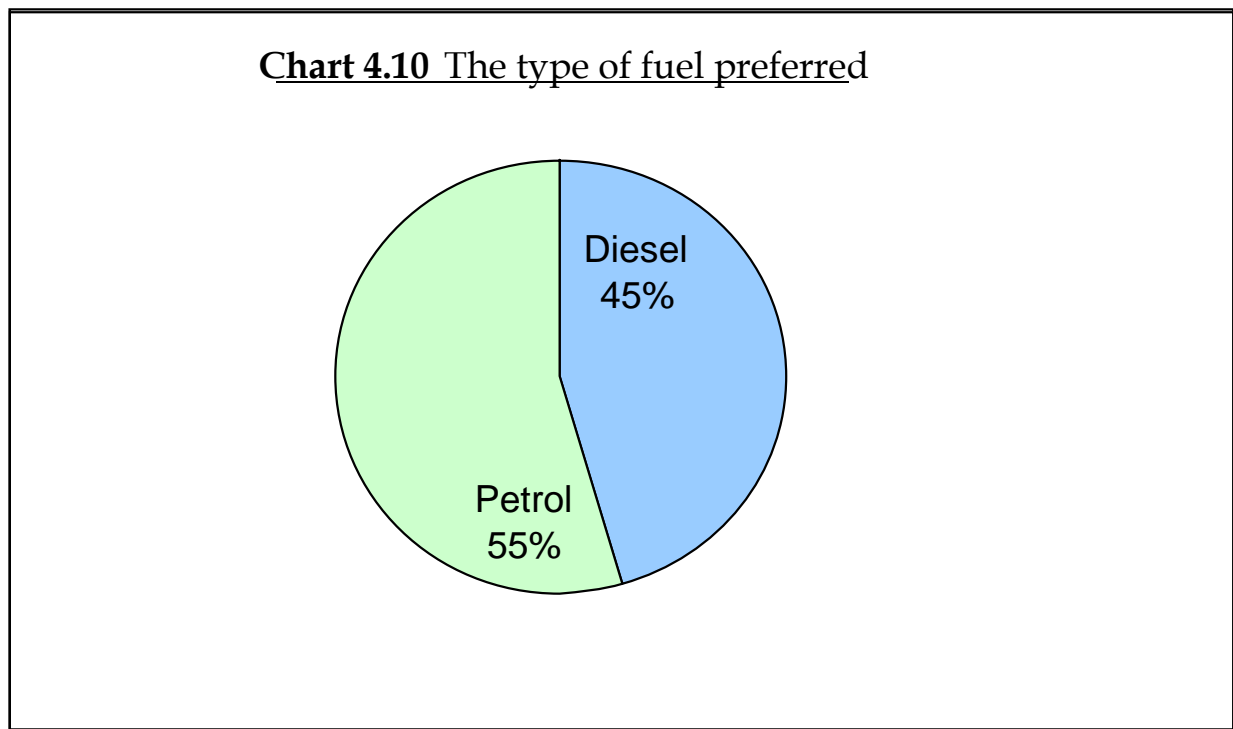
The largest age category of respondents (Potential customers), as seen from chart, is 35-45 years. It constituted 41% of total respondents. Likewise, 26% of the respondents were 45-55 years of age. And only 15% of the respondents claimed that they were above 55 years. It was observed and seen during 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.

#### 4.8.5 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 -

**Table 4.18** Respondents preference for Diesel or Petrol car

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



#### **4.8.6 Calculation of Market Potential**

In Table 4.19, total estimated market potential of Tata Indigo in Kathmandu valley is calculated as something over 6,000 units. As

mentioned previously, Market potential is the maximum possible sales opportunities available to marketers of a good or services in a particular market segment. On the basis of average purchases per customers in each potential customer category and number of customers in each customer category, total Market Potential is calculated out.<sup>38</sup>

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.

---

<sup>38</sup> Harper W. Boyd Jr. et.al., *Marketing Research*, 7<sup>th</sup> ed. (Homewood, IL.: Richard D. Irwin, 2001), p.771

**Table 4.19** Calculation of Estimated Market Potential of cars using Market Survey Approach

<b>Customer Category [A]*</b>	<b>Sample Size [B]</b>	<b>Purchases [C]</b>	<b>Average Purchase [D]</b>	<b>Population size [E]</b>	<b>Market Potential [F]</b>
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
<b>Total</b>	<b>25</b>				<b>6318</b>

\* Column:

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

[B] Sample taken for each categories.

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

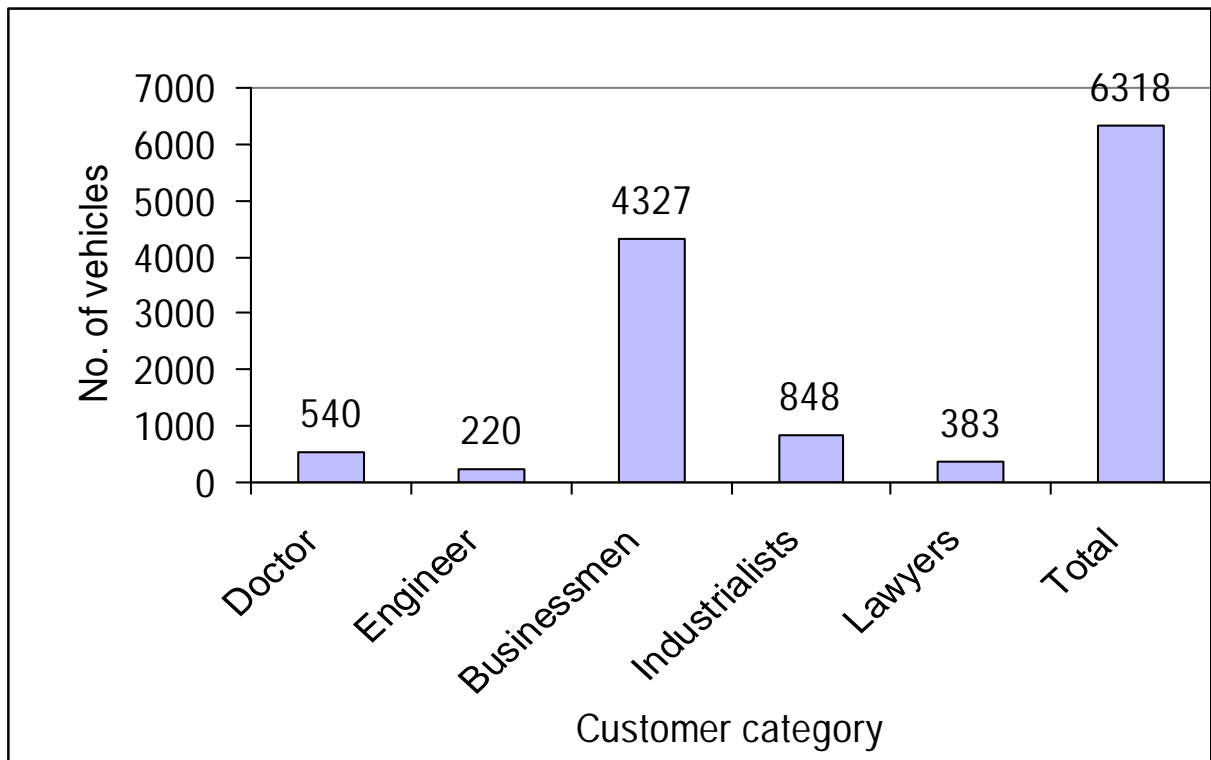
[D] Average ownership of car per customer in each customer category. Computed by dividing column C by column B.

[E] Number 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 4.11 Graphic view of Market Potential of Cars in Kathmandu 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 4.20** 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	<b>6318</b>	<b>100%</b>

#### 4.9 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 and 4374 units registered in last 2 years.*
2. *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). 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. So, the areas in these zones are very good potential markets for Tata Indigo. 21 units of total 27 units Tata Indigo sold in whole Nepal is sold in Kathmandu itself. So, Kathmandu valley is 78% market for Tata Indigo.
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. *Tata Indigo is in C-segment, the one with price range of 14-17 lakhs.* 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. *Tata indigo is a mid-sized sedan car, with 3-box, i.e. cars with distinct front, rear, & body.* Based on Size, Cars are segmented as hatchbacks, mid-sized sedans, and big sedans. Tata Indica, Maruti 800 is hatchbacks. Tata Indigo, Kia Rio, Opel corsa are mid-sized sedan cars. Some large cars made by Toyota, Nissan are big sedans. Mid-sized cars are very

popular in our country and so has a very good market potential.

8. *Tata Indigo was introduced and launched in Nepalese market in July 2003. Introduced in midyear, and with not so much of publicity, it did a business of 27 units. That should be considered a good result, because it claimed a healthy and comfortable market share 11% in its segment.*
9. *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.*
10. *Significantly, It was found that Tata Indigo has emerged as a new star. 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.*
11. *Some models of car Competitive to Tata Indigo are Maruti Esteem, Hyundai Accent, Ford Ikon, Kia Rio/Shuma/Sephia, Honda City, Mitsubishi Lancer, Opel Astra/Corsa. 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. Kia Rio is gradually taking a strong position in this segment. Being foreign car with cheapest price, it is just eating up the market. 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 Indigo.*
12. *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-sizer. 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.

13. *The study found that Brand Awareness and trust of the customers towards Tata products were the biggest strength of Tata Indigo. 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. And Tata Indigo is available in both Diesel and Petrol, which is available in few other cars. This is one competitive advantage and strength of Tata Indigo. 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. Availability also in Diesel is a major opportunity for Tata Indigo. 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.*
14. *Tata Indigo is found to have a good market potential, as Customer's preferences very much seem to favor Tata Indigo. 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. In this regard, Tata Indigo is one of the most fuel-efficient cars. Moreover, Indica is available in Diesel, which is very much cheaper than Petrol, thus ensuring economy in operation. And spare parts of Tata Indigo are available in all of the major cities across Nepal.

15. *Tata Indigo is the fourth most preferred car among seven competitive models that were taken into consideration.* Honda City, Kia Rio, and Opel Corsa are the first, second, and third most preferred car. Maruti Esteem is the least preferred car.
16. *Tata Indigo is one of the best C-segment cars currently plying on streets of Nepalese.* Based on customer's perception of different features offered in car, Tata Indigo ranked second only to Kia Rio. Customers perceived Tata Indigo as a fuel efficient car. Customers are also very positive on fuel option provided on Tata Indigo, as Tata Indigo is available in both Diesel and Petrol versions. Hyundai Accent is perceived by customers as having worse features. Similarly, customers perceived Honda city as more comfortable car; Kia Rio as having better external design; and Opel Corsa as having better internal design. Survey results confirm that Honda City, Opel Corsa, Kia Rio, and Tata Indigo are the some of the best contemporary cars available in Nepalese Market, and are undoubtedly the best cars in C-segment.
17. 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.

18. *Analysis of primary data, i.e. survey data found that Tata Indigo has an estimated market potential of over 6000 units in Kathmandu valley. Among that, '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.*

## **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 Analyse and Estimate market potential of cars in Nepal, with special focus on Tata Indigo. Behavior of customers regarding car purchases is analysed, 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, especially C-segment cars. And at last, 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 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 Indigo.

Tata Indigo is a C-segment car, which includes cars which are mid-sized and priced 13-17 lakhs. C-segment car market is the market of about 200 units annually. Mid-sized cars are very popular in our country and so has a very good market potential, as they are affordable too by Nepalese middle-class. Kia Rio and variants are predominant in C-segment market. There is intense competition that Indigo has to face in its segment, i.e. C-segment



Tata Indigo was introduced and launched in Nepalese market in July 2006. Introduced in midyear, and with not so much of publicity, it did a business of 27 units. That should be considered a good result, because it claimed a healthy and comfortable market share 11% in its segment that year.

Tata Indigo has emerged as a new star. 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.

Some models of car Competitive to Tata Indigo are Maruti Esteem, Hyundai Accent, Ford Ikon, Kia Rio/Shuma/Sephia, Honda City, Mitsubishi Lancer, Opel Astra/Corsa. Ford Ikon and Kia Rio are the biggest threat as a competitor to Tata Indigo.

Brand Awareness and trust of the customers towards Tata products were the biggest strength of Tata Indigo. 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. And Tata Indigo is available in both Diesel and Petrol, which is available in few other cars. This is one competitive advantage and strength of Tata Indigo. 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. Availability also in Diesel is a major opportunity for Tata Indigo.

Tata Indigo is found to have a good market potential, as Customer's preferences very much seem to favor Tata Indigo. While purchasing a car, Customers regarded 'Availability of Spare parts' as the most important thing that they expect from a car. Tata Indigo is one of the most fuel-efficient cars. Moreover, Indica is available in Diesel, which is very much cheaper than Petrol, thus ensuring economy in operation. And spare parts of Tata Indigo are available in all of the major cities across Nepal.

Tata Indigo is the fourth most preferred car among seven competitive models that were taken into consideration for the

study. Tata Indigo is one of the best C-segment cars currently plying on streets of Nepalese. Based on customer's perception of different features offered in car, Tata Indigo ranked second only to Kia Rio. Customers perceived Tata Indigo as a fuel efficient car. Customers are also very positive on fuel option provided on Tata Indigo, as Tata Indigo is available in both Diesel and Petrol versions.

Analysis of primary data, i.e. survey data found that Tata Indigo has an estimated market potential of over 6000 units in Kathmandu valley. 'Businessmen' is the single largest potential customer category. 'Doctors' and 'Industrialists' are the highly potential ones, with very significant car ownership rate.

## **5.2 Recommendation**

Tata Indigo has a good market potential in Nepal, especially inside Kathmandu valley. However, many people are not aware of some of its stringent its features, like availability in Diesel and Petrol. Some people are not even aware of the availability of the model itself. Many confuse it with Tata Indica. Customers perceive that Tata Indigo is nothing new, but an Indica with a boot on rear. Fact is that there is a huge difference between those two. So, some marketing effort is required to, at least, make potential customers aware that there is Tata sedan car, which is different from earlier Tata Indica.

Tata Indigo is a bit expensive too, as many customers opine. Its price needs to be reduced to match a competition with other brands like Opel Corsa, Honda City, and Kia Rio. Many customers regard Kia Rio as very reasonably priced, though being an overseas imported car.

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. itself arrange for finances. For that, it 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. Siprodi Trading 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 Siprodi Trading is able to take the burden, it can easily win the competition.

Siprodi Trading is rigid in terms of discounts. 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, Siprodi Trading should try to tune up itself with the trend.

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

# 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 ∞  
 Opel Corsa ∞ 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?

<i>Featurs</i>	<i>Tata</i>	<i>Kia</i>	<i>Opel</i>	<i>Ford</i>	<i>Hyundai</i>	<i>Maruti</i>	<i>Honda</i>
	<i>Indigo</i>	<i>Rio</i>	<i>Corsa</i>	<i>Ikon</i>	<i>Accent</i>	<i>Esteem</i>	<i>City</i>
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 Indigo, 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 brand of products, Car in specific?

∞ Enthusiastic    ∞ Positive            ∞ Indifferent            ∞  
 Negative            ∞ Hostile

19. Do you have any suggestions regarding Tata Indigo?

## Appendix II

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

<i>SIC</i>	<i>Effective Industries</i>	<i>Market Survey Results</i>		
		<i>Product Purchases</i>	<i>No. of Workers</i>	<i>Average Purchases per Worker</i>
3611	Electric Measuring	\$1,600	3200	\$0.50
3612	Power Transformers	50150	4616	10.86
3621	Motors, generators	28400	10896	2.61
3622	Electric industrial controls	40100	4678	8.57
3631	Household cooking equipment	2600	2104	1.24
3632	Home Refrigerators	149600	5215	28.69
3633	Home Laundry Machines	35200	3497	10.07
3634	Minor Electric appliances	1200	3208	0.37
3635	Vacuum cleaners	1875	402	4.66
3636	Sewing machines	600	912	0.66
3639	Appliances, NEC	225	1100	0.2
3661	Telephone Equipment	65500	6451	10.15
3662	Radio and TV equipment	132100	6889	19.18
3693	X-ray	14000	491	28.51
<b>Total</b>		<b>\$523,150</b>		

Source: Harper W. Boyd Jr. et.al., *Marketing Research*, 7<sup>th</sup> 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

### VEHICLE REGISTRATION NUMBER

#### 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	1
058/59	2001/02	899	130	1291	4139	0	0	344	12306	1

059/60	2002/03	872	19	978	2507	0	0	388	17090	2
060/61	2003/04	494	122	829	3647	0	0	789	19755	2
061/62	2004/05	1203	250	1271	5152	0	0	232	29291	3
062/63	2005/06	868	475	1798	4374	0	0	248	38522	3
063/64	2006/07	432	298	1212	2906	581	232	17	29404	2
064/65	2007/08	732	237	1477	7079	478	884	16	26547	2
<b>Grand total</b>		<b>12578</b>	<b>3971</b>	<b>26067</b>	<b>73474</b>	<b>1059</b>	<b>1116</b>	<b>7215</b>	<b>270949</b>	<b>3</b>

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

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

# Bibliography

## Books:

Agrawal, Dr. Govinda Ram, *Marketing Management in Nepal*, M.K. Publisher & Distributor, Kathmandu, 2001.

Agrawal, Dr. Govinda Ram, *Organization & Management in Nepal*, M.K. Publishers & Distributors, Kathmandu, 2001

Boyd, Harper W., Westfall, Ralph, Stasch, Stanley F., *Marketing Research*, Richard D. Irwin, Inc., IL, U.S.A, 7<sup>th</sup> ed., 2001

Cateora, Philip R., Graham, John L., *International Marketing*, Tata McGraw-Hill, New Delhi, 10<sup>th</sup> ed., 2001

Cundiff, Edward W., Still, Richard R., Govoni, Norman A.P., *Fundamentals of Modern Marketing*, Prentice-Hall, Eaglewood Cliffs, NJ, U.S.A, 3<sup>rd</sup> ed.1980

Drucker, Peter F., *Management: Tasks, Responsibilities, & Practices*, Harper & Row, New York, U.S.A, 1973

Hamlyn *All-Colour Science Encyclopedia*, Reed International Books Limited, 1990.

Hummel, Francis E., *Market and Sales Potentials*, Ronald Press, New York, U.S.A, 1961

Jahoda, Marie, Deutsch, Morton, & Cook, Stuart W., *Research Methods in social relations*, Dryden press, Part I, 1951

Koirala, K. D., *Marketing Management*, M. K. Publishers and Distributors, Kathmandu, 2003

Koirala, K. D., *Marketing Decisions*, M. K. Publishers and Distributors, Kathmandu, 5<sup>th</sup> ed., 1997

Kotler, Philip, *Marketing Management*, Prentice-Hall, Eaglewood Cliffs, NJ, U.S.A, 6<sup>th</sup> ed., 1988

McKitterick, John B., *The Frontiers of Marketing Thought and Action* American Marketing Association, Chicago, U.S.A, 1957.

Lehman, Donald R., *Marketing Research and Analysis*, Richard D. Irwin, Ill, U.S.A, 1985

Stanton, William J., Etzel, Michael, J., Walker, Bruce J., *Fundamentals of Marketing*, McGraw-Hill, 9<sup>th</sup> ed., 2001

Twedt, Dik W., *Survey of Marketing Research*, American Marketing Association, 1983

### **Theses and Project Works:**

Basnyat, N.B., "A Study on Market Potentiality of Gandaki Noodles in Kathmandu Valley," *An unpublished Master's Degree Thesis*, Shanker Dev Campus, Tribhuvan University, 1985

Bhatta, R., "A Market Study of Toyota Vehicles," *An unpublished Master's Degree Project Report*, School of Management, Kathmandu University, 1994

Gayatri Basnet, "A Report on Marketing Strategy of Tata Indica," *An unpublished Master's Degree Project work*, Campion College, Tribhuvan University, 2002

Rai, Rita, "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, 2006

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

Ved Prakash Baral, "Market Potentiality of Aluminum Architectural Products in Kathmandu Valley," *An unpublished Master's Degree Thesis*, Shanker Dev Campus, Tribhuvan University, 2001

### **Magazines, Newspapers, Journals, and others:**

*A handbook on Tata Indigo*, Tata Motors Limited, 2002

*Autocar India*, Vol. 3, No. 6. February 2002

*Business Age*, October 2000.

*Business Age*, October 2002.

Department of Transport Management, *Press Release*, A shad 2065 B.S.

*Nepal Living Standards Survey Report 1996, Major Findings*, vol 2, Central Bureau of Statistics, National Planning Commission Secreteriat, HMG/N

*Nepal Monthly*, Chaitra 2058 B.S.

*Nepali Times*, Vol 316, August 2008

"O.K. Tata," *Customer Newsletter*, Tata Motors Limited, India, September 2007.

Ryans, Adrian R., Weinberg, Charles B., *Journal of Marketing Research*, U.S.A, Vol. 16, 1979

*Statistical Pocket Book*, Central Bureau of Statistics, National Planning Commission Secretariat, HMG/N, 2001.

*Telco field sales kit*, Automobile Business Unit, Tata Motors Limited, 1998

*The Himalayan Times Daily*, 25 August 2008.

### **Internet /Websites:**

<http://www.uwa.com>, Urban Wallace Associates, 2003.

<http://www.learnthat.com>