STRATEGIC RESPONSES BY AUTOMOBILE DEALERS IN MOMBASA TO GOVERNMENT POLICY ON USED MOTOR VEHICLE IMPORTATION

BY
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DECLARATION

This management project is my own original work and has not been presented for a degree in any other university.

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The management research project has been submitted for examination with my approval as the university supervisor.

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DEDICATION

To my dear wife, Maida and my three children Fadhil, Fardan and Fatma.

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ABSTRACT

The objectives of the study were two; Firstly, to determine responses by automobile dealers in Mombasa to government policy on used motor vehicle importation. Secondly, to establish the strategies adopted by the automobile dealers to counter the government polices on used motor vehicle importation.

The study covered 30 automobile dealers in Mombasa. The data was collected using questionnaires and analyzed by using descriptive statistics which involved mean score and percentages.

The findings show that the used automobile dealers responded by forming collaborative partnership, embracing technology and diversified to related and unrelated industry in order to survive the change.

The findings of the study further show that the dealers tried to change their image, personnel, systems and controls. The large dealers managed because of huge capital reserve and strategic alliance with other dealers in the country of origin.

The findings also show that the industry in Mombasa is experiencing intense competition and some of the dealers apply strategies to help them survive and compete. The new dealers and used automobile dealers have similarities to some degree in the strategies they use but the new dealers are said to have better financial power and have a higher budget to do promotions and advertisements and also train and develop their staff.

CHAPTER ONE: INTRODUCTION

1.1. Background:

1.1.1. Concept of Strategy:

According to Johnson and Scholes (1997) strategy is the direction and scope of an organisation over a long period of term: which achieves advantage for the organisation through its configuration of resources within changing environment, to meet the needs of markets and fulfil stakeholder expectations. A strategy is what an organization does and how it actually positions itself commercially in the market arena. Strategy can be seen as the matching of resources and activities of an organization to the environment in which it operates strategic fit (Porter, 1980).

Quinn (1980) identifies strategy as a plan that puts together an organisation major goals, policies and action sequences. Hill and Jones (2001) conclude that the strategies that an organisation pursues have a major impact on its performance relative to its peers. Well formulated strategies enable an organisation to marshal and allocate resources in a unique way on the basis of relative internal competencies and limitations, expected changes in the environment, and contingent action by competitors. This highlights the form of a small business trying to find a particular niche in the market or a multinational corporation seeking to place most of its interests in businesses which have fared successful market position or have identified alternative market.

According to Porter (1998) strategies can be said to be in three main levels that is corporate strategies, business strategies and functional strategies. Corporate strategies cover the overall purpose and scope of the organization. They state the overall business domain and define the extent of diversification. Business strategies are long term planning and focus on strategic business units and how to compete within the industry. While functional strategies are short term daily activities of an organization. They are flexible and keep changing with environment changes.

The reason why it is important to formulate and implement strategies is because they help to give a clear guide and focus to all levels of the organizations in terms of direction and also clear the scope of business activities. Due to globalization and liberalization of markets, competition has become very stiff in all sectors globally and organizations are compelled to employ various relevant strategies to compete and counter government policies that may arise from time to time.

In 1992 the competing environment and situation in Kenya has changed as a result of market liberalization. Partial removal of restrictions on used vehicles has facilitated the inflow of used Japanese, Singaporean, Dubai, South African and European vehicles into the country. This has led to a dramatic shift of automobile users from new to used cars and a substantial expansion of the overall market. This has led to mushrooming of used motor vehicle dealers who took advantage of the lucrative market. Many countries maintain severe restrictions on imports of used vehicles, even as they open up their other markets to foreign competition. Despite these barriers, change market pattern for used automobiles does exist and it can only get bigger as trade barriers are removed.

In 1994 the franchise and subsidiary motor vehicle companies in Kenya, had lost around 60% of their sales to the dealers of recondition and used imported motor vehicles (Economic Review 1995).

1.1.2. Government Policy on Used Motor Vehicle Importation:

The Kenyan legislation of 1999 under Kenya Bureau of Standards regulation KS 1515 specifies general, safety and environmental requirements for inspection of road vehicles. The standard prohibits the importation of motor vehicles that are more than eight years old. It also prohibits the importation of the Left Hand Drive vehicles. Thus the gates were opened to the mass importation of used Japanese vehicles. It took some time for new dealers to enter the market and set up distribution channels. Asymmetric information is also a problem and consumers are skeptical about the quality of automobile for which little information is available.

Partial removal of restrictions on used vehicles has facilitated the inflow of automobile from Japan, Singapore, Dubai, South Africa and Europe. As a result of this dealers are now engaged in a frantic battle to import automobile that have smaller engine capacity or lower fuel consumption. This effort goes hand-in-hand with a campaign to lower carbon dioxide emissions of automobiles by introducing new eco-cars and imposing fines by as early as 2012. Herbert Koler, chief environment officer at Daimler, Mercedes' parent company, made clear: there will be 1.8 billion cars on the world's roads in 2040, compared to 900 million today. Everyone wants personal mobility. How will all these cars be powered, and will they all fit?

There is no automobile production in Kenya; all vehicles are imported from the major automobile manufacturing countries. The local market operates on an exclusive dealership system. Each manufacturer designates a local dealer who is the sole distributor of his products in Kenya and thus has substantial market power. Import taxes for automobiles have been adjusted upwards and are payable once upon declaration of importation and registration. High taxes on automobiles magnify differences in the value of cars that are caused by the high depreciation rates of automobiles in Japan and thus create an obvious trade opportunity.

As per Kenya Revenue Charter, any person importing a second hand motor vehicle has an obligation to apply for registration to the Registrar of Motor Vehicles prior to exiting the designated custom area. The buyer has an obligation to transfer ownership of a motor vehicle within 14 days from date of purchase. Upon transfer of ownership of motor vehicle, the registered owner has an obligation to inform the Registrar of Motor Vehicles of the change and address of the new owner within 7 days.

Kenya Bureau of Standards (KEBS) was established in July 1974. KEBS has its head office in Nairobi and regional offices in Mombasa, Kisumu and Eldoret. The KEBS provides trade facilitation services in Standards, Testing and Quality Management (MSTQ) including the World Trade Organisation, National Enquiry Point, certification and accreditation. Quality Inspection of Imports started in Kenya on 1st July 1995 after the gazettement of Legal Notice No. 227 of 14th June 1995 by the Minister for Commerce and Industry. Subsequent Legal Notices have been issued by the Government to ensure that all Imports into Kenya meet the requirements of Kenya Standards or any other standards approved by KEBS.

In particular, Legal Notice No. 66 of 10th June 1999 declares all imports into Kenya which do not meet the requirements of Kenya Standards or any other standards approved by KEBS as prohibited imports. The importer will have to return them to the country of origin at own cost. The Government of Kenya has made arrangements for pre-shipment inspection of motor vehicles coming into the country. It should be emphasized that whereas the pre-shipment inspection of quality is done in accordance with the importer's specifications, the inspection of quality by the Bureau is intended to ensure compliance with requirements of the relevant Kenya Standard(s) or other standards approved by KEBS

In the Daily Nation of 18 July 2008, reported officers from KRA's preventive department have started boarding ships carrying vehicles to determine their ages before they can be offloaded. The move, which has sparked harsh criticism from motor vehicle importers, is aim at ensuring that only vehicles are more than eight years old are imported into the country. The stakeholders claim that KRA has no powers to control standards, as it was the work of KEBS which has agents working on its behalf in Dubai and Japan. In addition, the age of used motor vehicles should be based on the year of manufacture and not the first year of registration.

In the Daily Nation of 22 July 2008, KRA has taken initiative to inform potential importers that they can verify the age of vehicles imported from Japan at the following website: www.japan-partner//check-manufacture-year.php.

1.1.3. Automobile Dealers in Mombasa:

Mombasa has an excellent location on the east coast roughly midway between the South African port of Durban and major ports in the Red Sea and Middle East. Since it was first developed in the time of British colonial rule back in the late 19th century, the Port of Mombasa has provided a main gateway for Kenya's international trade. Today, Mombasa is the premier port of East and Central Africa handling about 13 million tonnes of cargo each year including 3 million tonnes for transit cargo. The Port of Mombasa is an excellent natural harbour with good shelter and a choice of deepwater berths for large vessels such as bulk carriers, containerships and used motor vehicle carriers. Vehicles are unloaded at berths 1-10, whereby there is a preference for berth 1 and berth 5. Vehicles are unloaded by KPA drivers and stored at the G-Section (Vehicle terminal) near berth 1. Vehicles for the local Kenyan market are taken on direct delivery basis from the ship to external depots in Mombasa for customs clearance.

An Automobile Dealer is person or company which sell new, reconditioned or used motor vehicles. A dealer's licence is obtained if importation of more than four automobile in a calendar year. There are several individual and showroom automobile dealers who sell used automobile from different countries like Japan, Singapore, Dubai, South Africa and Europe. Individual dealers sell imported automobile in small units while showroom dealers have a wide variety of motor vehicles with network across the country. Dealers of automobile vary some are genuine while others sell underage, undervalue or stolen automobiles from Japan, Singapore, Dubai, South Africa and the United Kingdom. Last year, the international police (Interpol) team working with the Kenyan police arrived in the country to investigate on leading used car markets such as Nairobi, Mombasa, Kisumu and Eldoret. Interpol said in a statement a large percentage of such cars in the East African Community countries were believed to be stolen but many were bought by unsuspecting buyers from unscrupulous dealers at home. In Kenya, Interpol, assisted by various departments of the police mounted abrupt checkpoints on prime city roads to verify the finer details including engine and chassis numbers of the cars matching those entered into the respective car logbooks. Information from Interpol shows that approximately three million vehicles are stolen worldwide annually.

A registered dealer has an obligation to inform the Registrar of Motor Vehicles of any vehicle held for resale and the address of new owner(s) within 7 days after sale. Any person carrying out business of buying and selling Motor Vehicles/Trailers has an obligation to apply to the Registrar of Motor Vehicles for a dealer's licence. Any person who imports more than four vehicles in a calendar year has an obligation to apply to the Registrar of Motor vehicles for a dealer's licence. Any person(s) in possession of a dealer general licence has an obligation to renew it annually.

The Kenya Bureau of Statistics must instruct dealers to put what's called a Buyer's Guide in every used car for sale. The Buyer's Guide must tell the buyer: type of warranty, repair costs a dealer will pay under the warranty, all promises made by the dealer should be in writing and that the vehicle should be inspected by an independent mechanic. There isn't a standard checklist for mechanical inspections, but the inspection should at a minimum cover the major mechanical systems mentioned on the Buyer's Guide. The buyer must be sure to get a written inspection report from the mechanic, with a cost estimate for any necessary repairs. If the dealer won't give a warranty of at least 30 to 90 days, and insists on buy the car "as is," it may not be a good idea to buy the car. If the dealer provides a written dealer warranty then a careful examination of the terms must be considered.

Dealers in Mombasa has sort to many ways to try to import cheaper vehicles. This is by importing underage vehicle then changing the documentation to reflect the eight year rule. They normally collude with clearing agents and KRA officers to allow importation of underage and poor quality motor vehicle to the country. The KRA and KBS have intensified crack down on the defaulters by deregistering the imported used motor vehicle and to some extent of shipping back the vehicle to the original port of shipment.

The quality and year of manufacture of the motor vehicles must not be compromised as is the mandate of KEBS and KRA. In addition, there must be a policy to decongest the roads to reduce time and fuel wastage. Higher fuel prices have balanced the demand for lower capacity engines and a shift of buying pattern. Buying a used car is a frustrating experience at best. Knowing individual rights can help you make a reasonable deal.

1.2. The Research Problem:

The automobile dealers have helped to avail affordable motor vehicles to the public and hence improved their living standards. By providing means of transportation, ease construction works and farming. The Dealers in Mombasa sell automobile at a cheaper price compared to dealers in other towns in Kenya. Some dealers also provide financing services and others accept trade in for purchase of an automobile.

The government policy on importation of motor vehicles has decreased flow of reconditioned and used automobile into the country due to the limit of eight year period. This has decreased demand of the motor vehicle due to high purchase prices compared to older vehicles which are allowed to be imported in the other East African regions. As a result, there has been mushrooming of independent dealers into the market selling high priced used motor vehicles which are beyond the reach of Kenyans. This has increased competition of motor vehicle dealers with lower margins to make the automobile affordable. The financial institutions have reacted to the demand by providing credit facilities to purchase the vehicles. Others banks provide finances between 50%-70% depending on the year of manufacture of the automobile.

The new motor vehicle dealers have recently decreased prices and increased advertisements costs e.g. Toyota E.A. Ltd. They offer new motor vehicles to customers without paying any initial deposit. In reaction used motor vehicle dealers like Auto Selection (K) Ltd are offering financing to counter competition.

Mohamed (1995) undertook a study on effects of reconditioned and used motor vehicle on marketing mix of franchise and subsidiary motor vehicle companies in Kenya. Njau (2000) undertook a study on strategic responses by firms facing changed competitive conditions. In addition, Nyika (2007) undertook a study on strategic implementation among motor vehicle franchise holders in Nairobi. These previous related studies still do not explain the reactions of automobile dealers in Mombasa to government policy change. This study intends to fill the gap by analyzing strategic responses by automobile dealers in Mombasa to government policy on used motor vehicle importation.

1.3. The Research Objectives:

(i) To determine responses by automobile dealers in Mombasa to government policy on used motor vehicle importation.

(ii) To establish the strategies adopted by the automobile dealers to counter the government polices on used motor vehicle importation.

1.4. Importance of the Study:

The study looks at the new, recondition and used automobile dealers in Mombasa and how the government policy has affected the customers of these motor vehicles. The government policy is fixed therefore the automobile dealers must find strategies to counter high costs of motor vehicle importation of eight year period. The dealers must are looking at environmental issues to improve quality of motor vehicles which will ensure sustainable increase of consumers. The study will ensure a balance of influx of quality used motor vehicle to our country and possible change of strategy to purchase automobiles which are environment friendly with less carbon emission. The manufacturer of motor vehicles like Japan are changing the engines to reduces carbon emission e.g. a Toyota Prado of model 2000-2008 has low carbon emission to the older versions.

Furthermore, the study will provide an insight to public and consultants by providing the trends of importation of motor vehicles in order to plan for bypasses, lanes, bridges and removal of roundabouts to decongest the roads inline with the vision 2030. This study may assist the Kenya Motor Industry association to lobby further for protective government regulation or policies which will improve our environment. This study will also provide useful information to potential buyers when purchasing used motor vehicles and to academician and non-academicians who will undertake research in the same area of interest. Lastly, the study will provide useful information to potential employees or job seekers in the motor vehicle industry, on any significant favourable changes in employment opportunities.

According to a United Nation report of a seminar on motor vehicle industry that was held in 1972, there were several reasons why the motor vehicle industry provides essential transport services and a prerequisite for development. These benefits can be further classified into: those that motor vehicle industry provides to different sectors of the economy and to the individuals and those socio-economic benefits employed by government and workers in the industry. This issue concur with the 2030 vision for Kenya as an economic force in Africa.

CHAPTER TWO: LITERATURE REVIEW

2.1. The Business Environment:

Organizations exist within a dynamic environment that is subject to change due to the impact of various change "triggers", such as evolving technologies. To continue to operate effectively within this environmental turbulence, organizations must be able to change themselves in response to internally and externally pressure.

Burnes (1996) says that the magnitude, speed, unpredictability and impact of change have become greater than ever before. New products and processes are appearing in the market at ever increasing rate. Boundaries are shrinking as globalization takes centre stage. The source of the next competition may not be even within imagination. To be successful, changes needs to emerge locally and incrementally in order to respond to environmental threats and opportunities.

Market environment is not static but very dynamic and keeps changing regularly make it necessary for the organisations to employ strategic fit i.e. developing strategies by identifying opportunities in the business environment and adapting resources and competences so as to take advantage of the opportunities. After close monitoring of what happens in the environment very closely and therefore the need to review their strategies to fit the changing market and seizing the emerging opportunities. In applying this principle the organisation is developing strategic fit (Porter 1980).

The issue of the nature and uniformity of the environment concludes that not all organisations face the same degree of environmental turbulence and that one can manipulate or change environmental constraints (Burnes, 2004).

Organisations, at all levels, need to develop the ability to collect and utilise information about their external and internal environment. A buyer needs to research ahead of time and know what make, model and year of car being purchased. He can also find out what the price for the car by comparing prices online and in newspaper advertisements to line up financing with a bank beforehand. That way, the buyer doesn't have to worry about dealer financing scams, and can negotiate the best interest rate.

2.2. Porter Generic Strategies:

Michael Porter (1998) has described a category scheme consisting of three general types of strategies that are commonly used by businesses to achieve and maintain competitive advantage. These three generic strategies are defined along two dimensions: strategic scope and strategic strength. Strategic scope is a demand-side dimension and looks at the size and composition of the target market. Strategic strength is a supply-side dimension and looks at the strength or core competency of the firm. In particular he identified two competencies that he felt were most important: product differentiation and product cost (efficiency). In his 1980 classic Competitive Strategy: Techniques for Analysing Industries and Competitors, Porter simplifies the scheme by reducing it down to the three best strategies. They are cost leadership, differentiation, and market segmentation (or focus). Market segmentation is narrow in scope while both cost leadership and differentiation are relatively broad in market scope.

Empirical research on the profit impact of marketing strategy indicated that firms with a high market share were often quite profitable, but so were many firms with low market share. The least profitable firms were those with moderate market share. This was sometimes referred to as the hole in the middle problem. Porter's explanation of this is that firms with high market share were successful because they pursued a cost leadership strategy and firms with low market share were successful because they used market segmentation to focus on a small but profitable market niche. Firms in the middle were less profitable because they did not have a viable generic strategy.

Cost Leadership Strategy emphasizes efficiency. By purchasing high volumes of motor vehicles, the dealer hopes to take advantage of economies of scale and experience curve effects. Maintaining this strategy requires a continuous search for cost reductions in all aspects of the business. The associated distribution strategy is to obtain the most extensive distribution possible. Promotional strategy often involves trying to make a virtue out of low cost fuel consumption.To be successful; this strategy usually requires a considerable market share advantage or preferential access to cheap products, components, and labour. Low costs will permit a firm to sell relatively standardised products that offer features acceptable to many customers at the lowest competitive price and such low prices will gain competitive advantage and increase market share (Porter, 1980).

A firm attempts to maintain a low cost base by controlling supply, distribution and minimizing advertising. New entrants or firms with a smaller market share may not benefit from such strategy since mass supply; mass distribution and economies of scale will not make an impact on such firms. Low cost leadership becomes a viable strategy only for larger firms. Market leaders may strengthen their positioning by advantages attained through scale and experience in a low cost leadership strategy. Further in consideration of factors mentioned above that facilitate a firm in maintaining a low cost base; some factors such as technology which may be developed through innovation and some may even be resources developed by a firm such as long term healthy relationships build with distributors to maintain cost effective distribution channels or supply chains.

Differentiation strategy is aimed at the broad market that involves the purchase of a product or services that is perceived throughout its industry as unique. The company or business unit may then charge a premium for its product. This specialty can be associated with design, brand image, technology, features, dealers, network, or customer's service. Differentiation is a viable strategy for earning above average returns in a specific business because the resulting brand loyalty lowers customers' sensitivity to price. Increased costs can usually be passed on to the buyers.

Buyer's loyalty can also serve as an entry barrier for new firms must develop their own distinctive competence to differentiate their products in some way in order to compete successfully. Examples of the successful use of a differentiation strategy include BMW and Mercedes-Benz automobiles. Research does suggest that a differentiation strategy is more likely to generate higher profits than is a low cost strategy because differentiation creates a better entry barrier. A low-cost strategy is more likely, however, to generate increases in market share.

Focus (or niche) strategy of the firm concentrates on a select few target markets. It is hoped that by focusing marketing efforts on one or two narrow market segments and tailoring the marketing mix to these specialized markets, one can better meet the needs of that target market. The firm typically looks to gain a competitive advantage through effectiveness rather than efficiency. It is most suitable for relatively small firms but can be used by any company.

2.3. Strategic Responses of Automobile Dealers in Mombasa:

The government policy has necessitated dealers to come up with different strategies to counter higher price of recommended eight year old used motor vehicles against low income customers. Due to counter low demand and competition, the dealers have resorted to Organisation Restructuring and Training, Infrastructural Technological and Development, Strategic Alliance and Collaborative Partnership, Globalization of Markets, and Diversification of Products to enable them survive the change.

2.3.1. Organisation Restructuring and Training:

The major change is restructuring, driven by globalisations and internationalisation. Economic activity is increasingly spread over national boundaries and involves functional integration between internationally dispersed activities. This global restructuring has been accompanied by the emergence of supply and distribution networks based on subcontracting, franchising and strategic alliances and the growth of Small Medium Enterprises. Globalisation will become more significant in the future, involving higher value added activities. Managers will increasingly need to develop entrepreneurial skills as market fragmentation and more diverse ownership add to the competitive environment.

The business process reengineering and downsizing which began in the 1980s is generally waning but the legacy means that managers must work better with teams and will be unable to rely on hierarchical command and control approaches. Outsourcing and flexible organisations will continue to grow in importance as rapidly changing markets demand ever greater responsiveness and adaptability, but managers will need to focus on retaining core competence within the organisation.

Traditional structures are giving way to horizontal structures of cross-functional core process teams in which employees are empowered, through initiatives to build involvement, participation, teamwork and autonomy. Employee involvement is expected to increase and the future will demand more devolution of responsibility, with managers needing to acquire appropriate facilitation and coaching skills.

2.3.2. Infrastructural and Technological Development:

Developments in information technology have had ceaselessly profound marketing implications. None more so in recent years than the ever-prospering forum of the Internet, which poses both tremendous opportunities and challenges for international marketing. The Internet has become established as a global channel through which both existing and potential customers can be targeted, and through which organizations can both publicize and present commercial offerings. With even the most modest estimates of connectivity to the Internet reaching over one billion people world-wide by 2005 (Evans, 2000), and predicted continued growth of e-commerce revenues, the Internet's presence is undeniably commanding.

As a result of this revolution in worldwide communications, easier execution of global marketing strategies is made possible, as a presence on the Web means being international by definition. The Internet has become established as a fully-fledged global marketing and communications channel, and can deliver many aspects of any organization's global marketing strategies ranging from branding, database building and customer acquisition to providing customer service, forming relationships, building loyalty and installing advocacy in existing customers (Czinkota and Ronkainen, 1990).

The information revolution is affecting competition in three vital ways: changes industry structure and, in so doing, alters the rules of competition, creates competitive advantage by giving companies new ways to outperform their rivals and spawns whole new businesses, often from within a company's existing operations.

Technology is changing the way companies operate. It is affecting the entire process by which companies create their products. Furthermore, it is advancing faster than technologies for physical processing. The costs of information storage, manipulation, and transmittal are falling rapidly and the boundaries of what is feasible in information processing are at the same time expanding. This technological transformation is expanding the limits of what companies can do faster than managers can explore the opportunities. Finally, the new technology has a powerful effect on competitive scope. Information systems allow companies to coordinate value activities in far-flung geographic locations. For example, D.T. Dobie works on designs and spares on-line with foreign suppliers.

2.3.3. Strategic Alliance and Collaborative Strategies:

A strategic alliance can be defined as cooperation between two or more international firms for their mutual benefit. These firms may pool their research and development activities, marketing expertise and managerial talent. Companies in all types of industries and in all parts of the world are elected to strategic alliances and partnerships to complement their own strategic initiatives and strengthen their competitiveness in local and international markets.

According to Harmel (1998), many companies find themselves thrust into two very demanding competitive races: global race to build a market presence in many different national markets and the race to seize opportunities on the frontiers of ICT and build the strengths and business capabilities to compete successfully in the industries and produce markets of the future. Therefore, industries of the future, requires more diverse and expansive skills resources, technological expertise and competitive capabilities. Consequently, these companies form strategic alliance or collaborative partnership in which two or more companies jointly work to achieve mutually beneficial strategic outcomes.

According to Thompson (2007) a strategic alliance are collaborative arrangements where two or more companies join forces to achieve mutually beneficial strategic outcomes. It may involve joint contribution of resources shared risk, shared control and mutual dependence. Alliances often involve joint marketing, joint sales or distribution, joint production, design collaboration, joint research, or projects to jointly develop new technology or products. The relationship between the partners may be contractual or merely collaborative.

Contractual alliances in which participants enter into written agreements and contracts examples are as follows. Licensing sort of alliance involves a firm entering a contract with a firm in another market to manufacture or carry its products in the foreign market. The licensing firm allows the licensee firm to use its technology patterns and trademarks in the process of manufacturing the products.

In franchising, the parent company grants right to an independent company to do business in a prescribed manner. The rights include selling the franchiser products using its name production and marketing techniques, and using its marketing approach. Management Contract occurs when the firm offers management expertise to a firm in a foreign market instead of entering the market. The firm acts as an advisor providing knowledge for an agreed period.

According to Porter (1990) the most common reasons why company enters into strategic alliance are follows: expedite the development of promising new techniques or products, overcome deficit in either own technical and manufacturing expertise or bring together the personnel and expertise needed to create desirable new skills sets and capabilities.

According to Lewin (2000), alliances open up learning opportunities that help partner firm better leverage their own resource strengths. Furthermore, Thompson (2006) states that there are several other instances in which companies find strategic Alliances particularly valuable. A company that is racing for global market leadership needs alliances to:

- Get into critical country markets quickly and accelerate the process of building a potential global market presence.
- Gain inside, knowledge about unfamiliar markets and cultures through alliances with local partners.
- Access valuable skills and competences that are concentrated in particular geographical location.

According Erret (2005) a study reported that the typical large corporation relied on alliances for 15-20% of its revenues, assets or incomes.

2.3.4. Globalization of Markets:

The roots of globalization dates back to the 16th century when European nations struggled to establish empires worldwide. By the 1970s, the process of globalization propelled by the multinational was quite entrenched, marked by tremendous movement of people, knowledge, capital, goods and technology across borders.

Globalization is the process or transformation of local or regional phenomena into global ones. It can be described as a process by which the people of the world are unified into a single society and function together. This process is a combination of economic, technological, socio-cultural and political forces (Sheila, 2004).

Forces of globalization are the reasons for the firms globalize or expand internationally. The reasons can be both reactive and proactive. Reactive if managers are responding to something outside their control in the firm's external environment. Proactive, if managers are expanding the firm in order to give competitive edge or advantage over its competitors.

Friedman (2008) examines the impact of the 'flattening' of the globe, and argues that globalized trade, outsourcing, supply-chaining, and political forces have changed the world permanently, for both better and worse. He also argues that the pace of globalization is quickening and will continue to have a growing impact on business organization and practice.

In Mombasa, new and used dealers are trying to penetrate the East African and other regions where the eight import rule is relaxed. This is because the prices for the older models are sold at lower prices as they are exported out due to environmental hazards. The Ministry of environment has also issued warning to importers to clear their automobile from the port or face re-shipment or destruction of the motor vehicle. KBS and KRA want all costs paid of over 700 motor vehicles before any action is prescribed. KRA has also introduced the prepayment of number plate costs to be paid before the automobile is removed from the port. This has a negative effect on sales and marketing of used automobiles as many buyers scramble for new numbers not considering the quality of the motor vehicle.

2.3.5. Diversification of Products:

According to Johnson et al (2005), diversification is defined as a strategy that takes an organization away from both current markets and products. Diversification is a form of growth marketing strategy for a company. It seeks to increase profitability through greater sales volume obtained from new products and new markets. Diversification can occur either at the business unit or at the corporate level. At the business unit level, it is most likely to expand into a new segment of an industry in which the business is already in. At the corporate level, it is generally entering a promising business outside of the scope of the existing business unit.

The strategies of diversification can include internal development of new products or markets, acquisition of a firm, alliance with a complementary company, licensing of new technologies, and distributing or importing a products line manufactured by another firm. Generally, the final strategy involves a combination of these options. This combination is determined in function of available opportunities and consistency with the objectives and the resources of the company.

There are three types of diversification: concentric, horizontal and conglomerate: Concentric Diversification means that there is a technological similarity between the industries, which means that the firm is able to leverage its technical know-how to gain some advantage. In horizontal diversification, the company adds new products or services that are technologically or commercially unrelated (but not always) to current products, but which may appeal to current customers. In a competitive environment, this form of diversification is desirable if the present customers are loyal to the current products and if the new products have a good quality and are well promoted and priced.

In a conglomerate, the company markets new products or services that have no technological or commercial synergies with current products, but which may appeal to new groups of customers. The conglomerate diversification has very little relationship with the firm's current business. Therefore, the main reasons of adopting such a strategy are first to improve the profitability and the flexibility of the company, and second to get a better reception in capital markets as the company gets bigger. Even if this strategy is very risky, it could also, if successful, provide increased growth and profitability.

2.4. Global Automobile Industry:

The automobile industry ranks among the most significant business phenomena of the 20th century and remains vitally important today, accounting for almost 11% of the GDP of North America, Europe and Japan and one in nine jobs. The automobile industry has evolved from a series of dramatic transformations from small group artisans and tinkerers concentrated in France and Germany to a vast worldwide enterprise organised on totally different principles. The first of these transformations was the breakthrough by American producers around 1910 from custom building to a mass volume industry. The second occurred in Europe in the 1950s when European producers combined mass production with the emphasis on product differentiation to challenge American based production for the first time. The third commenced in Japan in the late 1960s, when Japanese auto producers made dramatic breakthroughs in production organisation that soon yielded a lower cost product of unexampled manufacturing accuracy.

Japanese automobile exporting is a large global business which deals in the export of new and used automobiles from the Japanese Domestic Market to numerous markets around the world. Despite the high cost of transport, the sale of automobile to other countries is still profitable due to the relatively low cost and good condition of the vehicles being purchased. Contributing factors to the viability of the vehicles for export include strict inspection tests, high depreciation which makes such vehicles worth very little after six years, and strict environmental laws that make vehicle disposal expensive. Consequently, used automobile exporting has increased from 429,000 units to over to 1,136,000 units in 2006.

The most popular destinations for automobile are Russia, New Zealand, United Kingdom, Australia, Ireland, Chile, Pakistan, Peru and Kenya. Additionally, Singapore, South Africa, and United Arab Emirates are used as popular transit hubs. Used car exporters, sometimes referred to as export agents, have a number of sources at their disposal. Japanese used cars are mainly sold in Japan at auto auctions by car owners and dealers. At auto auctions, owners are hidden from bidders while the auctioneers provide independent car evaluations (Inspection Sheets) and place for sellers and buyers to meet.

Although auto auctions are primarily for Japanese residents seeking an alternative from buying at dealerships, many exporters, acting as a bidding agent for the importer, use this as their main supply. There are over 30 major (over 200 in totals) auto auction groups operating throughout Japan including JAA (Japanese auto Auction), JU (Japanese Used Auto Auction) Group and TAA (Toyota Auto Auction). Besides auto auctions, Japanese exports have access to two other supplies. One being dealerships, are more expensive to purchase from, and second being private sellers which can prove difficult to use. An automobile which will be exported from Japan must be prepared before shipping. This includes (among other things) deregistering the vehicle with the government, getting an export certificate, and cleaning the car from Bio-security risks. Car cleaning is especially necessary for Australia and New Zealand agencies' clearances. Exporters can ship the car that is ready as loose cargo or in containers. This largely depends on a number of factors such as customers request, ship schedules, and Port of Destination's capabilities.

Generally, most exporters are responsible for the organization and completion of the vehicle's transportation till it arrives at the importer's Port of Destination (POD). At the POD, possession of the vehicle, and the responsibility of possession, is laid on the importer. Financial responsibility, on the other hand, is transferred when ownership is handed over. Ownership is switched after the car has been purchased and before being exported. In the case of damage or losses occurring during shipping, the buyer is the one bears all financial loss.

Australia applies strict control on imports. In order to import a car, it must be either built before January 1, 1989, a private import, or imported under the RAWS (Registered Automotive Workshop Scheme). RAWS uses professional workshop limited to 100 vehicles each to certify that an imported vehicle meets safety and emission standards called ADR (Australian Design Rules). Additionally, only vehicles listed on the approved list can be imported. Going through RAW increases costs, but makes importing possible. People looking to import Japanese automobile will find it possible, but limited to a degree by costs and selection. Ireland has relatively loose vehicle importing laws for Japanese cars. To keep imports down, Irish Revenue Commissioners require all new and imported cars to pay the Vehicle Registration Tax (VRT) which raise costs. Ireland's approach keeps the country open for anybody to import and easily.

New Zealand has relatively relaxed importing laws but recently provided a timetable to raise the safety and emission standards. Besides Bio-security clearance and Customs clearance, a vehicle must be Entry Certified by a Transport Services Delivery Agent (TSDA) which includes seeing paper data and physical data meet safety, emissions, and possibly fuel consumption standards. Japanese automobile have been easily importable although the new higher standards may impact volume of imports. Importing rules for the UK largely depend on the age of the vehicle. Depending on the age of the vehicle, it may need to pass the ESVA (Enhanced Single Vehicle Approval). Usually Japanese vehicle must have some modification completed in order to pass. If the vehicle needs ESVA, it may be necessary to lease a Model Report. Availability of Model Reports may affect the amount of importable used vehicle, but it is still an open country to Japanese used vehicles, especially those over 10 years old which there is no need for an ESVA.

In 1980 Grubel was first to bring the idea over to consumer goods and in particular cars. He argued for the removal of barriers to free trade in used cars claiming that this would lead to substantial welfare gains for developing countries. An organization rarely stands alone in its effort to serve a given market. It is therefore important for an organization to excel in satisfying its customer (Kotler 1980). Historically, trade in used cars was limited to high-end vehicles such as antiques, limited editions and models that were sold in some countries but not others. Trade in used Japanese cars on a significant scale began in the 1970s. To a large extent, the existence of this market is due to Japan's stringent quality requirements.

New cars in Japan are sold with a “shaken", a fitness warranty that is valid for three years. For the shaken to be renewed at the end of the three years the vehicle has to go through a rigorous and costly inspection process. Reported estimates of the average inspection cost about USD 250. Non-pecuniary costs like time lost are also said to be substantial. Further renewals are required at two-year intervals. The high renewal cost leads many Japanese consumers to replace the cars after the shaken expires, thus creating a large supply of high quality used cars. Put differently, the strict regulations translate to a higher rate of depreciation in the value of automobiles in Japan than in other countries with looser regulations. It is exactly this differential in depreciation rates that creates the opportunity for trade in used cars.

For example, the importation of used cars is severely restricted in the India (since 2001), the Philippines (since 2002), Kenya (since 2000), and others. In 2003 Pelletiere, constructed an index of the degree of used car import restrictions in 132 countries. Only 58 countries are assigned a value of zero, which implies minimal or no restrictions. Of the rest, 21 countries prohibit the practice outright while the rest impose restrictions of various kinds. Environmental and safety reasons are frequently cited, although the interests of new car dealers are probably foremost in policymakers' minds.

CHAPTER THREE: RESEARCH METHODOLOGY

3.1. Research Design:

According to Aaker (2000), a research design is a detailed blueprint used to guide a research study towards its objectives. Since the number of new and used automobile dealers is small, a census survey is to be carried out which the researcher felt would assist in giving more accurate information with regards to dealers reaction to government policy change. Mohamed (1995) used census survey on a study into the effects of motor vehicles on marketing mix of franchise and subsidiary motor vehicle companies in Kenya and Mucuvi (2002) used a similar survey to study corporate governance practices in the motor vehicle industry in Kenya.

3.2. Population:

The population consisted of all automobile dealers in Mombasa. There are 30 used automobile dealers operating in Mombasa district as at July 2008. A List of companies used in the study was derived from information that was received from Kenya Motor Industry Association, Business Directory of 2008 and direct verification i.e. a census.

3.3. Data collection:

The data collected is primary data and was collected through personal interviews by filling a questionnaire that is self administered. Questionnaires containing open ended questions were used to obtain general information on company demographic and organizational characteristics. Data was collected using the help of close ended questions using a five point Likert scale in order to capture the change practices adopted by the automobile dealers. Parasuraman (1986) advocated that personal interviews have a potential to yield the highest quantity of data compared to other data collections methods. The questionnaire is in sections A.B.C.D, E and F covering general information, strategy, organizational restructuring and training, infrastructural and technological development, strategic alliance and collaborative strategies, globalization and strategic responses by automobile dealers in Mombasa to government policy on used motor vehicle importation.

3.4. Data Analysis:

Data analysis was conducted using descriptive statistic and content analysis. The data was presented in frequency tables and analyzed through frequency counts, percentages and mean scores. Section A of the questionnaire had been analyzed by percentages, Section B and C had been analyzed by mean scores and standard deviation while section D, E and F with open ended questions analyzed by content analysis. The analytical techniques have been applied in related studies Chepkwony (2001) and Swaleh (2007).

CHAPTER FOUR: DATA FINDINGS AND DISCUSSION

4.1. Introduction:

This chapter contains data findings and discussions. The data was collected from most of the used automobile dealers operating in Mombasa. I had targeted all 30 used automobile dealers but I managed to get responses from 20 dealers, which is 67% response rate. The objective was to determine responses by automobile dealers in Mombasa to government policy on used motor vehicle importation and also to establish the strategies adopted by the automobile dealers to counter the government polices on used motor vehicle importation.

4.2. Automobile Dealers Profile:

This section sought to establish the basic profile of the automobile dealers; the nature of ownership, effect of government policy on importation of automobiles and responses of the customers and dealers.

Table 4.2.1: Nature of Ownership

OWNERSHIP	FOREIGN	LOCAL	JOINTLY	TOTAL
USED DEALERS	1	18	1	20
% OF USED	5%	90%	5%	100%

From Table 4.2.1 above, 90% of the dealers are locally owned, 5% are foreign owned and 5% are jointly owned. This shows that most of the dealers in Mombasa are locally owned with minimal foreign influence.

Table 4.2.2: Average monthly before Government policy on Importation

UNITS	1-25	26-50	51-75	76-200	TOTAL
USED DEALERS	16	1	1	2	20
% OF USED	80%	5%	5%	10%	100%

From Table 4.2.2 above, 80% of dealers have an average sales of 25 units, 5% have average sales of 50-75 units while 10% have units of up to 200 units imported monthly. This shows that most dealers import an average of 25 units monthly.

Table 4.2.3: Average monthly after Government policy on Importation

UNITS	1-25	26-50	51-75	76-200	TOTAL
USED DEALERS	17	1	1	1	20
% OF USED	85%	5%	5%	5%	100%

From Table 4.2.3 above, 85% of dealers have an average sale of 25 units and 5% have average sales of 50-200 units imported monthly. This shows a slight reduction of importation of used motor vehicles after the government policy on importation.

Table 4.2.4: Country of origin Importation

UNITS	JAPAN	SINGAPORE	DUBAI	OTHERS	TOTAL
USED DEALERS	16	1	2	1	20
% OF USED	80%	5%	10%	5%	100%

From Table 4.2.4 above, 80% of dealers import used motor vehicles from Japan, 10% of dealers import from Dubai, 5% from Singapore while 5% from other countries like UK. This shows that most of the used motor vehicles are imported from Japan.

Further, findings indicate that most of the used automobile dealers in Mombasa import used motor vehicles from Japan. The Japanese used imported motor vehicles are up to the required standards but others countries like Dubai, Singapore and UK export under age motor vehicles and hence are sometimes not acceptable to the Kenyan Standards. Most of the used automobile dealers in Mombasa are locally owned with almost no foreign influence. Although the trend is likely to change, as the suppliers of used motor vehicles are seeking presence through globalization and collaborating with the local dealers. Expansion to these markets is caused by reduction of importation by the local used automobile dealers with the government requirements of eight year policy.

4.3. Strategies of Automobile Dealers:

The first objective was to establish the responses like strategy development, organisational restructuring, systems, technological improvements, competition and customer satisfaction. Secondly, analyse the strategies adopted by the used automobile dealers including cost leadership, differentiation, focus strategies, diversification, strategic alliances and collaboration in reaction to government policy on used motor vehicles importation.

The data was collected by using questionnaires with close ended and open ended questions. The close ended questions were scored using 5 point Likert rating scale for cost leadership strategies and differentiation strategies adopted by used automobile dealers. For the 5 point scale, 1 means very much increased, 2 means moderately increased, 3 means not changed, 4 means moderately decreased and 5 means very much decreased.

Cost leadership strategies applied by used automobile dealers to become the cost leader in Mombasa. These strategies lead to low cost of importation of the motor vehicle and therefore giving the dealers to sell at competitive prices, increasing sales and profitability. The respondents were asked what strategies they used in achieving cost leadership and their responses analysed in Table 4.3.1 below.

Table 4.3.1: Cost leadership strategies

COST LEADERSHIP STRATEGIES	MEAN SCORE	STANDARD DEVIATION
Organisational Systems	2.90	0.89
Staff Population	3.05	0.67
Purchase Cost	2.10	0.44
Distribution Channels	2.50	0.67
Advertisements	2.60	0.49
Duty and Shipping	1.95	0.22
After Sales service	2.10	0.30

Table 4.3.1 above shows that the cost leadership strategies have moderately increased and considered to be most critical to the success of the automobile dealers. There has been no change in organisational systems and staff population by introduction of the government policy on used motor vehicle. The dealers seem to have the same staff and organisational systems as they endeavour to improve sales in the market. The used motor vehicles within the eight year old rule are becoming expensive day by day. Some countries like Kenya who apply this eight year old rule experience increasing in demand and decrease of value for older models. Furthermore, by the end of this year only 2002 will be allowed into the country thus increasing the prices due to improve personal and safety standards.

Purchase costs have moderately increased together with duty, shipping charges and advertisements costs. In addition, the distribution channels and after sales service has moderately increased to facilitate sales of used automobile which have reduced. Advertisements costs have moderately increased to improve sales and counter the high prices of used motor vehicles in the market

Differentiation strategies were applied by the automobile dealers to differentiate themselves from other dealers in Mombasa. These strategies make the showroom to be perceived as high class with a superior image and therefore capability to attract certain targets customers and develop a niche market. The respondents were asked what strategies they use in achieving differentiation and their responses were analysed in Table 4.3.2 below.

Table 4.3.2: Differentiation strategies

DIFFERENTIATION STRATEGIES	MEAN SCORE	STANDARD DEVIATION
Showroom Improvements	1.95	0.38
Customer Service	2.00	0.32
Staff Training	2.90	0.44
Model Range	2.90	0.83
Safety Features	2.45	0.67
Automobile capacity	2.70	0.84
Spare parts availability	3.05	0.50
Credit Facility	1.80	0.40

Table 4.3.2 above shows most used automobile dealers have moderately improved their showrooms. Improvements have been done to improve sales and counter competition. High prices of motor vehicles which meet the criterion have resulted to decrease the demand of used motor vehicles. In addition, customer service has also improved among the dealers in Mombasa. Staff training and model range have remained almost the same.

Safety features have slightly increased while engine capacity has slightly reduced due to high duty rates demanded by the Kenya Revenue Authority on newer models. While importation of used motor vehicle demanding spare parts availability have not changed at all. The main differentiation feature in the availability of credit feature which have increased drastically. Many buyers prefer to buy used automobile by credit either offered by the dealers or banks to be paid within agreed period.

Focus strategies are applied by the dealers to gain either narrow or broad focus in cost leadership or differentiation. These strategies help to give the showrooms certain focus on how to operate. Dealers may have a narrow focus on differentiation strategies implying that they concentrate only on certain items of differentiation while on the other hand have a broader focus on cost leadership meaning they are applying numerous measures of cost cutting.

4.4. Responses to Government Polices:

The dealers have responded to the government policy of used motor vehicle importation by several ways. The data was collected by using questionnaires with close ended. The close ended questions were scored using 5 point Likert rating scale for responses to government policy. For the 5 point scale, 1 means not important at all, 2 means hardly important, 3 means important, 4 means quite important and 5 means very important. The respondents were asked questions and their responses analyzed in Table 4.4 below.

Table 4.4: Responses to Government Policies

RESPONSES BY DEALERS	MEAN SCORE	STANDARD DEVIATION
Strategy Development	3.00	0.55
Organizational Structures	3.45	0.59
Organizational Systems	3.70	0.46
Technological Improvement	3.80	0.51
Competition by other Dealers	4.15	0.36
Customer Satisfaction	4.05	0.22
Model Range	3.50	0.59
Recruitment	3.20	0.51
Strategic Alliance	1.95	0.97
Differentiation	3.15	0.73
Market Focus	4.00	0.32
Cost Leadership	3.80	0.60
Collaboration	3.50	0.59
Diversification	3.10	0.70
Retrenchment	2.65	0.65

Table 4.4 shows that strategy development is important to the used automobile dealers to counter government policy of used motor vehicle importation. The dealers have a mission and vision to prosper in the business but are forced to tactically change depending on the government requirements and standards. There have long term planned strategies to expand the markets to different parts of the continent.

Organizational structures and systems are important to improve the logistics and process of importation of used automobile from different regions of the world. This starts from the Import Declaration Form (IDF) stage where the declaration of the motor vehicle to be imported after purchasing it from Japan or any other country. The KBS and the KRA then accepts the declaration and the clearing agent passes the entry through the Simba System whereby duty and number plate is paid less the IDF as per KRA customs table attached in the appendix. This response is to allow faster processes to minimize costs on demurrage and customs warehouse

Technological improvement is important in sourcing for cheap and quality used automobile from different parts of the world.·The Internet has become established as a global channel through which both existing and potential customers can be targeted, and through which organizations can both publicize and present commercial offerings. Therefore, the dealers have reacted to improve technology to better market their products in reaction to government policy of importation of used motor vehicles.

The policy has increased competition as importation is limited to eight year old rule. Many countries who apply this rule scramble for motor vehicles of this age hence making them expensive due to high demand. Other countries like Uganda and Tanzania allow ten year period can obtain used motor vehicle at a very competitive lower price. They disregard safety features, model and environment pollution by high carbon emission of under age motor vehicles.

The used automobile dealers regard customer satisfaction as quite important to improve the demand of high age motor vehicles. They recommend safety features, credit facility, and after sale service to attract customers. Staff training is vital requirement to give customer attention and care in order to improve sales of more expensive motor vehicles.

The automobile dealers in Mombasa prefer to recruit more qualified workers than to retrench staff in order to improve quality service in showrooms. There is a mix reaction regarding retrenchment as dealers are planning to expand showrooms and into other new markets. Many prefer to keep and grow with the same staff.

The automobile dealers in Mombasa are not focused to strategic alliance probably because the business and demand is small. There is fear to expand into new markets and business. There are three generic strategies responded by the dealers: differentiation, market focus and cost leadership. Market focus and cost leadership stand out very strongly compared to differentiation strategy. Automobile dealers prefer lower cost and market focus to try to improve the sales in the turbulent environment created by the government policy of eight year rule and registration of used motor vehicle before removal from the port of Mombasa.

The situation in the market created by the government policy has further made dealers to collaborate formally or informally with other dealers. Formally collaboration through licence agreements by the partner dealers and informally by mutual understanding between several automobile dealers to market the motor vehicle each is stocking. While others used automobile dealers prefer to work and market their models alone.

Dealers are also considering diversification into related or unrelated industries as important for future survival of their organisations. Related diversification include opening up garages, spares (battery & tyre) dealership and transportation. While unrelated diversification applied include investment in property, financial markets and Hardware. Different government policies are encouraging dealers to expand and diversify while encouraging small freelance dealers to thrive.

CHAPTER FIVE: SUMMARY, CONCLUSION & RECOMMENDATION

5.1. Summary discussion and Conclusion:

The first objective of the study looks at the responses of the automobile dealers in Mombasa to government policy of used automobile dealers. Data was collected using questionnaire which were filled by interviewing the respondents face to face to obtain accurate answers. The findings show that the dealers responded by forming collaborative partnership, embracing technology and diversified to related and unrelated products in order to survive the change.

The findings of the study further shows the dealers tried to change their image, personnel, systems and controls. The large dealers managed because of huge capital reserve and strategic alliance with other dealers in the country of origin.

The second objective was to establish the strategies like cost leadership, differentiation and focus strategies applied by automobile dealers in Mombasa to react government policy on used motor vehicles importation. Data was collected using questionnaire which were filled by interviewing the respondents face to face to obtain more accurate answers and good understanding of the answers and also to generate high response rate.

The findings of the study show that the industry in Mombasa is experiencing an intense competition and all the dealer showrooms have some strategies to help them survive and compete. The new dealers and used automobile dealers have similarities to some degree in the strategies they use but the new dealers are said to have a better financial power and have a higher budget to do promotions and advertisements and also train and develop their staff, while the used motor vehicle dealers are slightly different.

For cost leadership, the study reveals that the dealer is trying hard to cut cost. However, the main cost leadership strategies being applied by majority of the dealers of the showroom include low purchase cost which means the dealer source for a supplier with the lowest possible price as the duty amount is the same.

As for differentiation strategies, the findings show the dealers use these strategies to win in the competition. The findings of this study show that the location is a strong factor for the success of the showrooms and it has been found out that stations located on major and busy roads normally sell more motor vehicles than those located on minor streets. Showrooms located in the city centre record higher sales than those located outside the city centre. Similar findings were made by Njau (2000) who researched on strategic responses by firms facing changed competitive conditions

It is also observed in this study that the strategies of good customer service, staff training and quality are applied by dealers as they create customer loyalty and long term benefits. The findings also show that the dealers prefer to combine both narrow and broad focus in both cost leadership and differentiation strategies.

The large automobile dealers can apply both cost leadership (price, discount and storage) and differentiation strategies (which include location, customer service, motor vehicle quality and safety issues) to attract customers, while the smaller dealers can only focus mainly on price strategies.

5.2. Limitation of the Study:

The main focus of this study was on strategic responses of automobile dealers in Mombasa to government policy on importation of used motor vehicle. There are other important environmental issues that were not considered which influence the responses of the automobile dealers.

Not all respondents were interviewed, 10 of the targeted respondents did not want to be interviewed and did not fill the questionnaires as they were not ready to give any information about their business and showrooms. If all the dealers were interviewed, it would have given more accurate results of the study.

Time was also a limiting factor. This restricted the scope and the depth of the study. In addition, there is a limited literature on used motor vehicle industry.

5.3. Recommendation for further research:

The study focused on strategic responses by automobile dealers in Mombasa. A similar study could be carried out in a large city in Kenya or any other East African country.

A similar study could be carried out to determine the strategic responses by a different industry in Mombasa or any other city in Kenya.

5.4. Recommendation for policy and practice:

From the findings of the study, I can recommend that more emphasize should be given on carbon emission, safety features, engine capacity and quality of the motor vehicle than just the age factor in order to conserve the environment. This will also reduce accidents in our Kenyan roads. In addition, the government must reduce duty on used motor vehicle to make them affordable to the normal citizen. This will gradually reduce automobile theft and importation of the underage motor vehicle being imported illegally to the market creating unfair competition.

The licensed dealers further recommend that number plates be issued as when required basis as compared to current when motor vehicles are removed from the port. Individual freelance used motor vehicle importers may not be permitted the same. This will ensure the same market value of the motor vehicles in the showrooms before being sold to customers.

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APPENDICES

APPENDIX I: COVER LETTER

September, 2008

Dear Respondent,

MBA RESEARCH PROJECT.

As part of the requirement for the degree of Master of Business Administration (MBA) of the School of Business, University of Nairobi, the undersigned is a student in the School of Business at the University is required to undertake a management research study on the automobile dealers in Mombasa.

The questionnaire is designed to gather information on the strategic responses of motor vehicle dealers in Mombasa to the government policy on used motor vehicle importation.

Your responses will be treated with confidence and in no circumstances will the automobile dealer's company be mentioned in the report findings. Further confidentiality will be ensured through the necessary coding of the survey findings.

Your co-operation will be highly appreciated.

Yours faithfully,

....	....
Kassim S. Ahmed	Dr. Martin Ogutu
MBA Student	Supervisor.

APPENDIX II: QUESTIONAIRE

This questionnaire is intended to collect views on reaction of automobile dealers to government policy on importation of used motor vehicle in Mombasa.

Section A: Company Profile.

1. Name of Dealer: ....
2. Interviewee Name: ....
3. Position of Interviewee: ....
4. Year of company established: ....
5. How you define core business? ....

   ....
6. Ownership of the company:

   (a) ( ) Foreign

   (b) ( ) Local.

   (c) ( ) Jointly owned.

7. What are the average monthly units of motor vehicle imported? Has the number changed due to government policy on used motor vehicle importation?

   ....

   ....

8. Do you have a strategy to counter the government policy on importation of used motor vehicle? If Yes or No, please explain?

   ....

   ....

9. How do you describe the business environment in which you operate?

   (a) Very Turbulent.

   (b) Stable.

   (c) Combination of both.

10. Do you conduct long term planning for the future success of the company?

    Yes ( ) or No ( ).

11. Are changes or organisational restructuring in your firm implemented as per laid down plan?

    Yes ( ) or No ( ).

Please answer the following questions by encircling the appropriate response around a number to indicate your opinion on the degree and direction in which the automobile dealer has adjusted to the government policy of importation of used motor vehicles:

1. Very much increased.
2. Moderately increased.
3. Not changed.
4. Moderately decreased.
5. Very much decreased.

Section B: Organisational Restructuring and Training:

12. Organisation:

(a) The organisation systems and processes has	1	2	3	4	5
(b) The business units has	1	2	3	4	5
(c) The organisation staff population has	1	2	3	4	5

13. Training:

(a) The number of training programs has	1	2	3	4	5
(b) Types and range of training programs has	1	2	3	4	5

Section C: Infrastructural and Technological Advancement:

14. Model Types:

(a) Model range imported has	1	2	3	4	5
(b) Number of New Motor Vehicle imported has	1	2	3	4	5
(c) Number of Used Motor Vehicle imported has	1	2	3	4	5
(d) Availability of Auto spares has	1	2	3	4	5
(e) Motor Vehicle capacity imported has	1	2	3	4	5

15. Price and safety levels:

(a) Price levels of Motor Vehicles has	1	2	3	4	5
(b) Safety features of automobiles has	1	2	3	4	5
(c) Duty and shipping Chargers has	1	2	3	4	5
(d) Lowering price to increase sales has	1	2	3	4	5
(e) Giving credit facilities has	1	2	3	4	5

16. Physical:

(a) Improvements on showrooms and office has	1	2	3	4	5
(b) After sales service has:	1	2	3	4	5
(c) Technology development has	1	2	3	4	5
(d) Branding has	1	2	3	4	5
(e) Improvement of customer service has	1	2	3	4	5

17. Distribution:

(a) Use of various distribution channels has	1	2	3	4	5
(b) Opening of branches at strategic areas has	1	2	3	4	5
(c) Use of newspaper advertisements has	1	2	3	4	5

Section D: Strategic Alliance and Collaborative Partnership:

18. What is the relationship between your partners, contractual or merely collaborative partnership? ....

If contractual alliances in which participants enter into written agreements choose which one is applicable?

(a) Licensing contracts
(b) Franchising
(c) Management contract

19. Did you form partnership or collaborate with other dealers before the introduction of the government policy? If Yes or No explain?

....

....

20. What forced your firm to collaborate or form partnership with other used automobile dealers? ....

....

Section E: Globalization and Diversification of Markets:

21. Do you have other showrooms outside the country? If Yes which country

(a) East Africa
(b) Central Africa
(c) South Africa
(d) West Africa
(e) Others

22. What other business do you conduct other than selling of used motor vehicles?

(a) Related ....
(b) Unrelated ....

23. Do you consider diversification as an option to counter the government policy on used motor vehicle importation? If Yes or No explain? ....

....

....

Section F: Responses of Government Policy.

24. What is your reaction to the introduction of the used automobile importation eight year policy?

(a) ....
(b) ....
(c) ....

25. Rate the importance of each of the following strategic responses to your company as a way of responding to change of government policy using a 5 point likert scale from 1. Not important at all - 5. Very important. Please circle on the number below.

(a) Corporate Mission/Vision	1	2	3	4	5
(b) Organisational Structures of your firm	1	2	3	4	5
(c) Organisational Systems of your firm	1	2	3	4	5
(d) Technology improvement by use of internet	1	2	3	4	5
(e) Competition by others dealers	1	2	3	4	5
(f) Customer satisfaction	1	2	3	4	5
(g) Product/Service range	1	2	3	4	5
(h) Staffing/Recruitment	1	2	3	4	5
(i) Strategic Alliances	1	2	3	4	5
(j) Differentiation/Branding	1	2	3	4	5
(k) Market Focus	1	2	3	4	5
(l) Cost leadership	1	2	3	4	5
(m) Collaboration/Partnerships	1	2	3	4	5
(n) Diversification	1	2	3	4	5
(o) Retrenchment	1	2	3	4	5

Thank you very much for your time and participation in this interview.

APPENDIX III: LIST OF USED AUTOMOBILE DEALERS

1. AISHA MOTOR DEALERS LTD
2. AL-GINZA AUTOMOBILES LTD
3. AL-HUSNAIN MOTORS LTD
4. AL-MALIK BROTHERS MOTORS LTD
5. ANAS MOTORS LTD
6. AUTO SELECTION (K) LTD
7. AUTO SOLUTION (K) LTD
8. BISMA MOTORS LTD
9. BAHARI SCOOTER AND MOTORS LTD
10. BAVIN MOTORS LTD
11. BHINDER TRADING CO. LTD
12. BOLPAK MOTORS LTD
13. CANON MOTORS LTD
14. CARS 'R' US (K) LTD
15. CZAR MOTORS LTD
16. DODHIA MOTORS LTD
17. ELEGANT CARS LTD
18. IMPACT TRADING CO. LTD
19. LOTA MOTORS LTD
20. NAFAS WORLD AUTO (K) LTD
21. OCEAN AUTO (K) LTD
22. OSAKA MOTORS (K) LTD
23. PANIJ AUTOMOBILE LTD
24. PWANI AUTO DEALERS LTD
25. PYRAMID AUTOCARE LTD
26. SABA MOTORS LTD
27. SHAZAD MOTORS LTD
28. SIDRA MOTORS SALES & SPARES LTD
29. TAHA MOTORS LTD
30. TAZCO TRADING LTD/ABSON MOTORS LTD

APPENDIX IV: LIST OF FIGURES

KRA Table of Import Duty payable based on the government policy:

DEPRECIATION FOR DIRECT IMPORTS	
0 - 6 months	5%
6 - 12 months	10%
1 - 2 years	15%
2 - 3 years	20%
3 - 4 years	30%
4 - 5 years	40%
5 - 6 years	50%
6 - 7 years	60%
7 - 8 years	70%

KEY

Capture data here only - Current Retail Selling Price &
Depreciation rate as highlighted under this key

TABULATION FOR MVs WITH IMPORT DUTY, EXCISE DUTY & VAT - Direct Imports

Current Retail Selling Price	**1,000**
Depreciation	**70%**
Extra Depreciation	**0%**
Customs value	138
Import Duty 25%	**34**
Excise Value	172
Excise Duty 20%	**34**
VAT Value	207
VAT 16%	**33**
Total Taxes	**102**
IDF Fees	4
Grand Total	

106

TABULATION FOR MVs WITH NO EXCISE DUTY (PICK-UPS & LORRIES) - Direct Imports

Current Retail Selling price	**1,000**
Depreciation	**70%**
Extra Depreciation	**0%**
Customs value	166
Import Duty 25%	**41**
Excise Value	-
Excise Duty 20%	**-**
VAT Value	207
VAT 16%	**33**
Total Taxes	**74**
IDF Fees	5
Grand Total	**79**

TABULATION FOR MVs WITH NO EXCISE DUTY & VAT (PRIME MOVERS) - Direct Imports

Current Retail Selling price	**1,000**
Depreciation	**70%**
Extra Depreciation	**0%**
Customs value	218
Import Duty 10%	**22**
Excise Value	-
Excise Duty 20%	**-**
VAT Value	-
VAT 16%	**-**
Total Taxes	**22**
IDF Fees	6
Grand Total	

	28

Depreciation for previously Registered Motor Vehicle	
0 - 6 months	5%
6 - 12 months	20%
1 - 2 years	35%
2 - 3 years	50%
3 - 4 years	60%
4 - 5 years	70%
5 - 6 years	75%
6 - 7 years	80%
7 - 8 years	83%
8 - 9 years	86%
9 - 10 years	89%
10 – 11 years	90%
11 – 12 years	91%
12 – 13 years	92%
13 – 14 years	93%
14 – 15 years	94%
Over 15 years	95%

TABULATION FOR MVs WITH IMPORT DUTY, EXCISE DUTY & VAT - Previously Registered

Current Retail Selling Price		**1,000**
Depreciation		**80%**
Extra Depreciation		**0%**
Customs value	92	
Import Duty 25%		**23**
Excise Value		115
Excise Duty 20%		**23**
VAT Value		138
VAT 16%		**22**
Total Taxes		**68**

TABULATION FOR MVs WITH NO EXCISE DUTY (PICK-UPS & LORRIES) - Previously Registered

Current Retail Selling price		**1,000**
Depreciation		**80%**
Extra Depreciation		**0%**
Customs value	110	
Import Duty 25%		**28**
Excise Value		-
Excise Duty 20%		-
VAT Value		138
VAT 16%		**22**
Total Taxes		**50**

TABULATION FOR MVs WITH NO EXCISE DUTY & VAT (PRIME MOVERS) - Previously Registered

Current Retail Selling price		**1,000**
Depreciation		**80%**
Extra Depreciation		**0%**
Customs value	145	
Import Duty 10%		**15**
Excise Value		-
Excise Duty 20%		-
VAT Value		-
VAT 16%		-
Total Taxes		**15**

Diagram of Porters Generic Strategies: