

**AN ASSESMENT OF FIELD VALUE ELEMENTS: THE CASE
OF NISSAN PRIMERA**

BY

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FULFILLMENT FOR THE AWARD OF THE DEGREE OF
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(II)

DEDICATION

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To my late aunty Catherine Atieno Odek, "mama education", who loved education and invested her resources in educating her relatives.

(III)

DECLARATION

This project is an original work of Bernard O. Asoro and has not been submitted to any other university.

Name BERNARD O. ASORO Date 29/10/02

Signature 

This research project has been submitted for examination to the University of Nairobi with my approval as the supervisor.

Signed  29/10/2002

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(IV)

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EXECUTIVE SUMMARY

In this research, an assessment of field value elements of the Nissan Primera was done with a view to establishing the field value elements that are of importance to Nissan Primera customers, ranking the elements according to their degree of importance and finding out if there are any value drains.

The respondents were Nissan Primera who had purchased the model from time it was launched. The data was collected by a self-administered questionnaire and data analyzed using percentages and frequencies. Pie charts and tables were used to present the data.

The response rate was 92%, with a 43% majority of the respondents indicating that they got to know about the model through adverts. Majority of the Primera customers are employed by the private sector accounting for 58%.

Post-purchase rating of the Primera indicated that customers are satisfied with the suspension system and the serviceability of the car. Nevertheless, the highest level of satisfaction was in respect to the vehicle stability and the weight of the vehicle, GVM.

The extent to which optional extras are important to customers varied with the gender, age and profession. Nevertheless some extras were found to cut across all. Finally, it is recommended that as a starting point, the franchise holders should load their vehicles with the variable factors listed as very important. These are power steering, central locking, alarm system and electronic fuel injection. The vehicle could then be loaded with other extras depending on the target segments' preference of the extras.

Low deposit schemes are also recommended given the dismal performance of the economy and the already eroded purchasing power of customers.

CHAPTER ONE: INTRODUCTION

1.1 Background of the study.

“ Everything is worth what its purchaser will pay for it”.

Publililius Syrus, first century B. C.

Gauging and communicating what a vehicle is really worth to a customer has never been more important. Within the Kenyan economy, this is has been due to the following reasons:

First, the real GDP expanded only by 0.2 per cent in the twelve months to May 2001, compared to 0.3 per cent in 2000 (CBK Economic Review, 2001). The real GDP in 1996 however was 4.6 per cent and this heavily dropped to 2.4, 1.8, 1.4 and – 0.3 per cent in 1997, 1998, 1999, and 2000 respectively.

Secondly, new vehicle sales have steadily dropped since 1990. According to Kenya Motor Industry sales statistics, 1995 registered one of the lowest sales of 6,500 units. Between 1990 and the year 2000, the industry has consistently registered below 10,000 units annually!

Finally, the influx of second hand/reconditioned vehicles cannot be overemphasized. For every ten vehicles at a parking lot in Nairobi, at least six are reconditioned! (E.A. Standard, June 2002)The Kenya Auto Bazaar Association (K.A.B.A.) has not been keeping adequate records of vehicles sold by its members but the total sales so far outweigh new vehicle sales tenfold.

It is against this background that understanding what customers' value in the vehicles has gained prominence in the recent past. Dealers have to constantly ask themselves what their vehicles are worth to their customers. Are customers looking at the vehicles (read: market offerings) as a means of moving from point A to B or a means of moving from point A to B in style, comfort and reliability?

Every purchase of motor vehicle, irrespective of the way we look at the purchase situation has some cost implication: which has been made worse by sluggish economic growth in Kenya. Consequently, dealers on one hand would want to maximize their profits while customers on the other hand would pressurize dealers

for a bargain. This conflict of interest forms the basis of this study in that it becomes imperative for dealers to have an accurate understanding of what their customers really value or would value and use the knowledge to persuade customers to focus on total costs rather than simply the initial acquisition price.

Simply put, understanding what customers' value in value components- and what they cost the supplier to deliver- would enable suppliers to identify and eliminate value drains that have no strategic significance.

1.1.1 Motor Industry: Environment and Trends

The Motor Industry is segmented on the basis of the engine rating and body type for salon cars and pick-ups while the trucks are segmented on the basis of tonnage. Over the years, players in the motor industry have launched vehicles in the various segments they deem strategic. Thus D. T. Dobie & Co., for instance, has at least one model competing in each of the segments ranging from the small half ton pick-up to prime movers.

The structure of the market would thus be illustrated as below:

Table 1: Motor Industry Market structure

Vehicle category	Engine Rating	Competing Models
A: small saloon	Less than 1200cc	Hyundai, Maruti,
B: Small Station Wagon	Less than 1200cc	Maruti
C: Medium saloon	1200 – 1800 cc	VW, Subaru Alfa Romeo, Citroen, Daihatsu, Ford, Honda, Hyundai, Mazda, Mercedes, Mitsubishi, Primera, Opel, Peugeot, Toyota
D: Medium st. Wagon	1200 – 1800 cc	Citroen, Hyundai, Mitsubishi, Opel, Peugeot, Subaru,
E: Large Saloon	More than 1800cc	Alfa Romeo, BMW, Mercedes Mitsubishi, Peugeot, Subaru, Toyota
F: ½ Ton p/up	Less than 1800cc	Nissan, Corsa, Mazda, Ford, Peugeot
G: 1 ton p/up	Less than 1800cc	Peugeot, Nissan, Isuzu, Mitsubishi, Toyota, Dacia, Ford, Mazda
H: Double Cab p/up		Nissan, Toyota, Mazda, Mitsubishi, Ford, Isuzu
I: Light trucks	Less than 8 ton	Mercedes, Mitsubishi, Isuzu, Nissan, Toyota, Bedford
J: Heavy trucks	More than 8 ton	Mercedes, Nissan, Mack, Mitsubishi, Isuzu, Volvo, Renault, Scania
K: Buses		Nissan, Isuzu, Scania, Volvo, Mercedes, Leyland,

Source: KMI Newsletter, 1998

A decade ago, there were very few franchise holders in Kenya. The main players, as reported in The KMI Newsletter (1999), were:

- D.T. Dobie & Co. – Nissan and Mercedes-Benz
- Lonhro (now Toyota E.A.) – Toyota
- CMC – Landrover, Nissan trucks, Volkswagen, Fusso trucks
- Ecta – Subaru
- Simba Colt – Mitsubishi

These few franchise holders with a limited number of model variations meant that the customers did not have much choice. The industry was also not liberalised hence it was a seller's market. This scenario has since changed a great deal. The industry has been liberalized with an unprecedented influx of reconditioned vehicles. Secondly, the industry has witnessed an increase in the number of franchise holders setting-up operations in the last decade. Finally, the consumers have increasingly become more discerning but with a decreasing disposable income.

Consequently, the motor industry has been worse hit and motor companies have had to painfully experience the following:

- Restructuring and Retrenchment
- Closures
- Dwindling sales
- Mergers/ Acquisition and formation of strategic alliances

The overview of the motor industry would not be complete without a brief discussion of each of the above factors.

Restructuring.

All motor companies have had to contend with the reality that in order to survive in this new environment, change is inevitable. The structures, which were viable in the 80s, are inappropriate today. New strategies have to be adopted and since structure follows strategy, all the players have had to restructure more than once in the last ten years alone. According to D.T. Dobie Newsletter (August, 2000), the company has retrenched four times in the last seven years. Apart from being put under receivership, Lonhro E. A. had to restructure and retrench. Simba Colt and Marshalls E. A. have not been spared either.

Closure/Re-entries and Franchise change-over.

Closures refers to the complete shut-down of operations of an organization in a given market. whereas re-entries refers to going back to markets the organization in question previously operated in. Franchise change-over occurs when the franchise in question is given to a different company, in the same territory/country, by the principals.

Key players in the industry among them Ford Motor Co. and Citroen pulled out of Kenya in the 70s and made a come back late 90s with Ford franchise deal given to Lonhro E. A. The franchise was later given to CMC after Lonhro was put under receivership. Marshal E. A. lost Honda franchise to little known prestige motors while Real Motors lost Jeep dealership to D.T. Dobie after Daimler-Chrysler merger. Other notable entrants included Alfa Romeo, Hyundai, Daewoo, Ssangyong, Proton ,Yuejin and Scania.

Dwindling Sales.

Motor industry has not only become "crowded" customers have also become very choosy. The economic growth has been stagnant. (CBK Economic Review, 2001), and most corporate buyers have relocated to other African countries in the region. This has resulted into reduced total industry sales. The figures posted compares unfavorably with the total industry sales figures in the 80s, where annual sales averaged 18,000 units, (D. T. Dobie Newsletter, 1996). The current levels of dwindling sales is well presented by the motor sales in the year 2001 as shown in the table below.

The KMI motor sales statistics illustrates annual sales in the year 2000.

Table 2: Kenya Motor Industry Sales Statistics, 2000

Model	Units sold	Market share
Alpha	13	0.15%
BMW	52	6.1%
Citroen	2	0.2%
Daewoo	-	-
Daihatsu	45	0.5%
Ford	68	0.8%
Honda	32	0.38%
Hyundai	52	6.1%
Isuzu	1,307	15.4%
Landrover	343	4.0%
Maruti	162	1.9%
Mazda	300	3.5%
Mercedes	320	3.78%
Mitsubishi-Fuso	64	0.75%
Mitsubishi-SCM	1,447	17.1%
Nissan	1,227	14.5%
Nissan-Diesel	136	1.6%
Opel	157	1.8%
Peugeot	755	8.92%
Scania	17	1.38%
Subaru	62	0.7%
Suzuki	98	1.16%
Tata	90	1.06%
Toyota	1,470	17.3%
Volkswagen	182	2.1%
Total	8,456	100%

Source: KMI Newsletter, 2000

Mergers, Acquisition and Strategic alliances.

Global consolidation race sweeping the motor industry has spared no motor manufacturer. "It is a natural evolution of the industry due to competitive pressures, the need to move faster on new technologies and the risks associated thereto" (Wagoner, BusinessWeek 2001).

According to James Hall (2001), the Daimler-Chrysler set off a feeding frenzy. The others are saying, we have got to do it before there is no one left to pick up. The following are some of the consolidation moves reported in the Business Week 2001.

- France's Renault SA, turned into a global player in 2000 by acquiring a controlling stake in Japan's Nissan motor company.
- Ford Motor Co., the world's No.2 automaker, hoped to elbow cross town rival General Motors Corporation out of the running for Daewoo. GM offered to buy Daewoo, Korea's No.2 automaker for USD 5.3 - 6.3 billion.
- GM stepped up its involvement in Asia in 2000 by buying 20% of Fuji heavy industries Ltd, makers of Subaru car. GM also struck an engine supply accord with Honda Motor Co. Ltd.
- In Europe, Daimler-Chrysler AG, the world's No.5 automaker, has been in talks with French small cars specialists PSA Peugeot Citroen about sharing components for a future four-seater version of Daimler's smart car.

According Todd Nissen, (BusinessWeek2000), the consolidation craze, ironically has not been generous to shareholders. Among large companies, Daimler-Chrysler stock lost 8 per cent in 2000, while another German giant Volkswagen AG was down 17 per cent. Ford's stock was down 7 per cent. However, stock in niche player, Porsche AG, gained 36 per cent in the same period.

1.1.3 The Product – Nissan Primera, (Model P11)

Nissan Primera, model P11 is the second generation of Primera to be offered for sale in the local market by the franchise holder, D.T.Dobie & Co. (K) Ltd. The previous model, P10, was sold from 1995 to 1997.

The current model comes as a fully built unit (FBU) from Nissan Europe, in Sunderland UK and is available in 1600cc engine capacity with a maximum power of 100kw@6000rpm and a maximum torque of 136Nm@4000rpm.

In Europe and Japan the Primera is available in 1600cc, 1800cc and 2000cc.engine variations.

Other technical specifications include: multiple electronic fuel injection, central locking, power mirrors, automatic air-conditioning, driver's airbag, radio cassette with CD changer option, digital clock, power steering, 15" alloy wheels, electronic boot lock, cup holders, fog-lamps, engine immobilizer (NATS), door arm rests, 60 liters fuel tank capacity, digital odometer, split/folding rear seats, high mounted stop lamp.

In this market segment, the vehicle is competing for a market share with Honda, Toyota, Opel Astra, Mitsubishi and Peugeot with respective market shares as below:

Since it's launch in 1995, most of the Primera sales has been through hire purchase deals initiated by the top management of D. T. Dobie & Co. The Hire purchase deals have been mainly through NIC Bank and CFC Bank. Other financiers include: Jammnadas, Imperial Bank, Fina Bank, ABC bank, Standard Bank and Barclays. Other sources of financing for Primera sales have been Trade-ins, employers, individual savings, and of late lease hire.

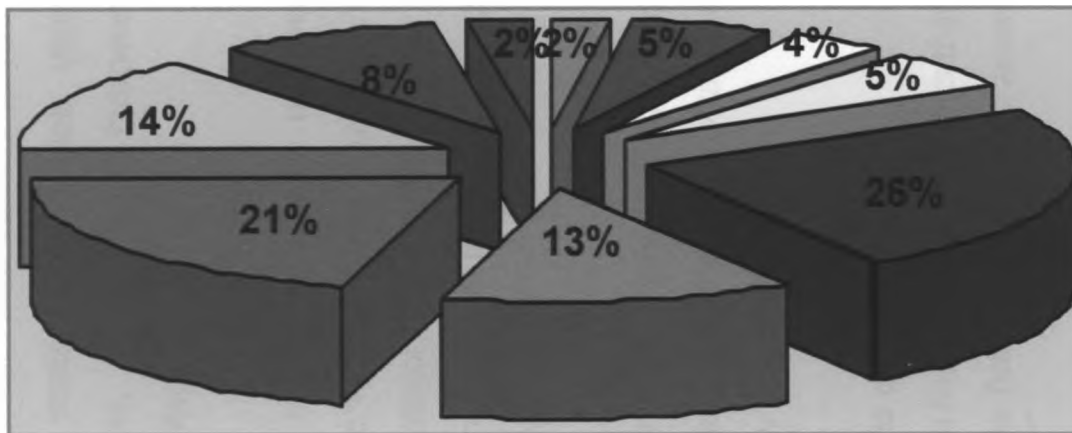
Innovative financing schemes have in the recent past become very popular with Primera customers. In such arrangements, D. T. Dobie & Co. management has set a precedent in negotiating with the finance houses low deposit schemes whereby customer's down payment is far below the normal thirty per cent down payment required by finance institutions. The balance is spread over a minimum of one year and a maximum of three years.

Nissan Primera's been promoted in the various marketing activities organized by the company. The brand has been displayed during sports tournaments, motor shows,

vintage motor shows and charity events, (D. T. Dobie Newsletters 2000) A part from these displays Primera also enjoys substantial exposure through displays in the showrooms, print media adverts and free advertisement since quite a number of them are spotted on Kenya's roads every other day. The company also has a demonstration vehicle for prospective customers to test-drive.

D. T. Dobie & Co. has one of the best dealer network and branches country wide. Consequently, Primera has enjoyed a competitive advantage in its segment. D. T. Dobie has three branches in Nairobi, Mombasa and Nakuru. The rest of the country are covered by dealer network through which sales and service of Primera alongside other D. T. Dobie models are sold and serviced.

Piechart 4.6.0:KMI Medium Saloon(1.6L.)Sales - '01



- Alfa
- Ford
- Mazda
- Lancer
- Primera
- Sunny
- Opel
- Toyota
- Polo
- Citroen

1.2 Statement of the Problem

It is evident from the background to the study that the motor industry is currently characterized with cut-throat competition, closures of operations, dwindling sales, eroded purchasing power, more demanding customers and unprecedented influx of reconditioned vehicles. Motor industry players on the other hand have to formulate and implement strategies to exploit opportunities in the changing industry environment, meet, if not exceed customers' expectations, and ultimately gain competitive advantage.

These players in the motor industry have had to contend with differing levels of competition in the various market segments. The most intense competition is in the medium saloon category with highest number of competing models. Nissan Primera, according to Kenya Motor Industry Statistics, 2002, is a leading model in this competitive segment.

It is against this background that the need to assess the value elements that customers value is of paramount importance since it will form the basis of effective strategic moves by industry players.

1.3 Objectives of the study

1. To establish the field value elements that are of importance to Nissan Primera.
2. To rank the field value elements according to their degree of importance to customers.
3. To find out non-value adding elements in Nissan Primera.

1.4 Importance of the study

Understanding what customers' value is of paramount importance to anybody in business. Collapse and/or dismal performance of many would-have-been blue-chip companies and multinationals partly owe their growth (or lack of it) to accurate field value assessment of their market offerings. Market leaders on the other hand are thriving on their knowledge and continued formulation and implementation of their strategies based on what customers actually value.

More specifically, the importance of this study would be appreciated in the following areas:

- Consumers would derive direct benefit from the study by making better-informed product purchase decisions.
- The principal, Nissan Motor company's R&D, and the local franchise holder, D. T. Dobie & Co., would find this value assessment research important in making decisions on level of loading and eliminating value drains. Ultimately, this research would play a fundamental role in research and development especially in guiding the development of new models (improved) in the market place, delivering superior value and getting an equitable return, gaining customers and sustaining relationships.
- Advertising agencies would find this study useful since it will shed more light on the subject and ultimately help in developing marketing communications, which would fully exploit customer values.
- To the academicians, this research would be useful in bridging the gap that currently exists. Researches have been done on customer service, but no research, to the best of my knowledge has been done to identify the customer value elements play in improving customer service.

CHAPTER TWO

2.0 LITERATURE REVIEW.

2.1 Introduction.

The literature review is organized in the following parts:

In the first part, an overview of customer values, meaning and their importance are reviewed. The customer values are then identified and ranked after a comprehensive list of these value elements are generated.

In the second part, an overview of consumer decision making is looked at with emphasis on high involvement decision making. Factors affecting consumer decision making, the decision making process and post purchase use and disposal are discussed.

2.2 An overview of customer values.

In today's world, doing business is very competitive. Anybody with anything to offer in such a competitive arena should therefore pay critical attention to what his/her target customers value or would value. According to Anderson (1998), suppliers can figure out exactly what their offerings are worth by creating and using customer value models. Customer value models can be built by using field value assessments. In using field value assessments (also known as value-in use or cost in use studies) the suppliers can gather information about their customers and build a value model for an individual customer or market segment.

It is important to note that, although field value assessment is the most common way to build customer value models, not all situations lend themselves to it. Indeed, in some cases, the only way to obtain information for a value model is to rely on customer perceptions. Nevertheless, the result of such assessments may not be as precise as those calculated from field value assessment. Nonetheless, they can be quite effective as demonstrated by use of customer focus groups to assess value in telecommunication industry. In this case, the research results of customer focus groups were used to provide estimates of the service's worth to local telephone

service providers and not to show those providers an approach for segmenting, targeting customers and positioning offerings.

It should be noted that conducting such a direct research is not always an option. There are cases whereby field value assessments are not feasible. In this case, it is still possible to gain worthwhile understanding of value through such methods as:

- i. Direct and indirect survey questions
- ii. Conjoint analysis
- iii. Focus groups

The whole issue of value models is directly attributable to the complex environment within which companies operate. In order to draw parallels and gain valuable insight into operations of Asian and American companies in different industries, Su Han Chan *et al*, (2000) identified value creators in these industries between 1996 and 2000. The purpose was to interpret the range of financial criteria presented and reflect on the consistency of those criteria in measuring value creation of firm across different markets and conditions.

According to Narayandas (2000), customer value measurements methodology may not always provide all insights required to achieve full potential of customer value measurements. In such cases, he recommends that optimal combination of the many choices for soliciting customer perceptions that would make the best use of the available resources be used while minimizing the intrusion on customers' time and add value for the business and customers alike.

Value enhancement plans could be to the tune of billions of shillings and span over many financial years. Ford Motor Co. for instance announced in 2000, a shareholder's value enhancement plan to significantly recapitalize firm's ownership structure.

Ford had accumulated USD 23 billion in cash reserves and under Value Enhancement Plan (VEP) would return as much as USD 10 billion of the cash to shareholders.

Developments in value enhancement plans in this case serves to provide and demonstrate a rich setting on how valuable a tool customer value models could be used in serious corporate decisions.

2.2.1 Identifying/Ranking customer value elements

The most difficult customer value model that a supplier will ever build is the first one. Indeed gaining a comprehensive understanding of the value of a market offering in a particular setting may appear monumentally difficult.

It is important to select the right market segment and product.

According to Anderson (1998), this is so because the supplier will need to conduct value assessments with at least two and perhaps up to a dozen customers to build initial value model. He recommends that it is a good idea to start with segments in which the supplier has:

- a) Particularly close collaborative relationships with customers
- b) Relatively simple offerings or.
- c) Extraordinary knowledge of how customers use the offerings in question

2.2.2 Generating a comprehensive list of value elements

The definition adopted for value elements imply that value elements may be:

- a) Technical – Engine rating, power output, engine torque, acceleration time, directional stability, air conditioning system, braking system and braking distance, suspension system.
- b) Economic – Unit retail price, re-sale value, retail price of the substitute model
- c) Service – Service back-up, spare parts availability, service centers countrywide, service cost, warranties, free service clinics
- d) Social in nature - and these will always vary in their tangibility but would include:- what people say/think about the brand, its legacy, brand identity

In order to generate an exhaustive list of value elements, Anderson (1998) recommends that the researcher should consider the entire lifecycle of the offering in question.

In this case, the following should be considered:

- How the customer acquires the Nissan Primera
- How when why and where the customer uses the vehicle
- How the customer disposes off the vehicle.
- The social implication of his purchase decision.

The generated list should capture all the potential effects that making the purchase decision on a particular brand have on the customers' usage. It should be pointed out here that the value elements should be identified as many as possible so as to gauge more accurately the differences in functionality and performance it's offering provides relative to the next best alternative.

It should be noted that a complete list of value elements in one situation may not be applicable to another situation. Nevertheless, involvement with customers throughout the product life cycle is paramount.

In the case of Greif Brothers Corporation (1998), they developed its current model based on information from 20 major customers.

In this case, key value elements included:

- Costs associated with tracking and retrieving drums
- Cleaning and maintaining the drums
- Testing and recertifying recycled drums and
- All the associated paperwork.

Building a value model based on the above elements helped in gauging customers' values, Greif's value proposition of "Total-cost" based packaging promised that its systems can significantly reduce customers' total packaging costs.

Finally, Grief admits that some customers, both existing and potential can readily assign monetary values to some elements but that other elements are more difficult to pin down. For those elements that are harder to quantify, Grief takes its analysis to deeper level.

Most market researches that are conducted to provide an undertaking of customers' requirements and preferences do not address the question "If we do X what is it worth to that customer?" Knowing that an improvement in some functionality is

important does not tell a supplier if the customer is willing to pay for it. Value models would provide that information.

Anderson (1995) argues that suppliers can capitalize on the inevitable variation in customers' requirements and increase their profitability flexible market offerings. Doing so entails what he calls "naked solutions with options." Naked solutions consist of just those product/service elements that all customers within a segment value.

" We recommend that suppliers should strive to sell naked solutions at the lowest possible price that will yield a profit. Then suppliers should "wrap" those solutions with options specific product and service elements that some, but not all customers value." Narus, (1995)

A company's ability to manage flexible market offerings successfully rests on its understanding of the value each component of an offering creates as well as its associated costs.

An understanding of how customers value those components and what they cost the supplier to deliver enables suppliers to identify and eliminate value drains.

It is important to observe that some value elements may not necessarily be assigned monetary amounts. In such cases, Qual Comm (1993) recommends that "the many less tangible elements may be included in the analysis as "value place holders". In this way, Qual Comm conveys to his customers that these elements are worth something and leaves open the possibility that a specific monetary amount might be ascertained in the future.

In any field value assessment, suppliers will find that assumptions must be made in order to complete an analysis. These assumptions might be about the functionality or performance a market offering actually provides in the customers' specific setting, particularly for elements that are extraordinarily difficult or costly to measure. Or they might be about monetary worth of perceived or measured differences in functionality or performance that an offering provides in the customers' setting. It is critical for the suppliers to be explicit about any assumptions they make.

2.3 An overview of high Involvement Consumer Decision Making

Purchase decisions in motor industry are largely high involvement. Nevertheless, the motor industry, has continuously operated in a dynamic environment the world over. Major factors affecting consumer behaviour have continuously impacted on purchase decision process so much so that the way of doing business today is totally different from the way it was being done a decade ago.

Consumer purchase decisions will vary depending on whether the purchase decision is in a consumer market situation or industrial market situation. Nevertheless, it is important for marketers to understand probable response to any marketing stimuli. The responses to marketing stimuli are affected by factors which influence consumer behaviour.

2.3.1 Factors affecting consumer decision making

Consumer decision making is a complex process which is not arrived at as a result of a single factor. Before a consumer settles on a given purchase decision, an interplay of a host of factors precede such a decision. The role played by these factors would vary with individuals and would not necessarily play the same role during the next purchase situation.

These factors, which affect consumer decision making, according to Philip Kotler (1992), include:

(a) Cultural factors:

Cultural factors exert the broadest and deepest influence on consumer behaviour. The cultural factors are as explained below.

Culture. Culture is the most fundamental determinant of a person's wants and behaviour. Whereas lower creatures are governed by instinct, human behavior is largely learned.

Subculture. Each culture consists of smaller subcultures that provide more specific identification and socialization of its members.

Social class. Social classes are relatively homogenous and enduring divisions in a society, which are hierarchical.

Social classes have several characteristics. First, a person within each social class tend to behave more alike other persons from two different social classes. Second, persons are perceived as occupying inferior or superior positions according to their social class. Third, a person's social class is indicated by a number of variables, such as occupation, income, wealth, education and value orientation, rather than by any single variable. Fourth, individuals can move from one social class to another-up or down-during their lifetime.

Social classes show distinct product and brand preferences in such areas as clothing, home furnishings, leisure activities, and automobiles. In Kenya, the social

(b) Social factors:

Reference groups. Many groups influence a person's behaviour. A person's reference group consists of all the groups that have a direct(face to face) or indirect influence on the person's attitude or behaviour. Depending on the influence, groups can either be primary or secondary.

Family. This constitutes the most influential primary reference groups shaping a buyer's behaviour. The family of orientation, one's parents and the family of procreation, one's spouse and children, play significant roles in purchase decisions depending on the product category.

Role and statuses. A person participates in many groups throughout life-family, clubs and organizations. The person's position in each group can be defined in terms of role and status. A role consists of activities a person is expected to perform according to the persons around him or her. Each role carries a status reflecting the esteem accorded to it by the society. Thus, a managing director drives a Mercedes Benz while a general manager drives a Nissan Primera.

(c) Personal factors:

Age and lifecycle stage. People buy different goods and services over their lifetime. Consumption is also shaped by the stage of the family lifecycle. According to Lepisto (1985), adults experience certain passages or transformations as they go through life. A fresh graduate would be satisfied with a Nissan Sunny. On promotion and after getting married, he would need much bigger car. As the CEO of the

company a couple of years later, a Mercedes Benz would best reflect his status and achievement in the corporate world.

Occupation. A person's occupation would significantly affect his purchase decisions and consumption patterns. A field sales manager would need a pick-up while a bank manager would need a Sedan.

Economic circumstances. Product choice is greatly affected by one's economic circumstances. People's economic circumstances would consist of their spendable income (its level, stability and time pattern), savings and assets, borrowing power and attitude toward spending versus saving. During hard economic times, people would rather cars whose running costs are low since costs are to be checked.

Lifestyle. A person's lifestyle is the person's pattern of living in the world as expressed in the person's activities, interests and opinions. Lifestyles therefore attempts to profile a person's way of being and acting in the world. Marketers will therefore search for the relationships between their products and lifestyle groups with a view to exploiting lifestyle patterns.

Personality and self-concept. Each person has a distinct personality that will influence his or her buying behaviour. Personality means the person's distinguishing psychological characteristics that lead to relatively consistent and enduring responses to the environment. It can therefore be a useful variable in analyzing consumer behaviour provided that personality types can be classified and that strong correlation exists between certain personality types and product choices.

(d) Psychological factors:

A person's buying choices are also influenced by four major psychological factors.

Motivation. A person has many needs at any given time. Some are biogenic while others are psychogenic. A need becomes a motive when it is aroused to a sufficient level of intensity.

Perception. A motivated person is ready to act. How the motivated person actually acts is influenced by his or her perception of the situation.

Learning. When people act, they learn. Learning describes changes in an individual's behaviour arising from experience. Most human behaviour is learned.

Beliefs and attitudes. Through acting and learning, people acquire beliefs and attitudes. These in turn influence their buying behaviour. A belief is a descriptive thought that a person holds about something.

It is imperative that marketers go beyond the above-indicated factors in order to have a better understanding of the buying decision process. "Marketers must identify who makes the decision, the types of buying decision that is involved and the steps in the buying decisions" (Kotler, 1992).

2.3.2 The decision making process.

The following five-stage model of the buying process serves to illustrate a general case of consumer high-involvement decision making process.



Source: Philip Kotler, Marketing Management

Need recognition.

When an individual realizes the difference between his/her actual state and a desired state, then need recognition arises and the buying process begins.

The recognition of this need may be triggered by an internal or external stimuli. Spotting an elegant Mercedes C200 Kompressor in the showroom may trigger the need for a new car for a CEO. On the other hand, thirst may be an internal stimuli for a bottle of Sprite. Depending on the source of the stimuli, marketer can develop strategies to exploit consumer interest.

Information search.

Information offered about one product is but a small fraction of all information vying for the customer's attention. Consumer information processing would include: exposure, attention, comprehension, yielding/accepting and retention.

Kotler (1997), classifies this information processed into the following four groups:

- Personal sources
- Commercial sources
- Experiential sources
- Public sources.

Exposure. It occurs when consumers are in such close proximity to information that it has the potential to reach one or more of their senses. A Nissan Primera advert on print media would be exposed to readers who actually turn to that advert page.

Exposures are affected by people's everyday lives, therefore studying these living patterns allows managers to select information delivery vehicles that reach customers in target market.

Attention. People will only be attentive to information they focus their senses on. Consumers are therefore very selective in determining what they will pay attention to. This selectivity is based on their needs, wants, problems and interests at that particular moment. It is crucial to go an extra mile to gain attention in consumers' information packed world.

Comprehension. People comprehend information by encoding or interpreting incoming information (Cravens,1985). A consumer at D.T. Dobie showroom may be drawn to a particular car because of its silver colour! From past experience this consumer has formed the impression that silver colour connotes elegance. In this case, the color is a bit of information that attracts the consumer's attention and conveys the impression that the car is elegant.

According to Cravens (1985), encoding can be done quite consciously and bits of knowledge are organized in memory as a network of propositions about the relationships between concepts and thoughts.

Yielding/acceptance. Even if marketing information gets attention and is comprehended correctly, its effectiveness is still not assured. That information must also get target consumers to accept or yield to the point of view expressed. Consumers yield to marketing information when the information gains acceptance.

Retention. People may attend to comprehended and accept information now but make a related purchase later. Remembering is a form of learning and offering consumers a form of reward would aid in reinforcement. Marketing opportunities must therefore help consumers accomplish both recall and recognition tasks.

Evaluation process.

This is basically making the final choice. Kotler (1997) argues that there are several decision evaluation processes and the most current model of consumer decision evaluation process are cognitively oriented. Consumers see each product as a bundle of attributes with varying capabilities of delivering the sought benefits and satisfying needs. Myers and Alpert (1976) points out that the most salient of these attributes may not be the most important ones. Some attributes may be the "top of the mind" because a recent ad for instance mentioned them, while nonsalient attributes might include some that the consumer forgot but whose importance might be recognized when mentioned. Marketers should therefore be more concerned with the importance of the attributes than with their salience.

The consumer is assumed to have a utility function for each attribute (Kotler, 1997) and the consumer arrives at attitudes (judgement, preferences) toward the brand alternatives through some evaluation procedure.

This would largely form the basis of consumers' evaluation criteria.

Purchase decision.

Craven (1996) defines consumer decision making as the process by which a consumer judges whether a product will meet a need or want well enough to warrant purchasing and using it, decides when, where and how to make the purchase and determines satisfaction with the purchase.

A classification of consumer decision making process would therefore depend on the extent of involvement and familiarity with the product. "With high involvement, people feel that the purchase has great personal significance in their lives", (Kassarjian, 1980). Purchases of motor vehicles, houses, fashion clothing fall under this category.

In cases whereby consumers are unfamiliar with the product in a high involvement purchase, an extensive decision making process including much search and evaluation is likely to ensue. On the other hand, if a consumer is familiar with purchase

alternatives, much less search and evaluation are needed and limited decision making occurs.

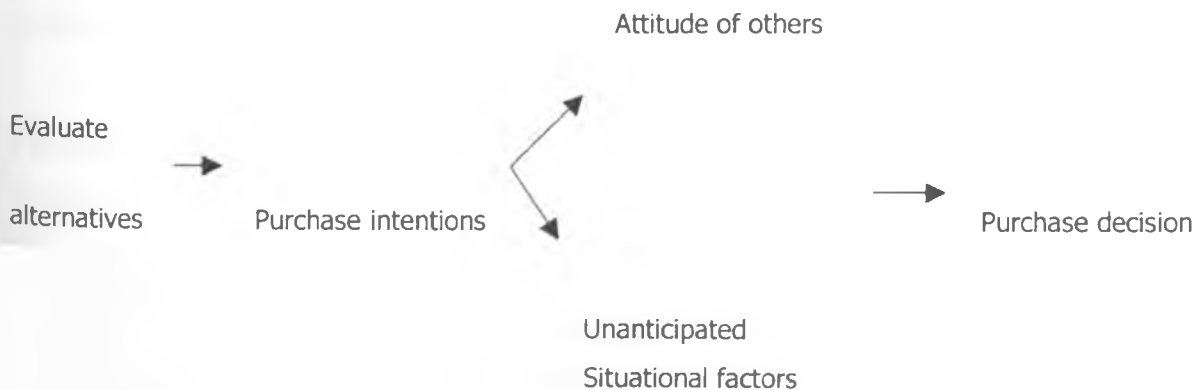
The classification of consumer decision making would be categorized as below:-

		Extent of involvement	
		High	Low
High		limited decision making	Habit decision making
LOW		Extensive decision making	Very limited decision making

Source: Henry Assael : Marketing Management, 1985

According to Kotler (1997), in the evaluation stage, the consumer forms preferences among the brands in the choice set. The consumer may also form a purchase intention to buy the most preferred brand. However, two factors can intervene between the purchase intention and the purchase decision.

The steps between evaluation of alternatives and a purchase decision can be illustrated as below:



Source: Jagdish N. Sheth in Consumer behaviour, 1974

An affirmative comment by a husband on a vehicle a lady wants to buy will increase probability of that purchase decision while an unanticipated situational factors like hospitalization of a family member might lead to purchase decision being postponed.

Post purchase behaviour.

Understanding what happens after a purchase has increasingly become important. Dissatisfied consumers may complain about the product to friend, relatives or even to the seller. On the other hand, favourable experience with a product would lead to testimonies to others, compliments the seller and possible repurchase the next time.

Satisfaction or dissatisfaction is a consumer's emotional feeling about the experience of using a product/service. Based on their past experience, the marketing efforts and interactions with others, consumers learn performance standards for a product! These standards are either expectations (predictions based on the chosen brand's performance) or norm (the performance that a brand should be able to deliver). Consumers will notice how the chosen brand performed in a use situation. To evaluate that performance, they will compare it to the standard. " if they believe that the chosen brand's performance matches or exceeds the standard, they will feel satisfied. If not they will feel dissatisfied", Cadotte et al (1985). This view of satisfaction and dissatisfaction has several interesting implications in marketing; a consumer does not for instance have to believe that a product performed at a high level to be satisfied. Further, the standard for a product's performance may be influenced by a consumer's experience with other brands. Norms as standards may be based on the typical performance of all brands. Finally, consumers' standards can change even though the performance of a particular brand remains consistent.

Post-purchase use and disposal.

According to Kotler (1997), marketers should monitor how their customers use and dispose of the product. The alternatives available after the product has been purchased would include keeping the product, getting rid of it or getting rid of it temporarily. Should the customer decides to keep the product three options are available, store it, Convert it to serve a new purpose or use it to serve the original

purpose. If the customer decides to get rid of the product permanently, then he might decide to give it away, trade it, sell it or throw it away. Finally, should the customer decide to get rid of the product temporarily, then he's got the option of renting it or loan it.

According to Jacoby et al (1977) marketers need to study product use and disposal for clues to possible problems and opportunities. If they throw it away, for instance, the marketer needs to study how they dispose of it, especially if it can hurt the environment, as in the case of beverage containers and disposable diapers.

Conclusion

From the literature reviewed, it is clear that customers arrive at their purchase decisions after attaching some weight to the field value elements of the market offering in question. There is an interplay of cultural, social and personal factors which play a crucial role in the consumer decision process.

Suppliers, on the other hand can capitalize on the inevitable variation in the customers' requirements and increase their profitability.

CHAPTER THREE

3.0 DESIGN AND METHODOLOGY

3.1 Design of the study

Because little was known about the field value elements which was being studied, a descriptive design was adopted to identify the value elements of the Nissan Primera customers.

3.2 Target population

The target population in this research is the D.T.Dobie customers who have recently (last 24 months) bought the Nissan Primera (model P11) in Kenya. The target population included Primera customers in the last 24 months since this was the time when the current model was launched and the statistics were available.

3.3 Sample Design and Procedures

The list of population of interest was obtained from the office of registration clerk at D.T.Dobie. Customers have vehicle files which have the customer details like addresses, telephone numbers, date of birth, gender engine, chassis and registration numbers of the vehicle sold and delivered to them.

The registration record list/book consists of daily registration records of vehicles.

With a population size of 245 customers, a sample size of 100 customers was obtained by picking every second registration of the Nissan Primera in the listing. The systematic sampling would be modified to check variability in demographics like gender, and age.

3.4 Data Collection Instrument and Procedure

In this study, a self-administered questionnaire was used to collect data. With a comprehensive list of value elements in hand, the questionnaire was designed to capture the quantitative as well as the qualitative aspects of these elements.

The questionnaire design was first tested with customer focus groups to assess its effectiveness in assessing customer values and adjustments, if any made.

3.5 Data Analysis Methods

Value elements associated with any particular market offerings were either quantitative or qualitative. In order to comprehensively analyse the data, descriptive statistics used included percentages and frequencies while pie charts and tables were used to present data.

CHAPTER FOUR

4.0 DATA ANALYSIS AND FINDINGS

In this chapter, the actual number of respondents' questionnaires were analyzed with a view to establishing and ranking value elements that are of importance to Primera customers.

4.1 Number of respondents

The respondents were Primera customers who have bought Primeras in the last 24 months. The targeted number was 100 customers and the actual number of customers that responded was 92. The response rate therefore was 92%.

4.2 Knowledge of the Primera (PII)

Customers were asked to state how they came to know about the Nissan Primera and the table below show the various methods of exposure and corresponding percentages.

Table 3: Knowledge of Nissan Primera

Method of exposure	Percent
Advertisements	43%
Saw it town	17%
Showroom displays	13%
Friends or relatives	21%
Others	6%
Total	100%

Source: Data

From the table above, it was found that majority indicating 46% of the respondents learnt about the car through advertisements, 20% saw it in town while 15% learnt about it through showroom displays. This means that marketing strategies should pay adequate attention to the varying roles played by these methods of exposure in creating awareness of the product among their customers.

4.3 Primera Customers

Even though Nissan Primera customers are employees from different sectors, the vehicle is more popular in some sectors than the others as shown below:

Table 4: Employers of Nissan Primera customers

Sector	No. of respondents	Percentage
Public service	16	17%
Private – local	24	26%
Private – multinational	30	33%
Others	22	24%
Total	92	100%

Source: Data

Majority of Primera customers are from the private sector with multinationals 33% followed by private local firms 26%. Public service is the least with 17%. Others 24% of which majority are NGOs.

Most of the customers, 90% have owned vehicles before. Nevertheless, financial packages offered by D.T. Dobie & Co. was cited as the single most important factor why the respondents switched to Primera. Other reasons include the aerodynamic shape of the vehicle, service back-up and the fact that the local franchise holder is D.T. Dobie.

About 90% of Primera customers are satisfied with the decision to purchase Primera and would do a repeat purchase if given a second chance. Primers on hire purchase account for 78%, mostly provided by CFC Bank and NIC Bank. Very few respondents representing 9% bought Primera from savings. Trading in old vehicles proved to be very popular means of partially financing the purchase. The respondents who acquired Primers through trade-ins were 13 in total.

4.4 Post-purchase rating of Primera performance.

Acceleration speed of Nissan Primera satisfies Primera customers with 72 respondents, 78% being satisfied or very satisfied. The same level of satisfaction is evident in suspension system and serviceability where 54% are satisfied with the suspension system and 35 respondents indicating that they are satisfied with the serviceability.

The highest satisfaction is registered in respect to the vehicle stability, 88% are very satisfied with the vehicles stability, while 90% are very satisfied with the GVM. Parts prices is the single most source of post purchase performance of Primera. 49% of customers are either dissatisfied or very dissatisfied with parts prices while another 32% were indifferent.

All the respondents were aware of the engine rating of their Primera meaning the engine rating is a relevant basis for segment this market. Out of the respondents, 70% do not know the engine configuration of their Primera. About 58% admit that engine configuration does not mean much to them.

4.5 The extent to which extras are important to customers

Analysis of the extent to which extras are important to customers revealed significant differences. The differences varied with demographic factors like age, gender, profession, income and residential places. Nevertheless some extras were indicated as either important or very important to all respondents thus cutting across all the Primera clientele.

Central locking was regarded as important by 38 customers while 20 regarded the same as very important.

Air condition was rated very important on overall with a majority of 65 customers. This extra was one of the extras whose importance was regarded the same across the board. Only five customers thought air conditioning was not important at all.

Power steering also recorded the same rating as air conditioning. Most customers today believe that they don't have to struggle to steer a vehicle.

Of all the respondents, the younger respondents believe that alloy rims very important to them. The older respondents, however did not think that this is very important but just important. Alloy rims and fog lamps were rated the same in terms of disparity in age with the younger respondents attaching more weight to them than the older respondents.

Anti lock braking system, ABS, played an equally important role as the other safety and security features namely alarm system, air conditioning, air bags and power steering. The total number of respondents who indicated that this is a very important element were 42 while 28 indicated that it was important. The proportions are almost proportionate with those of alarm system and air conditioning where 46 and 44 respondents indicating these were very important.

It follows that safety features have the most weight among Primera customers. This concurs with respondents' response that they would still buy the Primera at 1,950,00/= even without the fog lamps.

Table 4.5 below serves to illustrate the overall rating of the importance of the extras.

Table 4.6: The extent to which extras are important to customers

Factor variable	Overall rating
Central locking	Important
Air conditioning	Very important
Power steering	Very important
Alloy rims	Important
Airbag	Very important
ABS brakes	Very important
Fog lamp	Not important
Alarm	Very important

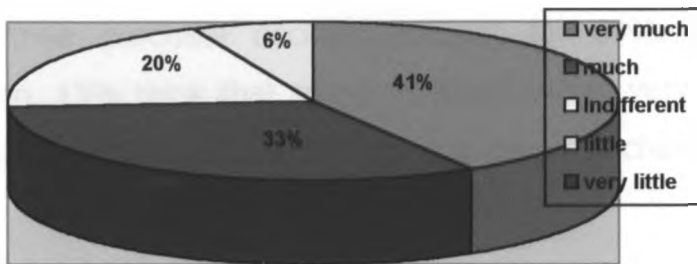
Source: data

4.6 Role played by Warranty, spares availability, service back-up, resale value, adverts and financial deals in purchase decisions.

Customers were asked to rate, on a scale of one to five, the role played by the above indicated factors in their purchase decisions. The following were the extent of the roles represented by pie charts 4.6.1, 4.6.2, 4.6.3, 4.6.4 and 4.6.5 for warranty, spares, service back-up, resale value, adverts and financial deals respectively.

(a) Warranty

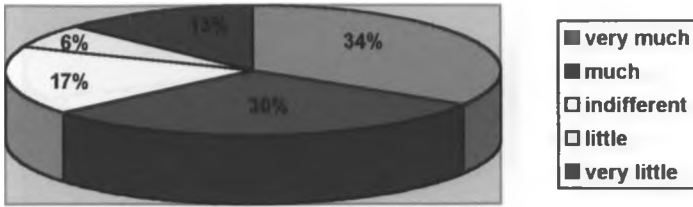
Pie chart 4.6.1: Role played by warranty in purchase decisions



Warranty on motor vehicles plays a major role in purchase decision making, as 74% indicated that the role played by warranty was either very much or much. None of the respondents think that warranty is insignificant since no one indicated that warranty plays very little role in their decision making process.

(b) Spares availability

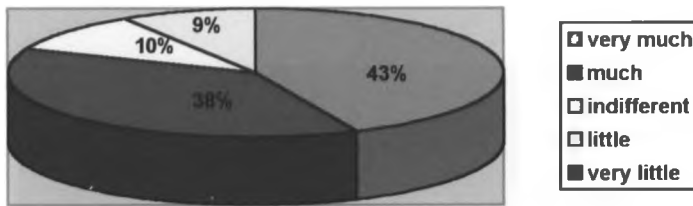
Pie chart 4.6.2: Role played by spares availability in purchase decisions



The respondents who indicated that spares availability played much role or very much role in their purchase decision account for 64%. Interestingly a considerable proportion, 13% think that spares availability play very little role. This is because of the availability of alternative sources, in most cases cheaper sources of spare parts.

(c) Service back-up

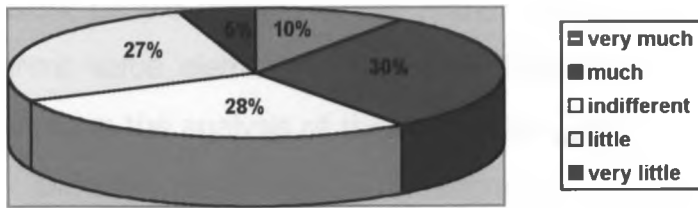
Pie chart 4.6.3: Role played by service back-up in purchase decisions



There exist a great similarity in the ratings of the service back-up and spare parts availability. This is because, without one the other cannot be done. Just like, though a little more than the rating for spare parts, 81% indicated that it played a significant role in the decision process. Just like the warranty, none indicated that service back-up had absolutely no role to play in the process.

(d) Resale value

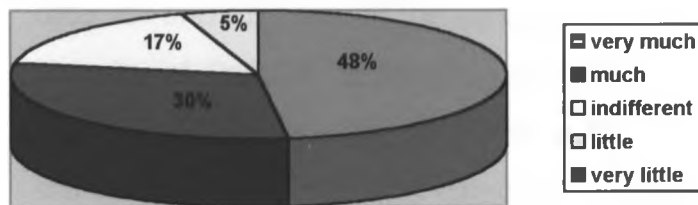
Pie chart 4.6.4: Role played by resale value in purchase decisions



As at the time of making the purchase decision, resale value plays the least role. Only 10% of the respondents consider this a very important factor. The majority, 28% indicated that the resale value played neither a very important role or a very little role.

(e) Financial deals

Pie chart 4.6.5: Role played financials deals



The response on the role financial deals play concurs with the CBK, Economic review 2000, reports that the purchasing power of consumers have been eroded over time while the economy has registered dismal economic growth over the last decade. The low deposit finance schemes have encouraged more people to make purchase decisions and this account for 78% of all vehicle sold. Financial deals have therefore been regarded as playing at least some role in the purchase decision since no one indicated that it plays absolutely no role.

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CHAPTER FIVE

5.0 CONCLUSIONS AND RECOMMENDATIONS

5.1 Conclusions

Different people bought Nissan Primera because of attaching different weightings to different value elements under their consideration. The following conclusions were drawn from the analysis of the research findings:

- Different age groups, professions and gender showed striking disparities in the importance and weightings attached to the various value elements of the Nissan Primera. Younger people attached more weight on such value elements like alloy rims and fog lamps. Female professionals on the other hand attached more weight on power steering and air conditioning.
- Even though disparities in preferences for the various value elements existed among various demographic factors, some value elements were common to all. Such value elements like alarm/immobilizers, central locking, electronic fuel injection and power steering should therefore form the bare minimum level of loading. Franchise holders represented in the various segments should therefore provide an option of an entry-level model and possibly a fully loaded model to cater for and fully exploit the variability in preference for the value elements.
- Majority of Primera customers are employees of private local companies and multinationals, while very few are civil servants. Given that this is the largest source of business for this category, franchise holders targeting this segment should direct their marketing efforts in this direction because by and large this is where business is.
- Post-purchase satisfaction of Primera customers is pegged on warranty provisions by the franchise holders, spares availability, service back up and low deposit finance deals. Building strategies around these value elements would successfully increase customer satisfaction and ultimately increase market share.
- Primera customers' believe that franchise holder is a major consideration before making a purchase decision. Considerable amount of energy should therefore be expended by franchise holders to build strong and admirable image in the society.

5.2 Recommendations

From the research findings, it is recommended that the local franchise holders should, as a starting point, load their vehicles with the variable factors listed as very important by the Primera customers. These value elements are power steering, central locking, alarm system and electronic fuel injection.

Depending on the targeted market segment, other factor variables may be loaded on to the vehicles depending on the demographic variables, like age and the specific extras that appeal to that age bracket or profession.

In order to fully exploit the targeted segment, it is important that the franchise holders have adequate branches /dealer network to offer commensurate back-up customers once they have purchased the vehicles.

On strategy, it is recommended that given the dismal performance of the economy, low deposit financial schemes should be intensively used to stimulate demand for new vehicle. Advertisements should be allocated a bigger portion of the budget since it accounts for the highest percentage of exposure. Showrooms displays should also be attractive to give a better impression of the franchise holder. This should include point of sale displays and the physical conditions of the facilities.

Finally, it is recommended that the franchise holders should eliminate value drains in their market offerings, since customers will still make purchase decisions in favor of their product even if the identified value drains were not included as standard equipments.

5.3 Limitations of the study

The result of this study could be interpreted in the context of a number of limitations:

1. The sample interviewed, though adequate as at the time of the analysis, could change depending on the subsequent demographic composition of future Primera customers.
2. The data collected was from existing D. T. Dobie customers and there is the risk of customers responding to some questions with some degree of subjectivity given the relationships they enjoy with the company. Moreover, the respondents, as at the time of the research, had developed a relationship with their Primera.

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APPENDIX 1

DEFINITION OF TERMS.

1. Value:

In business marketing, value is the worth in monetary terms, or otherwise, of the technical, economic, service and social benefits a customer receives in exchange for a market offering.

2. Value elements:

These are anything that affects the costs and benefits of the offering. These elements may be technical, economic, service or social in nature and will vary in their tangibility.

3. Value drains:

These are value elements which cost the dealer more to provide than they are worth to the customers receiving them and that have no strategic significance.

4. Value proposition:

Functional, emotional and self-expressive benefits of a brand.

5. Level of loading:

Optional extras that the vehicle may be fitted with. These include central locking, power steering, air conditioning among others.

6. Naked solutions:

Products and service elements that all customers within a market segment value.

APPENDIX 2

QUESTIONNAIRE

This questionnaire is prepared for the purpose of collecting data for an MBA thesis in partial fulfillment for the award of Masters of Business Administration of the University of Nairobi.

SECTION A

1. Gender Male Female
2. Please state your profession in the space provided _____
3. Who is your employer?
 Public service Private – local Private- multinational
 Others (Specify) _____
4. Please mark age bracket in the space provided below:-
 Below 35
 35 – 45
 Above 45
5. In the space provided below, please indicate your residential address

SECTION B

6. What is your Nissan Primera registration mark and number?

7. When was it registered? _____
8. Apart from the present Primera, have you ever owned any other saloon car?
Yes No
9. If the answer to question 8 above is Yes, why did you change to Primera? (Please be brief)

10. Who financed the acquisition of your Primera?
 Self Employer Others _____
11. What were your two major reasons for purchasing Nissan Primera?
i) _____
ii) _____

12. If you had a second chance, would you still opt for a Primera?

Yes No

13. On a scale of 1 to 5 (1 being very dissatisfied, 5 very satisfied)

How would you rate post-purchase performance Primera in terms of the following value elements.

	Very dissatisfied			Very satisfied	
Acceleration speed	1 ()	2 ()	3 ()	4 ()	5 ()
Suspension system	1 ()	2 ()	3 ()	4 ()	5 ()
Serviceability	1 ()	2 ()	3 ()	4 ()	5 ()
Stability	1 ()	2 ()	3 ()	4 ()	5 ()
Fuel economy	1 ()	2 ()	3 ()	4 ()	5 ()
Gross vehicle mass	1 ()	2 ()	3 ()	4 ()	5 ()
Passenger comfort	1 ()	2 ()	3 ()	4 ()	5 ()
Parts prices	1 ()	2 ()	3 ()	4 ()	5 ()

14. How did you get to know about the Primera?

- Adverts
- Showroom displays
- Friends and relatives
- Saw it in town
- Others _____

15. Who influenced your decision to purchase the Primera? If at all.

- Family
- Friends/colleagues
- Primera salespersons
- Others _____

SECTION C

16. What is the engine rating of your Primera?

- 1600cc 1800cc 2000cc Don't know

17. On a scale of 1 to 5, please take time to mark the extent to which the extras listed are important to you. (1 being not important, 5 very important)

	Not important				Very Important
Central locking	1()	2()	3()	4()	5()
Air conditioning	1()	2()	3()	4()	5()
Power steering	1()	2()	3()	4()	5()
Alloy rims	1()	2()	3()	4()	5()
Air bag	1()	2()	3()	4()	5()
Fog lamp	1()	2()	3()	4()	5()
ABS brakes	1()	2()	3()	4()	5()
Alarm system	1()	2()	3()	4()	5()

18. Nissan Primera is currently retailing at Ksh. 1,950,000. Would you mind buying it at the same price without any of the extras it has?

Yes No

Which one(s) Please list

19. In the space provided below, please mark on a scale of 1 to 5 the role played by the following in your decision (1 being very little, 5 very much)

	1	2	3	4	5
Warranty	-	-	-	-	-
Spares available	-	-	-	-	-
Service back up	-	-	-	-	-
Resale value	-	-	-	-	-
Advertisements	-	-	-	-	-
Finance deal	-	-	-	-	-

20. Is the local franchise holder of a car a major consideration you make before any purchase?

Yes No

21. What factors are important to you? (Please list)

22. What is your Nissan Primera's engine configuration?

- GLX
- SE
- SR
- Don't know

23. Does the engine configuration mean much to you?

- Yes
- No

24. If you were to improve on the current Primera model, what factors would you add?

25. How do you intend to dispose off the vehicle?

- Sell
- Trade-in
- Give away
- Others (specify)

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