COMPETITIVE FORCES INFLUENCING BUSINESS PERFORMANCE OF NEW VEHICLE COMPANIES IN NAIROBI, KENYA

BY

OMBUI, RICHARD GESICHO

A Research Project Report Submitted to the Chandaria School of Business in Partial Fulfillment of the Report of Master of Business Administration (MBA)

UNITED STATES INTERNATIONAL UNIVERSITY - AFRICA

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STUDENT’S DECLARATION

I do hereby, declare that this is an original creation of my work, stating that it has not been submitted to any other college, institution or university other than the United States International University in Nairobi for academic credit.

Signed: ________________________ Date: _____________________
Ombui, Richard (ID )

This project has been presented for examination with my approval as the appointed supervisor.

Signed: ________________________ Date: _____________________
Dr. Kefah Njenga

Signed: ________________________ Date: _____________________
Dean, Chandaria School of Business
ABSTRACT

This study compares the performance in the entire motor vehicle industry basing the findings on the competitive strategies of both used car dealers’ sector and that of the new cars dealers or manufactures of the motor vehicles which is the gap that the study sought to feel. Thus, the purpose of the study was to highlight the competitive forces influencing business performance of brand new motor vehicle companies in Nairobi, Kenya. The study was done under three objectives which included establishing the influence of used imported cars in the performance of brand new car companies in the automotive industry in Kenya; establishing the impact of threats of newly established car dealing bazaars in the automotive industry on the performances of brand new motor vehicle companies; and establishing the impact of threat of substitutes (tuk-tuk, motor bikes, and bicycles) on the performance of brand new motor vehicle companies in the automotive industry in Nairobi, Kenya.

The Study adopted a descriptive research design and random sampling was chosen for recruiting used car dealers while purposive sampling for new cars companies because the new car manufacturers are few and the researcher resorted to recruiting all that were reachable. This gave a sample size of 131 (121 secondhand dealers and 10 new cars manufacturers) within Nairobi City County. The data was analyzed using SPSS (Statistical Package for Social Sciences) and Microsoft Excel and presented in form of tabulations and graphs as per the findings.

The study established that there was a significant impact by the second-hand car dealership on the performance of the brand new cars companies in the automotive industry in Kenya; that there existed threats of newly established car dealing bazaars in the automotive industry on the performance of brand new motor vehicle companies; and that the substitutes contribute significantly by impacting negatively to the performance of brand new motor vehicle companies in the automotive industry.

The study concluded that there existed a great threat to new motor vehicle companies that is posed by the secondhand car dealership in terms of the competition they render in the motor vehicles industry and also due to the many newly opened bazaars which happen to be the new entrants.

The study recommended that motor vehicles manufacturers need to be dealing in a variety of cars to enable their customers have choices; that the government needs to come up with
policies that controls the influx of the second-hand cars into the Kenyan automotive industry; and that the government should regulate the importation of motor-cycles because they form part of the substitutes that give a great challenge to the brand-new cars manufacturing industry.
ACKNOWLEDGEMENT

I would like to appreciate the Almighty God for his divine guidance, not only during this study work, but also throughout my university education. He gave me courage, faith, tenacity, and passion to pursue and finish this course that positions me to attain my personal goal.

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To my supervisor, I also send my heartfelt thank you for your patience and guidance in mentoring me accordingly in order to understand the research process. Thank you for being genuinely committed toward ensuring that I attain this academic feat.

Lastly, I would like to thank my class mates and friends who have also travelled with me in this journey and have contributed in one way or another to my studies.
DEDICATION

I dedicate this project to my parents who have tirelessly supported my endeavor, my professor who has assisted in guiding my research and to all individuals who assisted me with information and encouragement during my field research.
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ACRONYMS OR ABBREVIATIONS

CMC - Cooper motors corporation

KABA - Kenya Auto Bazaar Association

KMI - Kenya Motor Industry Association

KNBS - Kenya National Bureau of Statistics

GDP - Gross Domestic Products

GMEA - General Motors East Africa

PSVs - Passenger Service Vehicles
CHAPTER ONE

1.0 INTRODUCTION

1.1 Background to the study

The essence of establishing a business entity or venture is to ensure that it generates gains that are determined by constant profit making. According to Mustafa & Saat (2013) performance is therefore determined by these gains or lack of it altogether. A business venture that registers gains is reported to having positive or good performance while that which stagnates, or reports losses would be termed as having negative or poor performance (Mustafa & Saat, 2013).

Second hand vehicles dominate the African continent’s automotive retail sector due to limited disposable income and the high cost of brand-new vehicles as reported by Deloitte Africa (2016). Furthermore, based on market research, it estimates that in three countries being reviewed, Kenya being one of them, eight out of ten of vehicle imports are used (Deloitte Africa, 2016). According to (Kenya National Bureau of Statistics, 2016) the total of 247,181 vehicles were registered in 2015, inclusive of both newly registered and re-registered vehicles. The KNBS does not differentiate between registration of new vehicles and re-registration of used vehicles. The Oxford Business Group (2014) estimates Kenya’s total vehicle fleet of second-hand vehicles at 80 percent. Going by these statistics, it would be appreciated that motor vehicle manufactures companies in Kenya is under threat due to intense unchecked competition.

The motor vehicle industry in Kenya is a major revenue generator for the country and has been accorded due interest over the last couple years. Due to various transformations and several issues in the market place, the sector has currently been undergoing various challenges which have also drastically affected overall sales and company performance (Kalliokuusi, 2013).

According to (Waboi, 2011), the manufacturing industry in Kenya is still underdeveloped and does not manufacture vehicles and vehicle parts within its borders. He notes that many motor vehicle dealers in Kenya are involved in the importation of new and used vehicles and parts from countries with developed manufacturing industries such as Japan, Singapore, Dubai and The United Kingdom. Waboi contends that new motor vehicle
dealers in Kenya are registered by Kenya Motor Industry Association (KMI) while used car dealers are registered by Kenya Auto Bazaar Association (KABA).

The CMC motors found its way into Kenyan market in 1948 when Mr. Cooper came to East Africa to sell Land Rovers in this market (CMC Motors 2016). The motor vehicle manufacturing industry in Kenya can be traced back to 1960s when Volkswagen started assembling Beetles in Kenya through the CMC motors. In 1956 CMC became a public company from being private and specialized in parts sales, vehicle sales, and provision of motor services under one roof (CMC Motors 2016). Thereafter, there were other motor vehicle assemblage companies that emerged for instance; the first Kenyan assembled car was done in 1976 by the Kenya Vehicle Manufactures, the Associated Vehicle Assemblers Ltd assembled its first car in 1977, while history was made when Nyayo Car was built in 1986 as the Kenyan own built first car which could go at 120 Km/h. However, Kenya is now trying to build its own brand under a company name called Mobius Motors that was established in 2009 by Joel Jackson (CMC Motors 2016).

It is a fact that developing the local industry is important as it would ensure skills development, jobs creation and the overall economic improvement of a country. It is also apparent that this sector (in its inclusivity) employs a big population (Okun et al. 2002) and at the same time it is under threat due to the completion from within (pitting the Manufacturers on one hand and the used car dealers on the other hand). It has also been reported that the manufacturing industry in Kenya is still underdeveloped and does not manufacture vehicles and vehicle parts within its borders but only does much of assemblage (Waboi, 2011). Waboi (2011) goes on to note that many motor vehicle dealers in Kenya are involved in the importation of new and used vehicles and parts from countries with developed manufacturing industries such as Japan, Singapore, Dubai and The United Kingdom. This is not a healthy arrangement for proper development of an industry.

In order to ensure long term development of the motor vehicle industry in Kenya, there needs to be proper skills impartation to the locals that would mean establishment of manufacturing firms that are not necessarily assemblage firms. You would realize that dealing in used cars does not guarantee such skills acquisition and transfers making it just a short-term investment should the importation be terminated. This kind of observation is the reason why the author intends to carry out the study; so as to inform the motor vehicle
sector and the policy makers to ensure that there is proper development toward attaining real motor vehicle manufacturing industry in the country.

1.2 Problem Statement

Ochieng (2008) points out that locally used car dealers are not necessarily Kenyans but are mainly from Sir Lanka, Singapore, and Pakistan who by virtue of their influence because of being financially endowed acquire trading permits easily and get in the dealership market of the used cars in the country. This may have an influence in the local industry (new car dealers) as the used car dealers would want to maximize on their sales at the detriment on the development of the cortege industries in the country and the general development of locals. Because of the financial powers these used car dealers have, the new vehicles market in terms of sales is choked, thus giving the new vehicle market uncontrolled competition.

This is uncontrolled competition which is even made worse by the fact that these foreign used car dealers do have direct connections with dealers in Dubai and Japan that give them bulk supplies to the country (Ochieng, 2008). These further suppress the operations of the new vehicles’ dealers. Due to the acquisition of bulk supplies that make them to sell at relatively low prices as compared to the prices of the new cars; this eats into the new vehicle market by affecting their sales that would dwindle. This kind of market operations led to the shutdown of companies like Ryce motors; as they could not cope in such unfriendly competition in the market. Looking at the emergence of Toyotsu Motor Marts that sells used Japanese cars also poses a great threat to Toyota Kenya limited; a completion that is not healthy to Toyota Kenya.

The study done in United States by Okun et al. (2002) also points the importance of motor vehicle manufacturing industry to the economy of a country. This shows the importance of this sector to the economy that cannot be overlooked as the importers flood the market with cheap used cars.

For instance, by 2013, 52.3% of new cars that were sold in Kenya were assembled in Kenya; an encouraging development. But by 2015, the trend changed so that only 45.7% of the assembled cars were sold to the market. The rest being imported used cars. This is a trend that poses a great threat to the local new cars manufacturing industry; thus, the
need to study the motor industry in Kenya especially within Nairobi where most of the companies are established.

Therefore, the study would serve to create informative piece as far as the motor vehicle industry is concerned. It would in fact be imperative going by the many studies (that have not touched on the comparison of the used car dealers and the new vehicle market) that have been done globally, regionally, and locally on the competitive forces influencing business performance of brand new motor vehicle. Competition would only be ethical and healthy if all the players’ wellbeing were catered for so that the laws and rules that regulate an industry regard level playing ground. This makes the current study that looks into competitive forces influencing the business performance of new vehicle companies in Nairobi, Kenya to be relevant.

1.3 Purpose of the Study

The purpose of the study was to highlight the competitive forces influencing business performance of brand new motor vehicle companies in Nairobi, Kenya.

1.4 Specific Objectives of the Study

The specific research objectives of this study were to:

1.4.1 To establish the influence of used imported cars in the performance of brand new car companies in the automotive industry in Kenya.

1.4.2 To establish the impact of threats of newly established car dealing bazaars in the automotive industry on the performances of brand new motor vehicle companies.

1.4.3 To establish the impact of threat of substitutes (tuk-tuk, motor bikes, and bicycles) on the performance of brand new motor vehicle companies in the automotive industry in Nairobi, Kenya.

1.5 Significance of the Study

This study will be of benefit to the following:

1.5.1 The Policy Makers

It is of importance for a country to ensure that it develops a robust labor force through ensuring that local industries are given an accommodative environment under which they
operate so as to enable development and maintenance of the same. This would guaranty that jobs would be created, skills will be impacted and developed, and consequently the Gross Domestic Products (GDP) will improve. For this to be achieved there must be empirical evidence at a glance that would convince the policy makers on the need to balance between the developments of the local industries with importation of the used cars. This paper would actually serve to inform them as far as that matter is concerned.

1.5.2 Kenya Motor Vehicle Industry Association (KMI)
This paper is concerned with the performance of the motor vehicle manufacturing industry; especially how this performance is impacted by the importation of the second-hand cars. The information as per this study would therefore, be of importance to the manufactures in order to ensure that they deal with the seemingly out of hand completion that comes as a result of the used car dealers.

1.5.3 Motor Vehicle Customers
Due to the fact that the study seeks to look into the competitive forces that influence the performance of the motor vehicle manufacturing industry, it follows that it would lay bare the comparisons of sales dynamics in the two fronts (new versus used cars). This kind of information is vital to the motor vehicle customers as it would enable them to make informed choices as they scout for a model to buy.

1.5.4 Academia and Researchers
The study is one of the many research contributions that would go into enriching the reference repositories for other studies related to this matter that would come up. It will therefore contribute to the academic works through information generated from the findings.

1.6 The Scope of the Study

This study shall be limited only to the Motor Vehicle Manufacturing companies within Nairobi County as a representative unit of the rest of the country's counties. This therefore means that the sales managers of the following firms will be samples: General Motors East Africa (GMEA), Toyota Kenya, DT Dobie, Cooper motors corporation (CMC), Ryce East Africa, Marshalls, and Honda East Africa as the sampled companies in the Kenyan Motor Industry as part of the population. The other part of the population was the
second-hand dealers within Nairobi City County which were randomly sampled. The population was 120 second-hand dealers and 10 new cars manufacturing companies. The timeframe of the study was between January 2018 and August 2018. The timeframe defined the limitation of the study given the fact that this is actually a vast industry in Nairobi that needs a moderately longer time.

1.7 Definition of terms

1.7.1 Performance
The term performance normally refers to the measure of organizations performance concerning its level of profitability return on assets, return on investment and sales (Muogbo, 2013). In this study it is used to refer to the level of expansion of the companies, and the return on investment.

1.7.2 Manufacturing industry
In this study the manufacturing industry refers to those motor vehicle companies that involve themselves in assembly of vehicles in Kenya. This is informed by the fact that there is no any manufacturing company that does the manufacturing from scratch without the parts of the vehicles in this country (Kenya Motor Vehicle Industry Association [KIM], 2018).

1.7.3 Porter’s Five Principles
These are five competition factors that define completion in any industry (Porter, 1998). The factors were founded by a scholar named Porter (these include threats of rivalry, threats of new entrants, threats of substitutes, suppliers bargaining power, and customers’ bargaining power). In this study, the three objectives were designed from the porter’s five principles (threats of rivalry, threats of new entrants, and threats of substitutes)

1.8 Chapter Summary

This chapter has laid out the background of the problem that the study seeks to delve into. It has also enumerated the objectives of the study which form the important part of the study as this is what the researcher would be referring to from time to time in the entire study; the objectives include: to establish the influence of rivals in the performance of brand new car companies in the automotive industry in Kenya; to establish the impact of
threats of new entrants in the automotive industry on the performances of brand new motor vehicle companies; to establish the impact of supplier and customer bargaining power on the performances of brand new motor vehicle companies; and to establish the impact of threat of substitutes on the performance of brand new motor vehicle companies in the automotive industry in Nairobi, Kenya. Of importance also is that the chapter has put forward the significance of the study to entities such as the policy makers, Kenya Motor Vehicles manufactures, motor vehicle customers, and the academia and researcher. The next chapter is the second chapter of this study which entails the literature review of the previous studies. It gives theoretical and conceptual details as far as the study is concerned and the knowledge gap.
CHAPTER TWO

2.0 LITERATURE REVIEW

2.1 Introduction

This chapter discusses some of the themes/objectives as per the literature review of relevant studies that have been done previously. It factors both theoretical and empirical literature of the said studies. It is therefore important to note that only the relevant theory to this study is selected to guide the study while the objectives form the sub-headings in order to bring out issues related to them that have been discussed previously all tackled in a deductive approach. The literature is therefore organized into themes/objectives that include the influence of used imported cars in the performance of brand new car companies in the automotive industry; establishing the impact of threats of newly established car dealing bazaars in the automotive industry on the performances of brand new motor vehicle companies; and establishing the impact of threat of substitutes (tuk-tuk, motor bikes, and bicycles) on the performance of brand new motor vehicle companies in the automotive industry in Nairobi, Kenya.

2.2 The influence of used imported cars (competitors) in the performance of brand new car companies in the automotive industry

In establishing a business, one is sure of encountering different aspects that influence the business within that environment. These aspects may be friendly to the business or may as well be of negative impact to the business. Porter (1998) categorized those aspects that influence the business into five categories of what has come to be known as the Porter’s Five Principles. These include the completion or rivalry in the business industry, threats of the new entrants, threats of substitute goods, bargaining power of suppliers, and the bargaining power of customers (Porter 1998). Porter explains that these are the microenvironment aspects that a business deal with.

Bhatia (2016) studied the Porter’ five forces industry analysis of India passenger car industry whereby he rated as moderate the overall attractiveness of Indian car industry but had a good news due to the fact that he projected an expectation of growth rate in future especially in the rural parts of the country given the good policies that needed to be put in
place by the government. This he said would be achieved due to the vast population that offers the market for the cars and the rising per capita as a consequence of the population. This study is relevant as it dropped some light on the importance of a vast market to the automobiles offered by the growing population.

Wacuka (2008) conducted a study on the competitive strategies adopted by the second-hand motor vehicles dealers in Nairobi Kenya. This study that was also guided by the Porter’s generic strategies found out that most second-hand motor dealers often use the focus, cost leadership, and differentiation; though in an interchangeable manner. The study found out that Porter’s generic strategies were only moderately used by these dealers. The study also established that one of the strongest factors that influence competitiveness was through hiring of competent staff. In order to gain a competitive edge that ensures good performance, the study found out that the dealers offer enticements such as sales of cheap cars, online sales mostly done through email offers, stocking of unique cars, and giving extra services such as fixing alarms and cleaning of cars.

Muchiri (2014) did a study on the competitive strategies adopted by motor vehicle parts manufacturing firms in Kenya. In this seemingly similar study to the current one, Muchiri (2014) sampled 15 motor vehicle manufacturing companies and he found out that the companies in the manufacturing also adapted strategies such as the focus strategy, cost leadership strategy, and differentiation strategy. This study is important to the current study as it offers the basis. Though looking the same to the current one; the current one kind-of tries to compare the dynamics of the competitive strategies in both new/ motor vehicle manufactures and the used vehicles.

On his study, Ndungu (2015) sought to analyze the competition in the motor vehicle assembly sector in Kenya using the Porter’s five forces model and found out that investors in the industry find it hard to exit the industry based on the fact that investment incurred in putting up and running the business were high. Thus, they must contend with the competition and stay put as they find ways and means of keeping afloat in this sector. This makes most of the owners to put up a spirited competition which is important for the economy as this would ensure that many jobs were retained. Even though Ndungu (2015) looked into this aspect, his work did not touch on how the motor vehicle manufacturers cope with the intense competition that is fronted by the used car dealers. Furthermore, the
current study would want to compare how both motor vehicle manufactures and used cars dealers counter each other in this sector.

Inoti and Mburu (2017) did a study on the entrepreneurial factors affecting performance of motor repair firms in Nairobi Industrial Area: A case of members of the Kenya Motor Vehicle Repairs Association (KEMRA). Inoti and Mburu (2017) study found out that marketing financing has a greater effect on performance of motor vehicles repairers and that the effect of the organization using credit from financial institutions is greater. Inoti and Mburu (2017) recommended that such strategy be intensified in areas with low market accessibility through offering more training to the workers in such areas. This study emphasized on the importance of skills acquisition in the motor vehicle industry for the development of the industry.

There are various aspects of competition that a company can devise in ensuring that it gains advantage over the competitors. This would be in the interest of growth and development of the company. Some of the areas that competitions are often channeled to include the following:

2.2.1 Investing on Employees

Employees form an important part of production in any company. This is why there is the need for investing well in employees. Appiah (2010) argues that a company can invest in her employees through proper remuneration, capacity building that may include sponsoring them for short courses or for further studies in order to build their skills, and in giving incentives and rewards to the employees especially those that stand out exemplary. This is to say that, for proper end result in productivity, an employee must be satisfied with the working condition in the company. All these are done in order to endear the employee to the vision of the company. Competition is seen in instances where for example a competitor may increase the remuneration of its employees with the aim of attracting the best employees to his firm; sometimes ending up poaching employees from the competing companies (Appiah, 2010). In order to counter that, the competitors in the motor vehicle industry would be wise to adjust their salary scales to match the ones for the competitor or to rival it altogether. It is obvious that the company that retains the best of its employees would remain relevant in the industry and would explore the market more than other companies.
2.2.2. Investment in brands
Across the globe, different customers go for assorted brands or models of cars based on distinct reasons. The reasons may be based on the terrain on which the car would operate in, the function of the vehicle, others due to the prices, while some for prestigious purposes. Motor vehicle companies would therefore need to invest well according to the unique needs of the customers (Ivanova, 2015). According to Cravens and Piercy (2006) this calls for market segmentation in order to know which part of the country would need what type of cars or vehicles so as to bring the goods nearer to the customers. He also explains that a good investor would stock at least several varieties in a situation where predicting the needs of the customers cannot be ascertained. He goes on to explain that a company that deals with different models of cars is likely to make more sales as opposed to one that has specialized in one or two. This may be a disadvantage to the motor vehicle manufactures as compared to the used car dealers because the manufactures often specialize on one or two brands in their companies (like Toyota Kenya only specializes on Toyota brands only) while the used car dealers may stock different varieties.

2.2.3 Investment on Pricing
According to Cook et al. (2007) a competition that involves pricing is a trick and it sometimes puts the company to do a delicate balance due to the fact that one may end subsidizing on the products to a point that the company sells at a loss. Price fixing is often determined mostly by the cost of production (this includes all the over-head costs) and by extension the – the bargaining power of the customers. After which, the price fixing will seek to address the issues of the substitute goods and the prices of the similar goods by the competitors. A company would therefore be forced to adjust its prices accordingly in respect to those in the market in order to make sales. This is due to the fact that customers often like to go for lower prices. The secrete would therefore be in ensuring that the products were in high quality and good condition that would attract the customers to the products regardless of even if there were some slight variation in pricing. A good vehicle that would serve the customer well for long time would attract sales in comparison to the same vehicle that would be vulnerable due to constant use.

2.2.4 Investing on Marketing
For the existence of a company or any business venture to be felt, there must be a concerted effort in order to make known the company/ business; this is done through marketing. Marketing serves to inform the public of the existing products, tell of the new
products in the market, or inform the public of any promotion in the market. According to Cravens, and Piercy (2006) there are different types of marketing and they are done in different situations. He goes on to say that there is no marketing strategy that is superior to the other due to the fact that their main aim is to inform the public which all of them do. However, Hawkins, Best, and Coney (2004) say that there are some that are more effective than the others because they reach people faster. Basing on the two arguments, it can be deduced that the two are giving their opinion based on two different approach. Cravens and Piercy (2006) approach it on the basis of the purpose which all modes/methods serve; while Hawkins, Best, and Coney (2004) approach it from the fact of effectiveness of the method chosen.

There are different methods or modes of marketing such as the personal selling (person to person), bill-boards adverts, print media marketing, audio- vision marketing through electronic, and online marketing (Hawkins, Best, and Coney, 2004). Of all these, online marketing is the latest form of marketing that many have been adopting of late. It is also a common one in the motor industry. It is therefore important to briefly discuss the online marketing.

Various online marketing strategies are used in the market place to capture the attention of the customer. The Internet is increasingly becoming the information source of choice for used vehicle buyers (Kotler, Won, Saunders, and Armstrong, 2005). Although consumers still use local newspapers and word-of-mouth when researching used car purchases, they are turning to the Web in increasing numbers, highlighting the importance of having a strong Internet strategy for used vehicle programs (JB Power and Associates, 2007). They include Search engine marketing, Online public relations, Online partnerships, Interactive ads Strategy, Opt-in e-mail Strategy and Online viral marketing Strategy. This section will look at some popular internet marketing tactics currently employed by used vehicle marketers. Many of these dealers interact with their suppliers and customers through Business to Business (B2B) and Business to Consumer (B2C) international e-commerce channels (Waboi, 2011).
2.3 Threats of new entrants (newly established car dealing bazaars) in the automotive industry

In the spirit of competition, there would be new entrants to the industry. In a liberal market, companies are allowed to operate anywhere as long as they do not infringe on the right of others. New entrants are good to the already established businesses as they often come into the market with innovative ideas in order to turn the market trends in an industry to suit their products. According to Botten and McManus (2009) new entrants show that an industry is growing and also offer the much-needed challenge to the existing companies within that particular industry so that they up their game in way through which they serve their customers due to that fact that customers are the backbone of any given business venture. New entrants also cause more innovative ideas to be born within an industry and cause a variety of choices for the customers.

Ferguson (2017) in his market report on Ford Model of cars in his Five forces analysis (Porter’s Model) reported that weakens the threat of new entrants by committing to huge expenses in setting and maintenance of their businesses and facilities. This aspect coupled with the fact that Ford is a strong brand; makes it difficult for new entrants to cope with or pose any threat to a giant such as Ford Company. Ferguson’s assertion points to the importance of investing big so as to dwarf any new entrant. This is a good strategy that should be adopted by the by motor vehicles manufacturers in Kenya to ensure that they gain a competitive edge against the upsurge of used car dealers.

Even though not having done a study on motor vehicle industry, Birnleiter (2013) study based on influence of macro-environmental factors to the process of integrating a foreign business entity. This study becomes relevant to the current one due to the fact that most of the motor vehicles manufacturing companies are not locally born and even those companies do much of assemblages but less ‘manufacturing’. This means that most of the proprietors are not Kenyans. Birnleitner (2013) dwells on both intercultural differences in the involved countries and macro-economic factors. He says that the differences in macro-economic factors influence the integration of a new foreign business entity to the original company, a situation that may be one of the contributing factors to many issues in the development of new cars or motor vehicle manufacturing companies in Kenya.
2.4 The impact of threat of substitutes on the performance of brand new motor vehicle companies

Substitute goods and services forms another problem that a company grapples with in an industry. These substitute goods and services may be those goods and services that offer the same services such as the cars or goods that can be used in a similar manner to what a company produces; thus, may be offered to replace what the company offers to the market (Thompson, Strickland, and Gamble, 2007). They often encroach in the market space of the company so that the company’s products would not be sold as would have been in case of the absence of such substitute goods and services (Thompson, Strickland, and Gamble, 2007).

On threats to substitutes, Ferguson (2017) reports several substitutes such as use of bicycles and public transportation that makes the products of Ford vehicles not to be sold as would have been had such substitutes been removed from the market. Even though these substitutes must be in the market Ferguson explains that they have lower performance relative to Ford’s products when talking of safety and convenience. This would also rely much on the customer care and the proper handling of the Ford’s customers so that they remain faithful to the brand even as Cravens and Piercy (2006) explain the importance of handling customers well.

Okutoyi (2012) did a study on factors influencing brand loyalty amongst buyers of passenger motor cars in Nairobi. This study that also factored the Porter’s model found out that customers choose the passenger car based on, brand reputation, price, performance, and speed. Also, they further check on the level of passenger comfort, fuel economy, resale value, ability of car maintenance, and color were all important for the customers. He recommended that there was the need for the managers to be availing all the information concerning the cars on sale to their customers or prospective ones. This study is important to the current one due to the fact that it touches on an aspect of substitutes available for the customers. All the aspects that have been mentioned are what the customers look for in this alternative.
Below is an illustration of Porter’s Five Forces Model:

![Porter's Five Forces Model Diagram](http://www.brs-inc.com/porter.asp)

**Figure 2.1 Porter’s five forces analysis**

**Adopted from:** http://www.brs-inc.com/porter.asp

### 2.6 Theoretical Literature Review

This paper is based on a theory that was developed by George Akerlof in 1970. He termed this theory as the Market for Lemons Theory or by the name Asymmetrical Information Theory. This is therefore, the theory that is found relevant to the study that would help guide the study and eventually give a conclusive remark on the competitive forces influencing the business performance on brand new vehicles companies in Nairobi, Kenya.

#### 2.6.1 Asymmetrical Information Theory

According to Akerlof (1970), there are markets in which buyers use a certain statistic to judge the quality of prospective purchases. He explains that in such markets, there is incentive for sellers to market inferior quality merchandise because the returns for good quality accrue mainly to the entire group whose statistic is affected rather than to the individual seller. This, he says, results in a reduction in the average quality of goods and in the size of the market.

In order to interpret this Asymmetrical Information Theory, it is good to note that a buyer should always buy from an informed point of view. This means that a seller should be
honest enough to divulge full information to the buyer without hiding some so that the buyer makes his or her buying decision from an informed position (Akerlof, 1970). The theory gains this kind of name due to the fact that in most cases, especially in the motor vehicle industry, buyers of the second hand/used vehicles would fail to avail all the information especially those that would disadvantage the sale of the product to the buyer. In this scenario, most of the information remains with the seller and the buyer may only have minimal information on the car on sale; most of which can be seen, heard or felt like color of the car, sound made by the engine, and the smoothness to the touch; or with other minor information that the seller may opt to divulge. In this case, there is an imbalance of information between the two parties hence leading to the asymmetric situation of information (the seller retains more while the buyer has just little or wrong information to enable the seller to seal the deal).

Akerlof (1970) uses an example of the motor vehicle market, whereby, for clarity and not reality's sake there are categories of cars such as, new cars, used cars/good cars and bad cars. Used or bad cars he calls the lemons. An individual in the market may purchase without knowing whether it is good or a lemon. It awards the probability of conditions within which the car would turn out to; may be a good car - with probability \(q\) and being a lemon with the probability \((1 - q)\) that it will be a lemon. He explains that after a period of owning the car, the owner can form a good idea of the quality of the vehicle and therefore assigns a new probability more accurate than the previous one. This, he argues, is where an asymmetry in available information forms because the seller now knows more about the quality of the vehicle than the buyer.

Regardless of the difference in the flow of information, the good cars and the bad cars must still sell at the same price because it is impossible for buyers to tell the difference between a good car and a bad car. Eventually, the bad cars drive the good cars out of the market because only the seller knows the difference in quality of the cars (Akerlof, 1970).

2.6.1.1 The relevance of the theory to the study

It has been reported that the market of used cars is growing tremendously in Kenya (Waboi, 2011). One of the issues why this market could be expanding may be the haste in which the dealers may be in a rush to seal the deals in selling. On the other hand, companies that are manufacturing motor vehicles in Kenya, may not be expanding rapidly due to the large investment in capital that is needed to run the business together with ensuring that proper information is given to the buyers (this is however healthy to the
establishment). It therefore goes without saying that most used cars (lemon) are sold not on the basis of their goodness but on the sweetness of the tongue of sellers. The theory contributes to the study in the sense that it points to the researcher one of the contributing factors why used cars would be thriving much. This shows that the buyers would go for cheap used cars that they have been made to believe that work just as the same as new cars in the market.

2.6.1.2 Strength of the Theory

The theory lays its strength in the dictates of the market dynamics. It is a fact that whenever price of a commodity goes down, the demand for the commodity will shoot up because the low price will urge the customers to have the propensity of buying. This is due to the fact that this demand is also dictated by the availability of the money in the pockets of the buyers. It is therefore easier to convince the buyer who has come to the market to buy than the one that would be persuaded from their locality to come to the market to buy. Because there are plenty of buyers who are convinced by the sellers to buy used cars, this trend has caused the development of many used cars dealers in the motor vehicle industry thereby giving the new car dealers a run for their monies. This makes most of the owners of the motor vehicles manufacturing companies to put up a spirited competition which is important for the economy as this would ensure that many jobs were retained.

2.7 Knowledge Gap

The studies that have been discussed focused on the competitive forces within the motor vehicle industry, some basing their argument on the Porters principles. This study goes further to compare the performance in the entire motor vehicle industry basing the findings on the competitive strategies of both used car dealers’ sector and that of the new cars dealers or manufactures of the motor vehicles. Even though Ndungu (2015) looked into this aspect, he did not touch on how the motor vehicle manufacturers cope with the intense competition that is fronted by the used car dealers. Furthermore, the current study would want to compare how both motor vehicle manufactures and used cars dealers counter each other in this sector.
2.8 Conceptual Framework

The study will focus on two important variables: the competitive forces (competitors/ rivals, new threat of entrants, threat of substitute goods, bargaining power of suppliers and the customers) and performance of the motor vehicle companies. The performance is measured in terms of growth, return on investment, number of employees, and turnover rate.

The competitive forces affect the performance of the new cars dealers in one way or another. This means that they can cause the performance to improve or deteriorate depending on how the management would handle the situation. This makes performance dependent variable. In the absence of such variables (competitive forces) a situation which cannot happen because such forces must be there due to the fact that they form the mandatory environment within which the business operates, the situation in a given company would be different depending on the measures that would be taken by the company.

![Conceptual Framework Diagram]

**Figure 1: Conceptual Framework (Source – Author 2018)**
2.9 Chapter Summary

This chapter has looked on the relevant literature based on the objectives that include to establish the influence of rivals in the performance of brand new car companies in the automotive industry in Kenya; to establish the impact of threats of new entrants in the automotive industry on the performances of brand new motor vehicle companies; to establish the impact of supplier and customer bargaining power on the performances of brand new motor vehicle companies and to establish the impact of threat of substitutes on the performance of brand new motor vehicle companies in the automotive industry in Nairobi, Kenya. In order to compete well, the chapter has highlighted that a company should invest in its employees, brands, pricing, and marketing. It has underscored the importance of asymmetric information theory to the guidance of the study and has talked of its relevance and strength to the study therefore, conceptualizing the variables in line with the theory. Chapter three then follows this chapter. This chapter three entails the methodology of this study which entails research design, sampling details, data collection, research procedures, and data analysis.
CHAPTER THREE

3.0 RESEARCH METHODOLOGY

3.1 Introduction

This chapter outlines the research methodology used in the study. This includes the research design, population and sampling design, research procedures, data collection, data analysis, and the chapter summary as systematically presented in the chapter. The purpose of the study was to investigate the impact of online marketing on the sales of used motor vehicles in Nairobi, Kenya.

3.2 Research Design

Saunders, Lewis, and Thornhill (2012) explain that research design is a detailed outline of how an investigation takes place. Saunders, Lewis, and Thornhill (2012) further elucidate that the research design entails detailed information on how data is to be collected, what instruments to be used, how the instruments would be put to use and the intended means of analyzing the data.

The study therefore, adopted a descriptive research design. According to Saunders, Lewis, and Thornhill (2012) a research design is a plan or blueprint for conducting research. Creswell, (2013) contends that descriptive research is devoted to gathering of information about prevailing conditions or situations for the purpose of description and interpretation. The researcher therefore, was of the opinion that this research design was found to be appropriate in gathering information on the prevailing market condition of the used motor vehicle industry in order to describe, analyze, interpret, compare and identify the impact of used car dealers on the new cars manufacturing industry. It not only amasses and tabulates facts but also includes proper analyses, interpretation, comparisons, identifications and trends of relationships.

3.3 Population and Sampling Design

3.3.1 Population

The target population according to Malhotra (2007) represents the aggregate of all elements sharing a common set of characteristics that comprise the universe for the
marketing research problem. This study focused on the Motor vehicle industry as our population. A previous study by Suter (2013) indicated that Nairobi had 175 car yards; while the new car manufacturers were selected based on their availability due to the fact that they were few. The researcher, through systemic calculation as per Yamane (1967) arrived at a sample size of 131. Thus, a random sampling method was used to recruit respondents for the used car dealers while for the 10 new car manufacturing companies the purposive kind of sampling was used. The random sampling was found relevant to this study as it helped in averting bias in carrying out selection. Purposive sampling also was found relevant because the study targeted both the new car dealers (where purposive sampling was used) and random sampling will be used for the used car dealers that are positioned in various locations.

Names and physical location of used car yards or showrooms was obtained from the Kenya Auto Bazaar Association and their contacts also obtained although a number of them have their contacts already listed in their official websites of (KABA). A list of all the 175 motor yards will be made and a random number assigned to each of them. Separate numbers were then be placed in a box and randomly picked until required sample size was obtained. The preferred sample size as have been set is 120 used cars motor yards and 10 new car manufactures that were purposely selected. The selected yards were subjected to investigation using appropriate instruments (were sampled).

3.3.2 Sampling Design
3.3.2.1 Sampling Frame
According to Cox and Hassard (2005) sample frame is a list of all individuals that is to be included if the study but is within the target population. It thus serves as a list or information defining the researcher’s concern about the population. For this study, most of the information or the list about the second-hand dealers, and brand-new cars manufacturers were obtained from the Kenya Motor Industry Association (KMI).

3.3.2.2 Sampling Technique
According to Saunders et al., (2012) sampling technique can either be probability or non-probability sampling where non-probability entails sampling that is not scientifically determined thus cannot be used in the generalization of a population in a confident manner. The Study adopted random sampling in recruiting used car dealers while purposive sampling for new cars companies because the new car manufacturers were/ are few and the researcher resorted to recruiting all the reachable. This gave a sample size of
131 (121 secondhand cars and 10 new cars manufacturers) within Nairobi City County. The data were analyzed and presented in form of tabulations and graphs as per the findings.

### 3.3.2.3 Sampling Size

According to Saunders et al., (2012) the sample size also known as the sample frame is defined as the number of respondents that are recruited by the researcher to use to collect data from or as a source of his or her data that represents the entire population. The data was sourced from the field as per the sample size of 131 participants [the figure arrived through the Yamane’s formula - \( n = \frac{N}{1 + Ne^2} \)]. Yamane’s formula was used to determine a sample size for a finite population (Yamane, 1967);

\[
n = \frac{N}{1 + Ne^2}
\]

Where:

\( n \) = sample size required,

\( N \) = population size,

\( e \) = alpha level, i.e. \( e = 0.05 \) when the confidence interval is 95%.

\[
n=\frac{175}{(1+175*0.05^2)}
\]

\[
n= 121.73
\]

\( = 121 \) yards/ participants

### 3.4 Research Procedures

This study administered a questionnaire in data collection from the various car dealers within Nairobi City County. A personally administered questionnaire was preferred for the study as it will collect data confined to a certain area from many respondents in a brief period of time. Also, the researcher was able to personally introduce the topic of discussion to the respondents and clarify any issues that may arise in carrying out the study.

The questionnaires used were structured undisguised whereby it will contain more closed ended questions and the purpose of the study was made known to the respondents. It had
different sections, each of which addressed a different category or set of questions on the research topic according to the objectives.

An ordinal measurement scale was used in the questionnaire. An ordinal scale according to Creswell (2013) is one that arranges objects, people or places according to their magnitude in a particular order, e.g. students’ academic status in a college: freshman, sophomore, junior and senior (Creswell, 2013).

The study made use of a questionnaire. Validity in relation to questionnaires refers to the ability of your questionnaire to measure what you intend it to measure (Saunders, Lewis, and Thornhill, 2012). To ensure validity, the questionnaires were subjected to content validity - the extent to which the questionnaire provides adequate coverage of the investigative questions, criterion-related validity - the ability of the measures or questions to make accurate predictions, and construct validity - the extent to which your measurement questions actually measure the presence of those constructs you intended them to measure Cooper and Schindler (2012). The researcher also ensured that the questions asked fall within and are adopted from studies within the domain of the used car market.

Reliability refers to the extent to which your data collection techniques or analysis procedures will yield consistent findings (Creswell, 2013). According to Cooper and Schindler (2012), stability, equivalence and Internal consistency reliability estimates exist.

Stability measures the reliability of an instrument according to test scores. The same test is administered twice to the same subject over a period and both results are compared. Equivalence is the degree to which alternative forms of the same measure produce similar results (Saunders, Lewis, and Thornhill, 2012). Internal Consistency is the degree to which items are homogeneous and reflect the same underlying constructs (Creswell, 2013). The above reliability estimates were applied to the questionnaire to ensure its reliability.

3.5 Data Collection

The study collected both primary and secondary data from literature in relevant publications such as the done studies and databases such as of KNBs. A self-administered questionnaire was used to collect primary data from each respondent. According to Cooper and Schindler (2012) questionnaires work best with standardized questions that
you can be confident to interpret the same way by all respondents. Cooper and Schindler (2012) further contend that questionnaires are mostly used for descriptive or explanatory research. The secondary data was collected during the literature review and corroborated with the findings from the field that emanated from the primary data.

The questionnaire contained both closed-ended questions with some few exceptional of closed-ended questions. The study did not undertake a pre-test due to the time limitation of the study.

A cross-sectional survey approach was employed in sampling the participants in the industry through the use of questionnaires which were administered to various used car dealerships and new cars dealership in order to establish nature of competitions that thrive in this sector between the used and the new in terms of competitive forces (competitors/rivals, new threat of entrants, threat of substitute goods, bargaining power of suppliers and the customers) and performance of the motor vehicle companies. The performance is measured in terms of growth, return on investment, number of employees, and turnover rate.

3.6 Data Analysis

Data preparation according to Malhotra (2007) refers to the systematic organization of collected raw data in a manner that facilitates analysis. It included preparation of a preliminary plan of data analysis, checking the questionnaire, editing, coding, transcribing, cleaning data, adjusting the data and finally selection of the analysis strategy. As earlier established, this adopted a quantitative analysis. Many statistic textbooks classify data into data types using a hierarchy of measurement, usually in ascending order of numerical precision (Creswell, 2013). Following Saunders, Lewis, and Thornhill, (2012) classification of data, the variables of the study were then subjected to two aspects of description, namely central tendency and dispersion. Measures of central tendency describe data for both samples and populations quantitatively. It is used to provide some general impression of values that could be seen as common, middling or average. It describes the mean, mode and median (Saunders, Lewis, and Thornhill, 2012). Testing the probability of a pattern such as a relationship between variables occurring by chance alone is known as significance testing (Creswell, 2013). The collected data was subjected to Analysis of Variance (ANOVA) test and Linear Regression Analysis in testing the relationship between the competitive forces and the performances of the firms.
The study shall make use of Microsoft Excel and Statistical Package for Social Sciences (SPSS) to carry out the above tests.

3.7 Chapter Summary

The Study adopted a descriptive research design where by it employed both purposive sampling for new cars companies and random sampling for the used car dealers and purposive sampling for the brand-new car manufactures. The data were analyzed and presented in form of tabulations and graphs as per the findings.

The following chapter is the fourth one which entails the analysis of the data and presentations of the findings and results in accordance to the research questions/ objectives.
CHAPTER FOUR

4.0 RESULTS AND FINDINGS

4.1 Introduction

The chapter presents the findings and results according to the data sourced from the field. The sections according to which the chapter is organized and presented include the background information of the respondents and their respective firms/ companies they work in, the descriptive analysis and the inferential analysis as per the research objectives. The findings and results are presented in the form of tables, figures, and charts alongside the interpretations of the researcher.

4.2 Response Rate

During data collection the researcher set out to administer 131 questionnaires as per the population size of the study. The researcher managed to sample and to receive a total of 95 responses (filled out questionnaires). Out of the received 95 filled-out questionnaires, the researcher sorted out based on the well completed ones and 90 of the questionnaires met the criteria of sorting out. Five did not meet the threshold of being included in the study. This meant that the response rate stood at 69% of the population size. This response rate was due to the unwillingness of some of the respondents and the time-limit within which the study operated.

4.3 Background Information

4.3.1 Background information on Respondents

The first part of the instrument sought to find out the background information about the respondents and the findings were presented in the table below:
Table 4.1: Background Information on Respondents

<table>
<thead>
<tr>
<th>Demographic Information</th>
<th>Type of Company</th>
<th>Classification</th>
<th>Frequency</th>
</tr>
</thead>
<tbody>
<tr>
<td>Gender</td>
<td>2nd Hand Car Dealers</td>
<td>Male</td>
<td>56</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Female</td>
<td>27</td>
</tr>
<tr>
<td></td>
<td>Car Manufactures</td>
<td>Male</td>
<td>5</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Female</td>
<td>2</td>
</tr>
<tr>
<td>Age</td>
<td>2nd Hand Car Dealers</td>
<td>Below 25</td>
<td>18</td>
</tr>
<tr>
<td></td>
<td></td>
<td>26 – 35</td>
<td>31</td>
</tr>
<tr>
<td></td>
<td></td>
<td>36 – 45</td>
<td>18</td>
</tr>
<tr>
<td></td>
<td></td>
<td>45 +</td>
<td>16</td>
</tr>
<tr>
<td></td>
<td>Car Manufactures</td>
<td>Below 25</td>
<td>1</td>
</tr>
<tr>
<td></td>
<td></td>
<td>26 – 35</td>
<td>3</td>
</tr>
<tr>
<td></td>
<td></td>
<td>36 – 45</td>
<td>2</td>
</tr>
<tr>
<td></td>
<td></td>
<td>45 +</td>
<td>1</td>
</tr>
<tr>
<td>Education Level</td>
<td>2nd Hand Car Dealers</td>
<td>Certificate &amp; below</td>
<td>11</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Diploma</td>
<td>26</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Bachelor’s degree</td>
<td>38</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Master’s degree</td>
<td>8</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Doctorate (PhD)</td>
<td>0</td>
</tr>
<tr>
<td></td>
<td>Car Manufacturers</td>
<td>Certificate &amp; below</td>
<td>0</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Diploma</td>
<td>1</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Bachelor’s degree</td>
<td>4</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Master’s degree</td>
<td>3</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Doctorate (PhD)</td>
<td>0</td>
</tr>
</tbody>
</table>

According to the result obtained as presented in table 4.1 it is apparent that the motor industry generally employs more males than females. The second-hand dealers employ 67.5% males as compared to the 32.5% females. While the new car manufacturers employ 71.4% of males as compared to 28.6% females that they employ. In terms of age of the respondents, both the second-hand dealers and the new cars manufacturers tend have employed more youths because the second-hand dealers employ 59% of those aged (26 – 35yrs) and 21.7% of those aged 25yrs and below. This makes 80.7% of youths employed by second-hand dealers. The new cars manufacturers employ 57.1% of youth (25 years and below; 26 – 35 years).

On education level, it must be noted that the new car dealers emphasize on professionalism because of higher percentage on education level that it has employed (57.1% have bachelor’s degrees; 42.8% have master’s degrees). There is no person with certificate and below. This is a contrast to those employed by the second-hand dealers where 13.3% have certificate and below and 31.3% of them hold diploma qualification.

Figure 4.1 below presents the graphical presentation of the background information gathered from the respondents.
4.3.2 Company’s Information

Regarding the company’s information the researcher wanted to know and compare the duration the companies had been in operation, the services they offer, and the sources of revenues, especially the most source of revenue. On the duration of operation and services rendered by the companies, the table 4.2 presents the findings whereby we see that more than 67.5% of the second-hand car dealers have been in operation less than 10 years (33.7% less than 5 years and 33.7% between 6 – 10 years). This shows how the second-hand dealership grew up rapidly within a short time. Only 31.3% of the second-hand companies had operated for more than 10 years (11–15 years = 21.7%; Above 15 years = 9.6%). This is contrary to the new car manufacturers whereby 28.6% of the companies have operated for less than 10 years (Less than 5 years = 0%; 6-10 years =

![Background Information on Respondents](image)

**Figure 4.1: Respondents’ Background Information**

<table>
<thead>
<tr>
<th>Education Level</th>
<th>2nd Hand Car Dealers</th>
<th>Car Manufacturers</th>
</tr>
</thead>
<tbody>
<tr>
<td>Doctorate (PhD)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Master’s degree</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Bachelor’s degree</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Diploma</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Certificate &amp; below</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Age</th>
<th>2nd Hand Car Dealers</th>
<th>Car Manufacturers</th>
</tr>
</thead>
<tbody>
<tr>
<td>Below 25</td>
<td></td>
<td></td>
</tr>
<tr>
<td>26 – 35</td>
<td></td>
<td></td>
</tr>
<tr>
<td>36 – 45</td>
<td></td>
<td></td>
</tr>
<tr>
<td>45 +</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Gender</th>
<th>2nd Hand Car Dealers</th>
<th>Car Manufacturers</th>
</tr>
</thead>
<tbody>
<tr>
<td>Female</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Male</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>2nd Hand Car Dealers</th>
<th>Education Level</th>
<th>Male</th>
<th>25–35</th>
<th>45+</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Certificate &amp; below</td>
<td>25</td>
<td>50</td>
<td>25</td>
</tr>
<tr>
<td></td>
<td>Diploma</td>
<td>25</td>
<td>50</td>
<td>25</td>
</tr>
<tr>
<td></td>
<td>Bachelor’s degree</td>
<td>25</td>
<td>50</td>
<td>25</td>
</tr>
<tr>
<td></td>
<td>Master’s degree</td>
<td>25</td>
<td>50</td>
<td>25</td>
</tr>
<tr>
<td></td>
<td>Doctorate (PhD)</td>
<td>25</td>
<td>50</td>
<td>25</td>
</tr>
</tbody>
</table>
28.6%). This means that 71.4% of the new car manufacturing companies have been in operation for more than 10 years (11-15 years = 28.6%; Above 15 years = 42.8%). On the services offered, the second-hand dealers only do offer importation and sales (100%) while on the part on the new cars manufacturing companies 57.1% were found to be doing both (importation and sales together with assembly and sales); 42.9% were found to be engaging on assembly and sales only.

Table 4.2: Company’s Information

<table>
<thead>
<tr>
<th>Company’s Information</th>
<th>Type of Company</th>
<th>Classification</th>
<th>Frequency</th>
</tr>
</thead>
<tbody>
<tr>
<td>Duration of Operation</td>
<td>2\textsuperscript{nd} Hand Car Dealers</td>
<td>Less than 5 yrs.</td>
<td>28</td>
</tr>
<tr>
<td></td>
<td></td>
<td>6 – 10 yrs.</td>
<td>28</td>
</tr>
<tr>
<td></td>
<td></td>
<td>11 – 15 yrs.</td>
<td>18</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Above 15 yrs.</td>
<td>8</td>
</tr>
<tr>
<td></td>
<td>Car Manufactures</td>
<td>Less than 5 yrs.</td>
<td>0</td>
</tr>
<tr>
<td></td>
<td></td>
<td>6 – 10 yrs.</td>
<td>2</td>
</tr>
<tr>
<td></td>
<td></td>
<td>11 – 15 yrs.</td>
<td>2</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Above 15 yrs.</td>
<td>3</td>
</tr>
<tr>
<td>Services Offered</td>
<td>2\textsuperscript{nd} Hand Car Dealers</td>
<td>Importation &amp; sales</td>
<td>83</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Assembly &amp; sales</td>
<td>0</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Both</td>
<td>0</td>
</tr>
<tr>
<td></td>
<td>Car Manufactures</td>
<td>Importation &amp; sales</td>
<td>0</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Assembly &amp; sales</td>
<td>3</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Both</td>
<td>4</td>
</tr>
</tbody>
</table>

Figure 4.2 on the next page is a representation of the information that has been presented on table 4.2 in a graphical depiction.
On the issue of the sources of revenues for the companies the findings revealed that 65.5% of the second-hand dealers reported to making sales to individuals while sales to government organizations and sales to private organizations both reported 4.8% for the second-hand car dealers. 3.6% of them had contract with the government organizations while 19.3% of the second-hand car dealers dealt with all of the five options. On the same issue, the 71.4% of the new cars manufacturers had their revenues sourced from all the five options given out while sales to individuals and sales to private organizations posted 14.6% each as the main source of their revenues. This showed that the new cars manufacturers were more diversified in their quest for revenues as compared to the second-hand car dealers.

**Figure 4.2 The Company’s Information**

**Source: Researcher, (2018)**
4.4 Descriptive Statistics

4.4.1 The influence of used imported cars in the performance of brand new cars

The first objective of the study was to establish the influence of used imported cars in the performance of brand new car companies in the automotive industry in Kenya. The responses of the recruited correspondents were summarized together as follows before discussing them separately in the discussion section of the study. In order to come up with the result, study weighed the response of the respondents on a five point Likert Scale by asking them to indicate their level of agreement with a number of statements stating how they view the statement in relation to the motor vehicle industry; 1-Not at all, 2-Little extent, 3-Moderate extent, 4-Great extent, 5-Very great extent. The frequencies of respondents, the means, and the standard deviation were used to summarize and present the study findings. The highest opinion ranked as per findings showed that there exist a large number of competitors in the motor vehicle industry (Mean of 3.99; Standard deviation of 1.166). The issues on whether the respondent’s organization stocked a variety of brands and models of vehicles according to the needs of the customer - got a mean of 3.83 and a standard deviation of 1.247. The issue on whether “There’s a difference in quality of the motor vehicles you offer compared to the motor vehicles offered by your competitors” had (Mean = 3.64; standard deviation = 1.284). On the question whether the respondent’s company invested in personal selling, bill-boards, print media, audio-visual and online marketing to make known its existence in the motor vehicle industry – a (Mean of 3.60 and a standard deviation of 1.279) was reported. The other issue was on whether the respondents perceived that “There’s little to no difference in how your company and the competition offer your products leading to price competition getting a response of (Mean = 3.57; standard deviation = 1.237). The response to the statement “It’s difficult to exit from the motor vehicle industry are due to the investment in setting up and running” attracted a mean and a standard deviation of 3.53; 1.359 respectively. On the issue whether the industry has a low growth rate which leads to fierce competition within the industry (mean of 3.33; SD of 1.438). On if the competition in the motor vehicle industry was affected by rivalry among the existing competitors, the mean and SD was 3.17; 1.368 respectively; On whether the respondent’s organization adjusted the prices of motor vehicles according to the consumers in the market rather than the cost of production, the responses showed mean of 3.02; standard
deviation of 1.171. The discussion and the comparison of the findings would be presented on the discussion section of the study later on the last chapter.

The table 4.2 below shows the representation of the frequencies, the mean, and the standard deviation of the results as obtained from the respondents.

<table>
<thead>
<tr>
<th>Rivalry amongst Competitors</th>
<th>1(%)</th>
<th>2(%)</th>
<th>3(%)</th>
<th>4(%)</th>
<th>5(%)</th>
<th>M</th>
<th>SD</th>
</tr>
</thead>
<tbody>
<tr>
<td>Competition in the motor vehicle industry is affected by rivalry among the existing competitors</td>
<td>18.9</td>
<td>8.9</td>
<td>28.9</td>
<td>23.3</td>
<td>20.0</td>
<td>3.17</td>
<td>1.368</td>
</tr>
<tr>
<td>There exists a large number of competitors in the motor vehicle industry</td>
<td>3.3</td>
<td>11.1</td>
<td>14.4</td>
<td>25.6</td>
<td>45.6</td>
<td>3.99</td>
<td>1.166</td>
</tr>
<tr>
<td>Your organization stocks a variety of brands and models of vehicles according to the needs of the customer</td>
<td>7.8</td>
<td>6.7</td>
<td>20.0</td>
<td>25.6</td>
<td>40.0</td>
<td>3.83</td>
<td>1.247</td>
</tr>
<tr>
<td>Your organization adjusts the prices of motor vehicles according to the consumers in the market rather than the cost of production</td>
<td>12.2</td>
<td>20.0</td>
<td>31.1</td>
<td>26.7</td>
<td>10.0</td>
<td>3.02</td>
<td>1.171</td>
</tr>
<tr>
<td>Your company invest in personal selling, bill-boards, print media, audio-visual and online marketing to make known its existence in the motor vehicle industry</td>
<td>7.8</td>
<td>13.3</td>
<td>22.2</td>
<td>24.4</td>
<td>32.2</td>
<td>3.60</td>
<td>1.279</td>
</tr>
<tr>
<td>There’s little to no difference in how your company and the competition offer your products leading to price competition</td>
<td>7.8</td>
<td>13.3</td>
<td>20.0</td>
<td>32.2</td>
<td>26.7</td>
<td>3.57</td>
<td>1.237</td>
</tr>
<tr>
<td>There’s a difference in quality of the motor vehicles you offer compared to the motor vehicles offered by your competitors</td>
<td>10.0</td>
<td>7.8</td>
<td>22.2</td>
<td>27.8</td>
<td>32.2</td>
<td>3.64</td>
<td>1.284</td>
</tr>
<tr>
<td>The industry has a low growth rate which leads to fierce competition within the industry</td>
<td>17.8</td>
<td>11.1</td>
<td>17.8</td>
<td>26.7</td>
<td>26.7</td>
<td>3.33</td>
<td>1.438</td>
</tr>
<tr>
<td>It’s difficult to exit from the motor vehicle industry are due to the investment in setting up and running.</td>
<td>11.1</td>
<td>13.3</td>
<td>18.9</td>
<td>24.4</td>
<td>32.2</td>
<td>3.53</td>
<td>1.359</td>
</tr>
</tbody>
</table>

Source: Researcher (2018)
4.4.2 The threats of newly established car dealers in automotive industry

The second objective of the study was to establish the impact of threats of newly established car dealing bazaars in the automotive industry on the performances of brand new motor vehicle companies. The researcher designed the same questionnaire to both second hand dealers and the brand-new motor vehicle companies. In order to come up with the result, study weighed the response of the respondents on a five-point Likert Scale by asking them to indicate their level of agreements with a number of statements stating how they view the statement in relation to the motor vehicle industry; 1-Not at all, 2-Little extent, 3-Moderate extent, 4-Great extent, 5-Very great extent. Their responses were summarized together as follows before discussing them separately in the discussion section of the study. What stood out concerns the issue that “It is difficult for a new entrant to set up due to barriers of entry such as licenses, insurances, distribution channels etc.” This is because it attracted a low mean of 2.34 and a standard deviation of 1.383; as percentage comparison, nearly both divide agree that the it is not difficult for the establishment because 75.6% of secondhand dealers agreed that it was easy for the new entrants to enter the industry while the new car dealers also had 83% agreement to this (they said Not at all and Little extent). This is an indication that there is less restriction in setting up motor-vehicle dealership. The traders opined that “There is an increase in your company’s efficiency as you increase the number of units that you plan to sell” (Mean = 4.22; Standard deviation = 1.014; secondhand dealers reported 56.2% on this while New car dealers reported 78.5%). On the issue whether the respondent’s - company has secure customer relations compared to new players who intend to penetrate the market- this attracted a mean of 3.88 and a SD of 1.169; this is more or less similar to a result that sought to know whether the respondent’s ‘company has access to a larger number of distribution channels as compared to those intending to enter the market’ (Mean = 3.80; Standard deviation = 1.182; secondhand dealers recorded 67.2% on this while new car dealers recorded 49.3%). “Consumers are loyal to the brands offered by your company compared to one which intends to come into the market” (Mean = 3.79; SD = 1.137;). “Government policies such as foreign exchange, capital movement, industry protection and regulation make it easier for your company to operate in the region” got a rating mean of 3.78 and SD of 1.234. “Your company has low cost in research and development compared to that which intends to enter the market” (Mean = 3.37; standard deviation = 1.194). “Competition in the motor vehicle industry is affected by new entrants” (Mean =
3.33; SD = 1.338; on comparison on this, 68% of secondhand dealers agreed with it while 75.3% on new car dealers also agreed with this).

The table 4.3 below shows the representation of the frequencies, the mean, and the standard deviation of the results as obtained from the respondents.

**Table 4.3: Threats to new entrants (Results)**

<table>
<thead>
<tr>
<th>Threats of New Entrants</th>
<th>1(%)</th>
<th>2(%)</th>
<th>3(%)</th>
<th>4(%)</th>
<th>5(%)</th>
<th>M</th>
<th>SD</th>
</tr>
</thead>
<tbody>
<tr>
<td>Competition in the motor vehicle industry is affected by new entrants</td>
<td>14.4</td>
<td>11.1</td>
<td>23.3</td>
<td>27.8</td>
<td>22.2</td>
<td>3.33</td>
<td>1.338</td>
</tr>
<tr>
<td>There is an increase in your company’s efficiency as you increase the number of units that you plan to sell</td>
<td>1.1</td>
<td>10.0</td>
<td>5.6</td>
<td>32.2</td>
<td>51.1</td>
<td>4.22</td>
<td>1.014</td>
</tr>
<tr>
<td>Your company has low cost in research and development compared to that which intends to enter the market</td>
<td>12.2</td>
<td>5.6</td>
<td>32.2</td>
<td>33.3</td>
<td>16.7</td>
<td>3.37</td>
<td>1.194</td>
</tr>
<tr>
<td>It is difficult for a new entrant to set up due to barriers of entry such as licenses, insurances, distribution channels etc.</td>
<td>52.1</td>
<td>20.0</td>
<td>20.0</td>
<td>3.3</td>
<td>4.4</td>
<td>2.34</td>
<td>1.383</td>
</tr>
<tr>
<td>Consumers are loyal to the brands offered by your company compared to one which intends to come into the market</td>
<td>3.3</td>
<td>10.0</td>
<td>26.7</td>
<td>24.4</td>
<td>35.6</td>
<td>3.79</td>
<td>1.137</td>
</tr>
<tr>
<td>It is gets easier to operate in the motor vehicle industry with the number of years accumulated</td>
<td>13.3</td>
<td>2.2</td>
<td>15.6</td>
<td>32.2</td>
<td>36.7</td>
<td>3.77</td>
<td>1.333</td>
</tr>
<tr>
<td>Government policies such as foreign exchange, capital movement, industry protection and regulation make it easier for your company to operate in the region</td>
<td>56</td>
<td>12.2</td>
<td>18.9</td>
<td>25.6</td>
<td>37.8</td>
<td>3.78</td>
<td>1.234</td>
</tr>
<tr>
<td>Your company has access to a larger number of distribution channels as compared to those intending to enter the market</td>
<td>7.8</td>
<td>4.4</td>
<td>21.1</td>
<td>33.3</td>
<td>33.3</td>
<td>3.80</td>
<td>1.182</td>
</tr>
<tr>
<td>Your company has secure customer relations compared to new players who intend to penetrate the market</td>
<td>3.3</td>
<td>12.2</td>
<td>17.8</td>
<td>26.7</td>
<td>40.0</td>
<td>3.88</td>
<td>1.169</td>
</tr>
</tbody>
</table>

**Source:** Researcher (2018)
Supplier and customer bargaining power was not part of the objectives that was included as part of the study, but the researcher sought to collect the views of the respondents in order to know how the four Porter’s principles behave in the Kenyan motor industry. In order to know the performance of the companies the researcher sought to know the number of branches that the organizations had; on this issue most of the second-hand dealers reported to have only one branch where the collection of data took place. Only 14.5% of them had more than one; two of them had four branches which was the most. On contrary, the new cars manufacturers had many branches with one reporting up to 50 branches. 85.8% of them have more than one branch. On how the suppliers’ bargain contributed to the expansion of the company 72.2% were on the affirmative by confirming that it positively contributed to it while 25.6% said the contrary; 2.2% missed (Suppliers’ bargain encourages more supplies). On how the customers’ bargain contributed to the expansion of the company 46.7% of the respondents were for positive contribution while 52.2% responded it contributed negatively (Customers bargain reduces the selling price); 1.1% missed on this. On the issue of estimation of Return on Investment 0% of the second-hand dealers responded to this while 42.9% of the new cars manufactures responded (the highest posted Ksh. 1billion while the lowest got Ksh. 10 million. On how suppliers and customers bargain contributed to ROI of the company 68.9% of secondhand dealers and 46.7% new car dealers responded positively on this respectively. 4.4% in both cases missed to respond to this while the remaining percentage was for the contrary opinion.

In order to come up with the result on several issues touching on suppliers and customers opinion, study weighed the response of the respondents on a five point Likert Scale by asking them to indicate their level of agreements with a number of statements stating how they view the statement in relation to the motor vehicle industry; 1-Not at all, 2-Little extent, 3-Moderate extent, 4-Great extent, 5-Very great extent. Four most interesting opinions included: customers have more power to determine price and quality of vehicles if the purchase them in large numbers (Mean = 4.13; SD = 1.051); suppliers have high bargaining power when there are no alternative products (Mean = 4.13; SD = 1.153); it’s difficult or expensive for your company to switch from one supplier to another (Mean = 4.04; SD = 1.233); when the industry has a few big suppliers, they have more power to determine the price at which your vehicles will be sold (Mead = 4.01; SD = 1.117).
data obtained on this issue of suppliers and customers bargain were sorted out and presented as in the table 4.4 below

Table 4.4 Supplier and Customer Bargaining Power

<table>
<thead>
<tr>
<th>Supplier and Customer bargaining power</th>
<th>1</th>
<th>2</th>
<th>3</th>
<th>4</th>
<th>5</th>
<th>M</th>
<th>SD</th>
</tr>
</thead>
<tbody>
<tr>
<td>When the industry has a few big suppliers, they have more power to determine the price at which your vehicles will be sold</td>
<td>4</td>
<td>4</td>
<td>19</td>
<td>23</td>
<td>40</td>
<td>4.01</td>
<td>1.117</td>
</tr>
<tr>
<td>Suppliers have high bargaining power when there are no alternative products</td>
<td>5</td>
<td>2</td>
<td>18</td>
<td>16</td>
<td>49</td>
<td>4.13</td>
<td>1.153</td>
</tr>
<tr>
<td>Suppliers have a higher power in the industry when their products are unique (each supplier has a unique vehicle model)</td>
<td>6</td>
<td>6</td>
<td>23</td>
<td>17</td>
<td>38</td>
<td>3.83</td>
<td>1.238</td>
</tr>
<tr>
<td>Suppliers are more powerful when the customer base is fragmented making their bargaining power low</td>
<td>7</td>
<td>7</td>
<td>24</td>
<td>19</td>
<td>33</td>
<td>3.71</td>
<td>1.256</td>
</tr>
<tr>
<td>It’s difficult or expensive for your company to switch from one supplier to another</td>
<td>5</td>
<td>5</td>
<td>20</td>
<td>10</td>
<td>49</td>
<td>4.04</td>
<td>1.233</td>
</tr>
<tr>
<td>Customers have more power to determine price and quality of vehicles if the purchase them in large numbers</td>
<td>2</td>
<td>33</td>
<td>23</td>
<td>15</td>
<td>47</td>
<td>4.13</td>
<td>1.051</td>
</tr>
<tr>
<td>When the suppliers in the industry are small operators available in large numbers, the customer controls the prices</td>
<td>13</td>
<td>4</td>
<td>24</td>
<td>9</td>
<td>39</td>
<td>3.64</td>
<td>1.448</td>
</tr>
<tr>
<td>When suppliers are controlled by high fixed cost (costs for running the business), customers have a higher bargaining power</td>
<td>6</td>
<td>4</td>
<td>22</td>
<td>19</td>
<td>39</td>
<td>3.90</td>
<td>1.209</td>
</tr>
<tr>
<td>When switching between your company’s vehicles and that of your competitor is cheap and easy, the customer has a higher bargaining power</td>
<td>13</td>
<td>11</td>
<td>22</td>
<td>13</td>
<td>31</td>
<td>3.42</td>
<td>1.438</td>
</tr>
<tr>
<td>Customers who are sensitive to price possess a higher bargaining power and therefore control the price</td>
<td>8</td>
<td>10</td>
<td>21</td>
<td>15</td>
<td>36</td>
<td>3.68</td>
<td>1.339</td>
</tr>
<tr>
<td>Buyers with high accessibility to vehicle information control the pricing of the vehicle</td>
<td>16</td>
<td>10</td>
<td>23</td>
<td>13</td>
<td>28</td>
<td>3.30</td>
<td>1.465</td>
</tr>
</tbody>
</table>

Source: Researcher (2018)
4.4.3 The impact of substitutes on the performance of brand new motor vehicle companies

The third objective of the study was to establish the impact of threat of substitutes (tuk-tuk, motor bikes, and bicycles) on the performance of brand new motor vehicle companies in the automotive industry in Nairobi, Kenya. The researcher treated tuk-tuk, motor bikes, and bicycles as the substitutes in the motor vehicles industry. The responses gathered were summarized together as follows before discussing them separately in the discussion section of the study. In order to come up with the result, study weighed the response of the respondents on a five-point Likert Scale by asking them to indicate their level of agreements with a number of statements stating how they view the statement in relation to the motor vehicle industry; 1-Not at all, 2-Little extent, 3-Moderate extent, 4-Great extent, 5-Very great extent. The findings were presented as in the table 4.5.

The researcher wanted to know the opinion on whether “up to date trends determine the price at which the respondents will sell their vehicles” - this got a (Mean = 4; SD = 1.197; percentage-wise 42.6% new cars dealers agreed to this). On whether the respondent’s “company’s customers find their vehicles to be dependable compared to their substitutes” - the (Mean = 3.91; SD = 1.259; 57.2% of new car dealers agreed to this). On the issue of whether the respondent’s company’s customers ‘find it easy to change from’ the company’s vehicles to those that substitute them – had a Mean = 3.51; SD = 1.508; (71.4% of new car dealers agreed to this). On the issue of whether the respondent’s “company has a secure relationship with customers as compared to their relationship with their substitutes.” The results showed a Mean = 3.49; SD = 1.486; (42.9% of the new car dealers did not agree with this). Substitutes (PSVs, Tuk-tuks, Motorcycles and bicycles) affect competition in the motor vehicle industry (Mean = 3.44; SD = 1.430; 28.6% new cars dealers agreed to this). The level at which customers perceive your vehicles to be different from their substitutes affects how you price your vehicles (Mean = 3.37; SD = 1.14; 42.9% of the new car dealers did not agree with this). The relative price for performance of substitutes (PSVs, Tuk-tuks, Motorcycles and bicycles) makes your customers determine the market price (Mean = 3.10; SD = 1.539; 28.6% of the new car dealers did not agree with this). The table 4.5 in the next page shows the above information.
Table 4.5 Threat of Substitute

<table>
<thead>
<tr>
<th>Threat of Substitutes</th>
<th>1(%)</th>
<th>2(%)</th>
<th>3(%)</th>
<th>4(%)</th>
<th>5(%)</th>
<th>M</th>
<th>SD</th>
</tr>
</thead>
<tbody>
<tr>
<td>Your company’s customers find your vehicles to be dependable compared to their substitutes (PSVs, Tuk-tuks, Motorcycles and bicycles)</td>
<td>5.6</td>
<td>10.0</td>
<td>18.9</td>
<td>17.8</td>
<td>46.7</td>
<td>3.91</td>
<td>1.259</td>
</tr>
<tr>
<td>Substitutes (PSVs, Tuk-tuks, Motorcycles and bicycles) affect competition in the motor vehicle industry</td>
<td>15.6</td>
<td>7.8</td>
<td>26.7</td>
<td>15.6</td>
<td>33.3</td>
<td>3.44</td>
<td>1.430</td>
</tr>
<tr>
<td>Your company has a secure relationship with customers as compared to their relationship with their substitutes (PSVs, Tuk-tuks, Motorcycles and bicycles)</td>
<td>16.7</td>
<td>7.8</td>
<td>22.2</td>
<td>14.4</td>
<td>37.8</td>
<td>3.49</td>
<td>1.486</td>
</tr>
<tr>
<td>Your company’s customers find it easy to change from your vehicles to those that substitute them (PSVs, Tuk-tuks, Motorcycles and bicycles)</td>
<td>16.7</td>
<td>8.9</td>
<td>21.1</td>
<td>12.2</td>
<td>40.0</td>
<td>3.51</td>
<td>1.508</td>
</tr>
<tr>
<td>The relative price for performance of substitutes (PSVs, Tuk-tuks, Motorcycles and bicycles) makes your customers determine the market price</td>
<td>24.4</td>
<td>10.0</td>
<td>23.3</td>
<td>13.3</td>
<td>27.8</td>
<td>3.10</td>
<td>1.538</td>
</tr>
<tr>
<td>Up to date trends determine the price at which you will sell your vehicles</td>
<td>5.6</td>
<td>6.7</td>
<td>16.7</td>
<td>23.3</td>
<td>46.7</td>
<td>4.00</td>
<td>1.197</td>
</tr>
<tr>
<td>The level at which customers perceive your vehicles to be different from their substitutes affects how you price your vehicles</td>
<td>13.3</td>
<td>13.3</td>
<td>26.7</td>
<td>14.4</td>
<td>31.5</td>
<td>3.37</td>
<td>1.14</td>
</tr>
</tbody>
</table>

Source: Researcher (2018)
4.5 Inferential Statistics

The aim of the study was to find out the competitive forces influencing the business performance of new vehicle companies in Nairobi, Kenya. The researcher carried out Analysis of Variance (ANOVA) to come up with conclusion on how the various parameters set out in the questionnaire according to the study objectives were impacting on the performance of new vehicles companies especially in relation to customers’ issues. The results on the ANOVA as far as the first objective was concerned were presented as in the table 4.7.

4.5.1 Regression Analysis for the Findings

The researcher carried out a multiple linear regression analysis in order to ascertain the relationship between the competitive forces in business and the performance of new vehicle companies. This is done through looking at the rivalry among competitors, threats of new entrants, threats of substitutes vis-à-vis the expansion of the company and Return on Investment

4.6 Model Summary

<table>
<thead>
<tr>
<th>Model</th>
<th>R</th>
<th>R Square</th>
<th>Adjusted R Square</th>
<th>Standard Error of Estimation</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>0.728</td>
<td>0.601</td>
<td>0.716</td>
<td>0.3275</td>
</tr>
</tbody>
</table>

a) Predictors: Rivalry among competitors, threats of new entrants, threats of substitutes
b) Dependent variables: Expansion of the company, Return on Investment

The essence of the R Square in the summarized model which is otherwise called the coefficient of determination would be to show how the increase in rivalry among competitors, new entrants, and substitutes impacted on the expansion of the company and the ROI. The independent variables under study revealed that 60.1% of the competitive forces as represented by the R Square (Coefficient of determinant). This implies that other factors that may not be captured by the study contribute 39.9% influence in business performance.
The study used ANOVA to find out the significance of regression model in which F-significance p-value ($p = 0.001$) is less than alpha 0.05 was established. The model is statistically significant in predicting the influence of rivalry among competitors, threats of new entrants, threats of substitutes do affect the business performance (expansion of the company and return on investment). The reported probability of (0.001) is less than the conventional of (0.005) hence significant. The study findings revealed that there was a positive significant relationship between rivalry among competitors, threats of new entrants, threats of substitutes and business performance ($F=9.321$ and p-value=$0.001$) as indicated in Table 4.7.

### 4.7 Chapter Summary

In this chapter, the researcher out of the 131 questionnaires administered in the field as per the population size of the study; managed to sample and to receive a total of 95 responses (filled out questionnaires). After sorting out only 90 attained the threshold of being included in the study. This meant that the response rate stood at 69% of the population size.

The sources of revenues for the companies revealed that 65.5% of the second-hand dealers reported to making sales to individuals while sales to government organizations and sales to private organizations both reported 4.8% for the second-hand car dealers. 3.6% of them had contract with the government organizations while 19.3% of the second-hand car dealers dealt with all of the five options. On the same issue, the 71.4% (this showed they still have a wider market as compared to the secondhand car dealers) of the
new cars manufacturers had their revenues sourced from all the five options given out while sales to individuals and sales to private organizations posted 14.6% each as the main source of their revenues.

New car dealers have many branches (85.8% of them have more than one branch), some with up to 50 branches as compared to second hand dealers that only 14.5% of them had more than one. This means majority of them have only one branch. Where there are many or large number of competitors the customers of these businesses that are in competition spread across the continuum of the competitors according to their preference. This can be seen as per the revelation from the findings; there exist a large number of competitors in the motor vehicle industry (Mean of 3.99; Standard deviation of 1.166). The new car dealers therefore, have to contend with the many competitors especially from the secondhand car dealers.

New entrants affect the performance of a business through increased competition as seen - (Mean = 3.33; SD = 1.338).

On the impact of threat of substitutes (tuk-tuk, motor bikes, and bicycles) on the performance of brand new motor vehicle companies in the automotive industry in Nairobi, Kenya the results revealed the “up to date trends determine the price at which the respondents will sell their vehicles” - this got a (Mean = 4; SD = 1.197). That “company’s customers find their vehicles to be dependable compared to their substitutes” - the (Mean = 3.91; SD = 1.259). On the issue of whether the respondent’s company’s customers ‘find it easy to change from’ the company’s vehicles to those that substitute them – had a Mean = 3.51; SD = 1.508.

The next chapter reviews the results and findings of the study through giving the summary, discussion, and recommendations.
CHAPTER FIVE

5.0 SUMMARY, DISCUSSIONS, CONCLUSIONS, AND RECOMMENDATIONS

5.1 Introduction

This last chapter of the study gives the discussion on the findings that have been presented on the previous chapter as it compares the findings with the literature that have been reviewed. The section also presents the summary of the study and the recommendations for further improvement in this sector of motor industry so that the second-hand dealers and the new cars manufacturing companies can operate on a level ground. The study is eventually concluded on the basis of the findings as per the research questions.

5.2 Summary of the Study

The study set out to look into the competitive forces influencing business performance of new vehicle companies in Nairobi, Kenya. The specific objectives of the study included to establish the influence of rivals in the performance of brand new car companies in the automotive industry in Kenya; to establish the impact of threats of new entrants in the automotive industry on the performances of brand new motor vehicle companies; and to establish the impact of threat of substitutes on the performance of brand new motor vehicle companies in the automotive industry in Nairobi, Kenya. The study was a descriptive one and it adopted a cross-sectional study design whereby the study had a population size of 130 but the turn out of the participants stood at 90 after the collection and sorting out of the data. The sampling design was simple random for the used car dealers while purposive sampling for new car manufacturers. The data obtained were analyzed using the data analysis software called the Statistical Package for Social Sciences (SPSS Version 20). The descriptive data were then presented as per the analysis together with the ANOVA.

On the information about the companies studied it was found that the second-hand dealership grew up rapidly within a short time because more than 67.5% of the second-hand car dealers have been in operation less than 10 years (33.7% less than 5 yrs. and 33.7% between 6 – 10 yrs.). Only 31.3% of the second-hand companies had operated for more than 10 years (11– 15 yrs. = 21.7%; Above 15 years = 9.6%). This is contrary to the
new car manufacturers whereby 28.6% of the companies have operated for less than 10 years (Less than 5 yrs. = 0%; 6-10 yrs. = 28.6%). This means that 71.4% of the new car manufacturing companies have been in operation for more than 10 years (11-15 yrs. = 28.6%; Above 15 yrs. = 42.8%). On the services offered, the second-hand dealers only do offer importation and sales (100%) while the new cars manufacturing companies 57.1% were found to be doing both (importation and sales together with assembly and sales); 42.9% were found to be engaging on assembly and sales only. This rapid growth of the second-hand dealers and specialization on importation and sales only show how the kind of competition that the second-hand dealership pose to the new cars manufacturing industry.

On the influence of used imported cars in the performance of brand new cars, it has been revealed that there exist a large number of competitors in the motor vehicle industry (Mean of 3.99; Standard deviation of 1.166). The competition here can also be in favor of the second-hand dealers because they seem not to be specialized on one kind of brand but do stock a variety of brands and models of vehicles according to the needs of the customer even as a mean of 3.83 and a standard deviation of 1.247 showed. The other issue was on whether the respondents perceived that “There’s little to no difference in how your company and the competition offer their products leading to price competition - getting a response of (Mean = 3.57; standard deviation = 1.237). The response to the statement “It’s difficult to exit from the motor vehicle industry are due to the investment in setting up and running” attracted a mean and a standard deviation of 3.53; 1.359 respectively. On the issue whether the industry has a low growth rate which leads to fierce competition within the industry (mean of 3.33; SD of 1.438).

The second objective of the study was to establish the impact of threats of newly established car dealing bazaars in the automotive industry on the performances of brand new motor vehicle companies. The issue that indicated the difficulty for a new entrant to set up due to barriers of entry such as licenses, insurances, distribution channels etc.; attracted a low mean of 2.34 and a standard deviation of 1.383. This is an indication that there is less restriction in setting up motor-vehicle dealership. There was also an increase in the company’s efficiency as they increase the number of units that they planned to sell (Mean = 4.22; Standard deviation = 1.014). Of importance is the fact that the government policies such as foreign exchange, capital movement, industry protection and regulation make it easier for your company to operate in the region seem to contribute to the
unchecked competition in the motor industry; this statement scored a mean of 3.78 and SD of 1.234. It is also important to note that competition in the motor vehicle industry is affected by new entrants (Mean = 3.33; SD = 1.338).

On the impact of threat of substitutes (tuk-tuk, motor bikes, and bicycles) on the performance of brand new motor vehicle companies in the automotive industry in Nairobi, Kenya the results revealed the “up to date trends determine the price at which the respondents will sell their vehicles” - this got a (Mean = 4; SD = 1.197). That “company’s customers find their vehicles to be dependable compared to their substitutes” - the (Mean = 3.91; SD = 1.259). On the issue of whether the respondent’s company’s customers ‘find it easy to change from’ the company’s vehicles to those that substitute them – had a Mean = 3.51; SD = 1.508. On the issue of whether the respondent’s “company has a secure relationship with customers as compared to their relationship with their substitutes.” The results showed a Mean = 3.49; SD = 1.486. Substitutes (PSVs, Tuk-tuks, Motorcycles and bicycles) affect competition in the motor vehicle industry (Mean = 3.44; SD = 1.430). The level at which customers perceive your vehicles to be different from their substitutes affects how you price your vehicles (Mean = 3.37; SD = 1.14). The relative price for performance of substitutes (PSVs, Tuk-tuks, Motorcycles and bicycles) makes your customers determine the market price (Mean = 3.10; SD = 1.539).

5.3 Discussion of the findings

5.3.1 The influence of rivals/ competitors

The first objective of the study was to establish the influence of used imported cars in the performance of brand new car companies in the automotive industry in Kenya. The study’s purpose was to look into the competitive forces influencing the business performance of new vehicle companies in Nairobi, Kenya. This was to be looked from a perspective of the influence of used imported cars in the performance of brand new cars. As it has been revealed from the findings; there exist a large number of competitors in the motor vehicle industry (Mean of 3.99; Standard deviation of 1.166). Where there are many or large number of competitors the customers of these businesses that are in competition spread across the continuum of the competitors according to their preference. This is in the spirit of resource partitioning (Kotler, Won, Saunders and Armstrong, 2005). This is what Kotler, Won, Saunders and Armstrong, (2005) explain would inform
innovation amongst the competitors. This is what informed the succeeding statement in the next paragraph.

The competition here can also be in favor of the second-hand dealers because they seem not to be specialized on one kind of brand but do stock a variety of brands and models of vehicles according to the needs of the customer even as the mean of 3.83 and a standard deviation of 1.247 showed. According to Malhotra (2007) a business would gain competitive advantage over the others as a result of diversifying on the brands or types of goods they offer to the market. On this the second-hand car dealer had an upper hand over the new vehicle manufacturers due to the fact that several of them trade in different models of vehicles unlike the new vehicle manufacturers who specialize on brands. Even the percentage of the result reveal to this assertion whereby 67.3% of the second-hand dealers alone agreed to this; as situation that was also agreed of by the new vehicle manufactures who opined that they may be making low sales due to their specialization and that what has kept them in the market is the quality of goods and services that they deliver to their clients which have remained unmatched. This can be confirmed by the general response of both dealers across the divide whereby 66.6% of the respondents agreed to the lead statement (to a great extent = 25.6%; to a very great extent = 40.0) as in table 4.2.

On whether the respondents perceived that there’s little to no difference in how their company and the competition offer their products leading to price competition; the resultant response of (Mean = 3.57; standard deviation = 1.237) as in table 4.2. This shows that importance of pricing to the sales and eventual performance of the business because sales have a bearing on the ROI and the expansion of the business. Due to the fact that the results of ANOVA revealed p-value (p = 0.001) is less than alpha 0.05 was established and in light with the descriptive statistics results that have been presented, it can be confirmed that there is great influence of used imported cars in the performance of brand new car companies in the automotive industry in Kenya because of the stiff competition they give to them.

5.3.2 Threats of new entrants in the automotive industry

The second objective of the study was to establish the impact of threats of newly established car dealing bazaars in the automotive industry on the performances of brand
new motor vehicle companies. On this the researcher looked into several statements that could give insight to this objective. The issue that indicated the difficulty for a new entrant to set up due to barriers of entry such as licenses, insurances, distribution channels etc.; attracted a low mean of 2.34 and a standard deviation of 1.383. This is an indication that there is less restriction in setting up motor-vehicle dealership. It is interesting that the government recently wanted to revise the laws that govern the importation of vehicles (Sanga, 2018). According to Sanga (2018) the government wanted only vehicles with an engine life of 5 years be imported as opposed to the 8 years that the dealers have been used to do it. Aoko (2018) reports that this was met with protest from the second-hand dealers because they thought they would not make sales in relation to when the rules were not adjusted. According to Aoko (2018) the Car Importers Association argues that reduction of age limit will increase the price of imported cars by 50%. This statement by the association is an indication of the much affordability of the second-hand cars at the detriment of the new vehicles.

There was also an increase in the company’s efficiency as they increase the number of units that they planned to sell (Mean = 4.22; Standard deviation = 1.014) as per the general result. But looking at the individual groups; this was evident on the part of the second-hand car dealers whereby 83.1% that is brought about by most of them dealing in a variety of brands (diversification). However, the new vehicles manufacturers agree to this 95.7% increasing the units do increase their sales on the basis of the quantity and quality of vehicles and services they sale but not on the different models in which they rarely take part.

On the issue whether the respondent’s - company has secure customer relations compared to new players who intend to penetrate the market- this attracted a mean of 3.88 and a SD of 1.169; this is more or less similar to a result that sought to know whether the respondent’s ‘company has access to a larger number of distribution channels as compared to those intending to enter the market’ (Mean = 3.80; Standard deviation = 1.182).

Consumers are loyal to the brands offered by the respondent’s company compared to one which intends to come into the market” (Mean = 3.79; SD = 1.137). This was due to the fact that customers’ loyalty is paramount to the performance of a business. This corroborates the study by Okutoyi (2012) who in his study on factors influencing brand
loyalty amongst buyers of passenger motor cars in Nairobi found out that customers choose the passenger car based on, brand reputation, price, performance, and speed. This study was done on the premises of the Porter’s model and it underscores the importance of customer’s loyalty if treated well by the business.

Government policies such as foreign exchange, capital movement, industry protection and regulation make it easier for your company to operate in the region” got a rating mean of 3.78 and SD of 1.234. Competition in the motor vehicle industry is affected by new entrants - (Mean = 3.33; SD = 1.338). This is important to note because any new entrant in a market is seen as one that encroaches on the territory of the others even as Porter (1998) explains. This is why both the second-hand dealers and the new vehicles manufacturers agree by this mean of 3.33. Even though as Botten and McManus (2009) in their study affirmed that new entrants show that an industry is growing; there needs to be proper policies that govern entry into an industry so that illegal competition is not experienced in an industry. This is because the new entrants challenge, especially in terms of competition, to the existing companies thus the existing ones need to up their game in ways through which they serve their customers due to that fact that customers are the backbone of any given business venture (Botten and McManus, 2009). New entrants also cause more innovative ideas to be born within an industry and cause a variety of choices for the customers. Given the fact that the results of ANOVA revealed p-value (p = 0.001) that is less than alpha 0.05 was established, and in light with the descriptive statistics results that have been presented, it can be affirmed that newly established car dealing bazaars in the automotive industry have influence on the performances of brand new motor vehicle companies. This means that they reduce the performance of brand new motor vehicles by reducing their customers’ base.

5.3.3 The impact of threat of substitutes

As per the third objective of the study that was to establish the impact of threat of substitutes (tuk-tuk, motor bikes, and bicycles) on the performance of brand new motor vehicle companies in the automotive industry in Nairobi, Kenya; the researcher managed to gather results as pertains this. On the one aspect regarding this section the researcher wanted to know the opinion on whether “up to date trends determine the price at which the respondents will sell their vehicles” - this got a (Mean = 4; SD = 1.197). This result
serves to confirm that in any industry, the players/companies must conform to the marketing and branding trends in order to remain relevant in the market. Being relevant in the market is important as it ensures that the company remains relevant to the customers.

On the issue regarding substitutes, the researcher wanted to ascertain whether the respondent’s “customers find their vehicles to be dependable compared to their substitutes” - the (Mean = 3.91; SD = 1.259). In his theory Akerlof (1970) explains that marketers tend to give information that would ensure that they win the customer and seal sales deal even though the information may not be totally true. This is why this statement might have received overwhelming confirmation due to the fact that they sellers want to make their goods look better than any substitutes.

On the issue of whether the respondent’s company’s customers ‘find it easy to change from’ the company’s vehicles to those that substitute them – had a Mean = 3.51; SD = 1.508. This result could be relied on to a certain degree because the substitutes like the tuk-tuk, matatu and other PSVs, motor-bikes, and bicycles are plenty and they contribute to a certain degree to the buying of private vehicles.

There must proper relationship between the company and its customers. This relationship must be sustained especially be the company in order to ensure that the company maintains sales. This came out well when the researcher sought to know whether the respondent’s “company had a secure relationship with customers as compared to their relationship with their substitutes.” The results showed a Mean = 3.49; SD = 1.486. This statement was important to this study because good relationship with customers always create loyalty of the customers to the business thus would not be derailed by the substitutes or new entrants as explained by Ivanova (2015). This is tied with the level at which “customers perceive the respondents’ goods and services, in this case vehicles, in relationship to their substitutes and how this affects how the price is decided. On this issue, the respondents (Mean = 3.37; SD = 1.14). It calls to show that substitutes contribute to how a company decides to fix its prices.

Substitutes (PSVs, Tuk-tuks, Motorcycles and bicycles) affect competition in the motor vehicle industry (Mean = 3.44; SD = 1.430). Ivanova (2015) says that any substitute services or products pose threat to the products of interest. This is why even though these substitutes are not owned by the customers/potential customers, they still register a mean 3.44.
The relative price for performance of substitutes (PSVs, Tuk-tuks, Motorcycles and bicycles) makes your customers determine the market price (Mean = 3.10; SD = 1.539). Even though this can be a factor as far as the substitute’s threats were concerned, this substitute does not influence the sales much due to the fact that the customers only use them at their conveniences but do not have to buy them as opposed to the cars that are normally put on sales. This is why it received a near moderate rating of 3.1 mean.

5.4 Conclusion

5.4.1 The influence of rivals/competitors

The first objective of the study was to establish the influence of used imported cars in the performance of brand new car companies in the automotive industry in Kenya. The study established that there was a significant impact by the second-hand car dealership on the performance of the brand-new cars companies in the automotive industry in Kenya. An outstanding factor is the fact that second-hand dealers seem not to specialize on one kind of brand but do stock a variety of brands and models of vehicles according to the needs of the customer making their counterparts in the brand-new cars manufacturers disadvantaged.

5.4.2 Threats of new entrants in the automotive industry

The study also set out to establish the impact of threats of newly established car dealing bazaars in the automotive industry on the performances of brand new motor vehicle companies. The study established that there existed threats of newly established car dealing bazaars in the automotive industry on the performance of brand new motor vehicle companies. The study established that there was an ease of setting up second-hand car selling yards thereby giving brand new car companies unfavorable competition. Apart from that, the government through policies is not keen enough to regulate the influx of second-hand cars that are imported for sales in the country.

5.4.3 The impact of threat of substitutes

The third objective of the study was to establish the impact of threat of substitutes (tuk-tuk, motor bikes, and bicycles) on the performance of brand new motor vehicle companies in the automotive industry in Nairobi, Kenya. The study established that these
substitutes contribute significantly by impacting negatively to the performance of brand new motor vehicle companies in the automotive industry.

5.5 Recommendations

5.5.1. The influence of rivals/competitors

Even though specialization to one or two brands of cars brings perfection, in marketing there is the need for diversification. At least the motor vehicles manufacturers need to be dealing in a variety so as to enable their customers to have choices.

5.5.2 Threats of new entrants in the automotive industry

Because of the ease of setting up second-hand car selling yards thereby giving brand new car companies unfavorable competition, there is the need for the government to come up with policies that controls the influx of the second-hand cars into the Kenyan automotive industry. That policy that introducing the engine age of imported cars from eight to five years would help deal with this phenomenon a great deal. This recommendation will also help in creation of more jobs and motor vehicle manufacturing skill development to the locals in the event where the brand-new cars manufacturing industry would be having healthy competition.

5.5.3 The impact of threat of substitutes

There is the need for the need for the government to regulate the importation of the motor-bikes because they form part of the substitutes that give a great challenge to the brand-new cars manufacturing industry.

5.5.4 Recommendation for Further studies

The study’s purpose was to look into the competitive forces influencing the business performance of new vehicle companies in Nairobi, Kenya. The study recommends a study on how the government policies encourages or discourages the development of new car manufacturing companies in the automotive industry. The study also recommends other studies to adopt the longitudinal design in a similar study to see how the industry behaves over long period of time.
REFERENCES


Muhindi, I. (2007). Response strategies to increased competition by spare parts dealers franchised by Japanese motor vehicle companies in Kenya.


Appendix 1: Letter of introduction

C/o United States International University
P.O. Box 14634-00800,
Nairobi, Kenya.

TO WHOM IT MAY CONCERN

Dear Sir/ Madam,

RE: MASTER OF BUSINESS ADMINISTRATION MARKETING RESEARCH STUDY

I am a graduate student at United States International University, researching Competitive Forces Influencing the Business Performance of Brand-New Vehicle Companies in Nairobi, Kenya. This is in partial fulfillment of the requirement of the Master of Business Administration (Marketing) degree program at the United States International University (Africa).

You have been randomly selected among many to participate in this study. It is estimated that it will take less than ten (10) minutes of your time to complete the questionnaire. Please respond as honestly and objectively as possible. Your participation is very essential for the accomplishment of this study, and it will be highly appreciated. I guarantee that the information you will provide will be treated with the utmost confidentiality and will be used only for academic purposes.

This is an academic research and confidentiality is strictly emphasized, your name will not appear anywhere in the report. Kindly spare some time to complete the questionnaire attached.

Thank you.

Yours faithfully,

Richard Ombui
Appendix II: Sales Managers/ Representatives’ Questionnaire

Date:__________________________________________________________________

Contact’s Telephone number_______________________________________________

Contact’s E-mail:________________________________________________________

INTRODUCTION

This study is being conducted in partial fulfillment of the requirement for the degree of Master of Business Administration (MBA) in Marketing and it will be used for academic purposes only. You are encouraged to provide your honest opinion as the information you provide on this questionnaire will be treated confidentially. This exercise will take approximately 20-25 minutes of your time to complete. Please select your answers by ticking the appropriate response.

SECTION ONE: DEMOGRAPHIC INFORMATION

1. Please select your gender:
   Female [ ]  Male [ ]

2. Please select your age bracket:
   25 and below [ ]
   26 - 35 [ ]
   36 – 45 [ ]
   45 + [ ]

3. What is the highest degree or level of school you have completed?
   Certificate and below [ ]
   Diploma [ ]
   Bachelor’s degree [ ]
   Master’s degree [ ]
   Doctorate (PhD) [ ]
4. How long has your company been operational in the motor vehicle industry?
   - Less than 5 Years [ ]
   - 6 – 10 Years [ ]
   - 11 – 15 Years [ ]
   - Above 15 Years [ ]

5. Please indicate the service(s) offered by your organization:
   - Importation & sales [ ]
   - Assembly and sales [ ]

6. Please indicate which of the following are the sources of revenue for your organization:
   - Sales to individuals [ ]
   - Sales to government organizations [ ]
   - Sales to private organizations [ ]
   - Contracts with government organizations [ ]
   - Contracts with private organizations [ ]

SECTION 2: THE INFLUENCE OF RIVALS

Please indicate the extent to which you agree with the following statements by using a scale of 1 to 5, where 1 - Not at all, 2 - To a little extent, 3 - To a moderate extent, 4 - To a great extent, 5 – To a very great extent. Place a tick in the appropriate space provided.
<table>
<thead>
<tr>
<th>Rivalry amongst Competitors</th>
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<tbody>
<tr>
<td>7. Competition in the motor vehicle industry is affected by rivalry among the existing competitors</td>
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<td>8. There exists a large number of competitors in the motor vehicle industry</td>
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<tr>
<td>9. Your organization stocks a variety of brands and models of vehicles according to the needs of the customer</td>
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<td>10. Your organization adjusts the prices of motor vehicles according to the consumers in the market rather than the cost of production</td>
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<td>11. Your company invest in personal selling, bill-boards, print media, audio-visual and online marketing to make known its existence in the motor vehicle industry</td>
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<td>12. There is little to no difference in how your company and the competition offer your products leading to price competition</td>
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<td>13. There is a difference in quality of the motor vehicles you offer compared to the motor vehicles offered by your competitors</td>
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<td>14. The motor vehicle industry has a low growth rate which leads to fierce competition within the industry</td>
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<tr>
<td>15. It is difficult to exit in the motor vehicle industry are due to the investment incurred in setting up and running.</td>
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</table>
SECTION 3: THE IMPACT OF THREATS OF NEW ENTRANTS

Please indicate the extent to which you agree with the following statements by using a scale of 1 to 5, where 1 - Not at all, 2 - To a little extent, 3 - To a moderate extent, 4 - To a great extent, 5 – To a very great extent. Place a tick in the appropriate space provided.

<table>
<thead>
<tr>
<th>Threats of New Entrants</th>
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<th>2</th>
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<th>5</th>
</tr>
</thead>
<tbody>
<tr>
<td>16. Competition in the motor vehicle industry is affected by new entrants</td>
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<td>17. There is an increase in your company’s efficiency as you increase the number of units that you plan to sell</td>
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<td>18. Your company has low cost in research and development compared to that which intends to enter the market</td>
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<tr>
<td>19. It is difficult for a new entrant to set up due to barriers of entry such as licenses, insurances, distribution channels etc.</td>
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<td>20. Consumers are loyal to the brands offered by your company compared to one which intends to come into the market</td>
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<td>21. It is gets easier to operate in the motor vehicle industry with the number of years accumulated</td>
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<td>22. Government policies such as foreign exchange, capital movement, industry protection and regulation make it easier for your company to operate in the region</td>
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<td>23. Your company has access to a larger number of distribution channels as compared to those intending to enter the market</td>
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</table>
24. Your company has secure customer relations compared to new players who intend to penetrate the market

SECTION 4: THE IMPACT OF SUPPLIER AND CUSTOMER BARGAINING POWER

25. How many branches does your company have in Kenya? ____________________________

26. How does suppliers’ bargain contribute to the expansion of the company?
   Positively [ ]  Negatively [ ]

27. How does customers’ bargain contribute to the expansion of the company?
   Positively [ ]  Negatively [ ]

28. What is you estimated Return on Investment per year? ____________________________

29. How does suppliers’ bargain contribute to the Return on Investment of the company?
   Positively [ ]  Negatively [ ]

30. How does customers’ bargain contribute to the Return on Investment of the company?
   Positively [ ]  Negatively [ ]

Please indicate the extent to which you agree with the following statements by using a scale of 1 to 5, where 1 - Not at all, 2 - To a little extent, 3 - To a moderate extent, 4 - To a great extent, 5 – To a very great extent. Place a tick in the appropriate space provided:

<table>
<thead>
<tr>
<th>Supplier and Customer bargaining power</th>
<th>1</th>
<th>2</th>
<th>3</th>
<th>4</th>
<th>5</th>
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<tbody>
<tr>
<td>31. When the industry has a few big suppliers, they have more power to determine the price at which your vehicles will be sold</td>
<td></td>
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<td>32. Suppliers have high bargaining power when there are no alternative products</td>
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<tr>
<td><strong>33.</strong></td>
<td>Suppliers have a higher power in the industry when their products are unique (each supplier has a unique vehicle model)</td>
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</tr>
<tr>
<td><strong>34.</strong></td>
<td>Suppliers are more powerful when the customer base is fragmented making their bargaining power low</td>
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<tr>
<td><strong>35.</strong></td>
<td>It is difficult or expensive for your company to switch from one supplier to another</td>
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<tr>
<td><strong>36.</strong></td>
<td>Customers have more power to determine price and quality of vehicles if they purchase them in large numbers</td>
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<tr>
<td><strong>37.</strong></td>
<td>When the suppliers in the industry are small operators available in large numbers, the customer controls the prices</td>
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<tr>
<td><strong>38.</strong></td>
<td>When suppliers are controlled by high fixed cost (costs for running the business), customers have a higher bargaining power</td>
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<td><strong>39.</strong></td>
<td>When switching between your company’s vehicles and that of your competitor is cheap and easy, the customer has a higher bargaining power</td>
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<tr>
<td><strong>40.</strong></td>
<td>Customers who are sensitive to price possess a higher bargaining power and therefore control the price</td>
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<tr>
<td><strong>41.</strong></td>
<td>Buyers with high accessibility to vehicle information control the pricing of the vehicle</td>
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</tbody>
</table>
**SECTION 5: THE IMPACT OF THREAT OF SUBSTITUTES**

42. Which of the following substitutes mostly impacts on your sales?

<table>
<thead>
<tr>
<th>Substitute</th>
<th>[ ]</th>
</tr>
</thead>
<tbody>
<tr>
<td>Tricycles (Tuk-tuk)</td>
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<tr>
<td>Matatu/ Passenger service vehicles</td>
<td></td>
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<tr>
<td>Motorcycles</td>
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<tr>
<td>Bicycles</td>
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</tbody>
</table>

Please indicate the extent to which you agree with the following statements by using a scale of 1 to 5, where 1 - Not at all, 2 - To a little extent, 3 - To a moderate extent, 4 - To a great extent, 5 – To a very great extent. Place a tick in the appropriate space provided:

<table>
<thead>
<tr>
<th>Statement</th>
<th>1</th>
<th>2</th>
<th>3</th>
<th>4</th>
<th>5</th>
</tr>
</thead>
<tbody>
<tr>
<td>43. Your company’s customers find your vehicles to be dependable compared to their substitutes</td>
<td></td>
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<tr>
<td>(PSVs, Tuk-tuks, Motorcycles and bicycles)</td>
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<tr>
<td>44. Substitutes (PSVs, Tuk-tuks, Motorcycles and bicycles)</td>
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<td>affect competition in the motor vehicle industry</td>
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<tr>
<td>45. Your company has a secure relationship with customers</td>
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<tr>
<td>as compared to their relationship with their substitutes</td>
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<td></td>
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<td></td>
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<tr>
<td>(PSVs, Tuk-tuks, Motorcycles and bicycles)</td>
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<tr>
<td>46. Your company’s customers find it easy to change from your vehicles to those that substitute</td>
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<tr>
<td>them (PSVs, Tuk-tuks, Motorcycles and bicycles)</td>
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<tr>
<td>47. The relative price for performance of substitutes (PSVs, Tuk-tuks, Motorcycles and bicycles)</td>
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<td>makes your customers determine the market price</td>
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<tr>
<td>48. Up to date trends determine the price at which you will sell your vehicles</td>
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</tbody>
</table>
49. The level at which customers perceive your vehicles to be different from their substitutes affects how you price your vehicles

~END~