

Assessment of marketing practices of automotive industries in Ethiopia

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Abstract: The land locked country of Ethiopia got almost all of its vehicles from the western world via the port of Djibouti. Due to high taxation on imported cars, the people could afford to buy mostly second hand vehicles, which seem to change as cars begun to be assembled in Ethiopia since 2005. That is evidenced with the new model cars that run in the streets of the capital, Addis Ababa, and few other main cities of the country. To address these changes, this study would be conducted to examine the marketing practices applicable in vehicle industry a case study on Holland Car Company. For the purpose of the study, judgmental sampling was employed and a structured questionnaire was distributed to a sample of 30 employees. Descriptive analysis and t- test was used to find out the difference in the agreements about the 4ps of marketing. In addition, correlation matrix would be done to show the key promotional mix indicators. Result shows that, middle income customers, private employees and governmental officials are the main target group of the company. The company is striving to produce moderate quality cars and at the same time, sells them for lower price to expand its sales to customers who have been going for used cars with their lower purchasing power before. Due to the limited production capacity coupled with expanding demand, and late delivery components and parts of raw material from abroad, customers are expected to wait for 3-4 months to get the purchased cars.

Keywords: Marketing Practice, 4p's, Automobiles

1. Introduction

As with most organizational processes, the nature and practices of marketing has evolved over recent decades. The academic field has also developed considerably, and there is a fuller understanding of the complexities of marketing practices in different types of firms and market context. Distinct subfields have now emerged within the discipline, reflecting research interests in areas such as business-to-business, business-to-consumer, services marketing and most recently, relationship marketing. Although these developments have enriched the understanding of marketing, there are still certain unresolved issues. Although business-to-business and services marketing are treated as distinct areas for examination (as evidenced by the variety of specialist journals, textbooks, and courses on both topics) and anecdotal reports indicate that they differ from consumer and goods marketing in terms of their practical implementation, little empirical data demonstrating their distinctiveness are available (Peter and Wesley, 2002).

In practice, as opposed to theory, research has indicted that the outstanding problems facing marketers lie in the use of specific functions. Most senior managements have committed to the philosophy, even though their junior managers may be cynical about the degree of that commitment (Evan and Berman, 1997). Unfortunately, there is little evidence to show that this new-found belief has led to positive action. Indeed, if we

look at the marketing activities they do subscribe to, using the 4p's frame work say, there is little evidence that marketing practice (as opposed to the theory) has been widely embraced.

A better understanding of how companies relate to their markets is fundamental to the marketing field and their observation that the field has shifted its emphasis from transactional to relational exchanges. However, the practice of integrated marketing has not been examined relative to the practice of transactional marketing. As such assign the contemporary marketing practices of companies, serving different customers with different product offers, can yield a more encompassing, sometimes overtimes overlooked perspective to that typically found in the literature Wilmschurt (1995).

Hence, to be successful in markets in which there exist many competitors who follow the marketing concept, a well-developed marketing practice is required. Cohen, (1991) also indicates that companies should think about the method of winning, retaining, in general, satisfying customers from various ways will leads to the organizational success. Forwarding their end, the elements of marketing mix (product, price, promotion, and distribution) play a significant role in meeting the company's objectives along with satisfying customer through effective and efficient utilization of them. Therefore, it is worth noting to figure out how these 4ps are integrated, empirically.

2. Objectives of the study

The study has been undertaken with the following objectives.

- To identify if the car is able to penetrate in the marketplace to a certain level and its competitiveness in local market?
- To assess the pricing method of the company and its relative acceptance by customers?
- To assess if the existing or proposed promotion campaigns are communicating effectively?
- To identify if the existing distribution channels are operating competently

Thus, in this paper we have discussed marketing practices applicable in automobile manufacturers that may help managers to take decisions explicitly taking into account 4p's of marketing.

The paper is organized as follows, in the next section a literature review on marketing mix practices will be presented; then, appropriate research methodology tools will be discussed.

Afterwards, data analysis and interpretations will be given. Finally, the conclusion and discussion will summarize the major output.

2. Literature review

The 'marketing mix' is a term developed originally by Borden; to describe the appropriate combination, in a particular set of circumstances, of the four key elements that are at the heart of company's marketing program. They are commonly referred to as the 'four P's' (Wilmschurst; 1995).

2.1. Product decision

As Kotler and Armstrong (2006) stated that developing a product or service involves defining the benefits that it will offer. These benefits are communicated and delivered by product attributes such as quality, features, and style and design.

Product quality- is one of the marketer's major positioning tools. Quality has a direct impact on product or service performance; thus, it is closely linked to customer value and satisfaction.

Many companies today have turned customer driven quality in to a potent strategic weapon. They have created customer satisfaction and value by consistently and profitability

Product Features- A product can be offered with varying features. The company can create higher-level models by adding more features. Features are a competitive tool for differentiating the company's product from competitors' products.

Product style and Design- good design begins with a deep understanding of customer needs. More than simply creating product or service attributes, it involves shaping the customers product or service experience.

2.2. Price

Price is only one of the marketing mix tools that a company uses to achieve its marketing objectives. Price decisions must be coordinated with product design, distribution, and promotion decisions to form a consistent and effective marketing program. (Kotler and Armstrong, 2006)

Porter (1985) also states that marketer should also incorporate a company's objectives what does the company want to gain from sale of a product or service.

According to Reibstein (1985), regarding to automobile marketing, pricing serves a variety of objectives, many of which may be addressed at one time. Those objectives are:

- **Profit- covering-** all production costs and yielding a profit margin.
- **Profit maximization-** making total revenue as large as possible in relation to costs.
- **Market share-** a low price attracts many customers and encourages them to develop brand loyalty.
- **Sales growth-** a low price that increases sales for the short term.
- **Product quality-** a price that reflects the quality and image of the product.

2.3. Promotion

Promotion represents the third element in the marketing mix. The promotional elements comprises a mix of tools available for the marketing called promotional mix, which consists of advertising, personal selling, sales promotion and publicity. All of these elements can be used to inform prospective buyers about the benefited of the product, persuade them to try it, and remind them later about the benefits they enjoyed by using the product (Smith and Jaylor, 1992).

According to Evan and Berman, promotion is any communication used to inform, persuade and/or remind people about an organization's or individual's goods, services, image, ideas, community involvement or impact on society. Communication occurs through brand names, packaging, company marquees, and displays, personal saving, customer service, trade shows and message in mass media (such as newspapers, television radio, direct mail, billboards, magazines and transit). It can be company sponsored or controlled by independent media message may emphasize information, persuasion, fear, sociability product performance, human and/or comparisons with competitors (Evans and Berman, 1997).

2.4. Distribution

In fact, in recent years; manufactures are increasingly viewing distribution process as a competitive strategy. In light of this increased importance, the over changing goal of the distribution function is to strategically manage such crucial functions as put chasing, materials management, inventory control, transportation and customer care their will ultimately enable it to effectively move products to end customer (Evans and Berman , 1997).

In other words, effective distribution practice relates to meeting customer needs by effectively managing and moving products through the distribution channel. Additionally, it must also focus on eliminating waste in terms of time, effort, and inventory with in the manufacturing.

3. Research Methodology

Descriptive survey research was conducted. Research population was consists of the employees of Holland Car Company, 30 of which were selected by judgmental sampling method. Research tool was a researcher-made questionnaire which includes the following parts: personal characteristics, and marketing mix analysis from 4p's point of view. The questionnaire measure marketing mix practices using a five-point likert scale which ranged from 1(strongly disagree) to 5 (strongly agree). Validity of the questionnaire was confirmed and its reliability was calculated by Cronbach's alpha coefficients. The Cronbach's alpha result was 0.74, which is greater than 0.6 and confirmed reliability of the questionnaire. Data were analyzed (descriptive statistics, one sample t- test, and correlation) by SPSS software.

4. Result and Discussion

4.1. Demographic characteristics of respondents

Based on the results, most of the participants (60%) were males and only 40% of whom were women. Frequency distribution by age also shows that 50% of them are under 35 years of Age, 40% of them are between 36 and 45 years of age and 10% are over 46. Based on the results, the majority (63.3%) of respondents hold BA/BSC degrees, 30% of which are diploma holders and few (6.7%) of respondents have MA and Ph.D. degrees. With regard to work experience, 13%) have less than a year, 10(33%) of employees have 1-3 years, 50% of them have 3.5-5 years while 1(3%) of employee have more than 5 years of experience.

4.2. Marketing Mix Analysis

In this section, marketing mix analysis and findings have been described. The tables below show the frequency (F) percentage (%) the mean(x), standard deviations (S.D) and t-test statistics. To this end, if the mean is 3 and above 3, it shows a tendency of having acceptable marketing practice or trend in Holland Car Company.

Table 1: producing quality and it is competitive in local market

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid neutral	1	3.3	3.3	3.3
agree	14	46.7	46.7	50.0
strongly disagree	15	50.0	50.0	100.0
Total	30	100.0	100.0	

Mean = 4.47, std. deviation = .571

Table 2: product quality and competitiveness comparison

One-Sample Test

	Test Value = 3					
	t	df	Sig. (2-tailed)	Mean Difference	95% Confidence Interval of the Difference	
					Lower	Upper
quality car & competitiveness	14.060	29	.000	1.467	1.25	1.68

The above table (1) shows that 15(50%) of respondents rated “strongly agree”, and 14(46.7) of them rated “Agree” in same view while 1(3.3%) of respondent rated undecided.

The mean score is 4.47 this means almost all respondents (96.7%) agreed the statement on the availability of quality car features and its competitiveness in local market.

Kotler & Armstrong, (2006) stated that automobile manufacture can offer optional features such as, automatic transmission, and air conditioning, they should decide which features to make standard and which to make optional.

Because each feature has a chance to capturing the fancy of additional buyer’s quality in terms of features is also a competitive tool for differentiating the company’s product. In table 2, the test result gives the t-statistics of 14.068 with 29 degree of freedom. The corresponding two-tailed p value is 0.00. At significance level of 5%, we can see that the p value obtained is less than 0.05. Therefore we can reject the null hypothesis at $\alpha = 0.05$, which means that the sample mean is significantly different from the hypothesized value.

Table 3: price analysis

Item 1: company’s price is somewhat less as compared with other imported cars

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid strongly disagree	2	6.7	6.7	6.7
disagree	6	20.0	20.0	26.7
neutral	3	10.0	10.0	36.7
agree	13	43.3	43.3	80.0
strongly agree	6	20.0	20.0	100.0
Total	30	100.0	100.0	

Mean= 3.50 std. deviation = 1.225

Table 4: price comparison

One-Sample Test

	Test Value = 3					
	t	df	Sig. (2-tailed)	Mean Difference	95% Confidence Interval of the Difference	
					Lower	Upper
Less price	2.236	29	.033	.500	.04	.96

In rating item 1 (table 3), which was stated as “Holland Car price is somewhat less as compared with other imported cars”, more than half of respondents gave positive response. Meaning, 6(20%) responded “strong agree”, 13(43.3%) “Agree” while 3(10%) of them rated “undecided”. However, 6(20%) and 2(6.7%) of the respondents rated “Disagree” and “Strongly Agree” , respectively.

Table 4 shows the t-test statistic of 2.236 with 29 degrees of freedom. The corresponding two-tailed p-value is .003 which is less than 0.05. Therefore, we can reject the null hypothesis at 5% significant level. The mean score value of 3.50 also shows that, Holland Car price is less as compare with other imported product. This will be help to expand its market share in the long run.

Table 5: Advertisement Analysis

Item 1: the company is using, TV, Radio and News Papers to advert its products (cars)

	N	Mean	Std. Deviation
	Statistic	Statistic	Statistic
Appropriate media(TV, Newspaper,& Radio)	30	4.13	.776

SA= 11(36.7%), A= 12(40%), N= 7(23%)

Table 6: Advertisement comparison

One-Sample Test

	Test Value = 3					
	t	Df	Sig. (2-tailed)	Mean Difference	95% Confidence Interval of the Difference	
					Lower	Upper
Appropriate media(TV, Newspaper,& Radio)	7.999	29	.000	1.133	.84	1.42

In responding to item 1 of table 5, 11(36.7%) of the respondents rated as “strongly agree”, 12(40%) of them rated agree to the same view, while 7(23.3%) of the respondents sat on the fence, that is they did not decide. The mean score value of 4.13 shows that, around 23(77%) of the respondents were agreed that the company is using, TV, Radio and News Papers to advert the cars.

Table 6 reveals t-statistic of 7.999 with 29 degree of freedom. The two-tailed p-value is 0.000, which is less than the conventional 5% or 1% level of significance. Therefore, we can reject the null hypothesis at 5% (or 1%) significance level.

As indicated in the literature review, a key question in media selection is whether to use a mass or target approach. The mass media (television, radio and newspapers) are effective when a significant percentage of the general public are potential customer.

Table 7: Sales promotion

Item 1: Buyer rebates ,discount and other incentives are the major promotional activities

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid disagree	2	6.7	6.7	6.7
neutral	3	10.0	10.0	16.7
agree	12	40.0	40.0	56.7
strongly agree	13	43.3	43.3	100.0
Total	30	100.0	100.0	

Mean=4.20, Std.deviation=.887

Table 8:Sales promotion comparison

One-Sample Test

	Test Value = 3					
	t	df	Sig. (2-tailed)	Mean Difference	95% Confidence Interval of the Difference	
					Lower	Upper
Rebates , discount & incentives	7.413	29	.000	1.200	.87	1.53

As table 7 indicates in rating the status of promotion activities of the company, such as buyer rebates, discounts and other incentives, 13(43.3%) of respondents rated it as “strongly agree”, 12(40%) “Agree”, 3(10%) “Undecided”, while 2(6.7%) of the respondents “Disagree”.

Table 8 shows the t-test statistic of 7.413 with 29 degrees of freedom. The corresponding two- tailed p-value is .000, which is less than 0.05. Therefore, we can reject the null hypothesis at 5% significant level. The mean score 4.20 shows majority of 25(83.3%) respondents agreed on the states of promotion activities offered by Holland Car from this, it can be conclude that the company endeavor to increase market ability by sales promotion.

Table 9: Sales force Analysis

Item 2: Sales force promotion to reward, motivate and direct

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid 2	4	13.3	13.3	13.3
3	5	16.7	16.7	30.0
4	12	40.0	40.0	70.0
5	9	30.0	30.0	100.0
Total	30	100.0	100.0	

Mean = 3.87, Std. Deviation = 1.008

Table 10: sales force comparison

One-Sample Test

	Test Value = 3					
	t	df	Sig. tailed)	(2- Mean Difference	95% Confidence Interval of the Difference	
					Lower	Upper
Motivational schemes	4.709	29	.000	.867	.49	1.24

Table 9 revealed that, 9(30%) of the respondents strongly agree that Holland Car is capable of developing sales force promotion and 12(40%) responded “agree” to the same item, whereas, 5(167%) of them sat on the fence, that is, they did not decided, while 4(13.3%) of the respondents responded “disagree”. The mean score value of the response is 3.87, which means, majority of 21(70%) respondents agreed that Holland car is capable of developing sales force promotion.

Table 10 shows the t statistic of 4.709 with 29 degrees of freedom. The corresponding two- tailed p-value is .000, which is less than 0.05. Therefore, we can reject the null hypothesis at 5% significant level.

Table 11: Correlation matrix of key promotional tools indicators

		1	2	3	4
Promotional budget	Pearson Correlation	1	.824**	.836**	.838**
	Sig. (2-tailed)		.000	.000	.000
	N	30	30	30	30
Warranty	Pearson Correlation	.824**	1	.904**	.939**
	Sig. (2-tailed)	.000		.000	.000
	N	30	30	30	30
Incentives	Pearson Correlation	.836**	.904**	1	.880**
	Sig. (2-tailed)	.000	.000		.000
	N	30	30	30	30
Motivational schemes	Pearson Correlation	.838**	.939**	.880**	1
	Sig. (2-tailed)	.000	.000	.000	
	N	30	30	30	30

** . Correlation is significant at the 0.01 level (2-tailed).

*** . Correlation is significant at the 0.05 level (2-tailed).

In the above table, we can see Pearson’s correlation coefficient, p-value for two –tailed test of significance, and the sample size. From the output, we can see that the correlation coefficient between promotional budget and warranties services is 0.824 and the p-value for two tailed is less than 5% and 1% significance level. From these figures we can conclude that there is a strong positive correlation between promotional budget & warranties and such correlations are significant at the 5% and 1% significance level. Results for correlations between other set of variables can also be interpreted similarly. We can see that warranties and incentives are significantly correlated($r = 0.904$, $p = 0.000$) to the same view, all other variables also significantly correlated with each other.

Table 12: Distribution Analysis

	N	Mean	Std. Deviation
Items	Statistic	Statistic	Statistic
Direct channel of distribution system	30	4.03	1.098
The status of supply goes throughout country	30	2.87	1.167
Valid N (listwise)	30		

Table 13: Distribution comparison

One-Sample Test

	Test Value = 3					
	t	df	Sig. (2-tailed)	Mean Difference	95% Confidence Interval of the Difference	
					Lower	Upper
Direct channel of distribution system	5.154	29	.000	1.033	.62	1.44
The status of supply goes throughout the country	-.626	29	.536	-.133	-.57	.30

As table 12 shows that 12(40%) of respondents are strongly agree that Holland Car has its own direct channel of distribution system. On other hand, 12(40%) of the respondents responded as agree to the same view. However, 2(6.7%) of the respondents sat on the fence, that is they did not decide, while 3(10%) of the respondents rated it as disagree and the remaining 1(3.3%) strongly disagree.

In table 13 the t-test result shows t statistic of 5.154 with 29 degrees of freedom. The corresponding two- tailed p-value is .000, which is less than 0.05. Therefore, we can reject the null hypothesis at 5% significant level. The mean score value is 4.03, this indicates that about 24(80%) of respondents agreed that the company has its own direct channel of distribution system. As Porter (1985) stated that, some manufactures prefer doing the retailing themselves through their own network. The benefit of such

an arrangement is that the company will be able to personalize service provision, get feedback directly from the consumer and eliminate all extra expenses resulting from introduction of a chain.

The result of this data also revealed the same idea. Thus, it shows that the company has its own channel of distribution system which in turn benefits the company to control the above mentioned points.

In the same table, item 2 which were stated as “the status of supply goes in line with the distribution of the car throughout the country”. Regarding to this, 3(10%) of respondents rated strongly Agree”, 5(16.7%) “Agree”, 11(36.7%) “Un decided” 7(23.3%) “Disagree” and the remaining 4(13.3%) said “Strongly disagree” to the same view. The t-test result shows t statistic of $-.626$ with 29 degrees of freedom. The corresponding two-tailed p-value is $.536$, which is higher than 0.05 . Therefore, we cannot reject the null hypothesis at 5% significant level. The mean score value of the response is also 2.87 ; this implies that there is a shortage of supply throughout the country.

Conclusion

The result shows that the work experiences of respondents are unsatisfactory. This is not pleasant since experiences play an important role in succeeding in automobile market. When a new car launched, the customers have to learn more about the cars to be familiar with the new product features, style, and design. An impact on the customer is very important in this period of time and cost spent on advertising are significant. Currently, the company advertises the products (cars) using TV and Newspaper. However, internet brings many unique benefits to marketing, one of which being lower cost and greater capabilities for the distribution of information to a global audience. The company is also supplying medium quality cars with reasonable prices making it possible for middle income people to purchase the cars. But, due to the limited production capacity coupled with expanding demand, and late delivery of components and parts of raw material from abroad, customers are expected to wait for 3-4 months to get the purchased cars.

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