

APPLICATION OF FRANCHISING AS A STRATEGY AT CMC
MOTORS GROUP LIMITED KENYA

By:

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ABSTRACT

Franchising is a business strategy for building a presence in foreign markets. It is common in the service and retailing enterprises. Franchising is therefore a distribution network of independent business relationship that not only allows sharing of brand identification but also provides a strong marketing and distribution system. Franchising is based on mutual agreement between two parties that is the franchisor and the franchisee. Thus, there is no standard franchising contract.

This study focused on the motor vehicle industry and within the context of a multidivisional company which has not been done before. This study was therefore designed to fill this gap. The study was based on two objectives: to establish the processes that CMC Motors Group uses in franchising; and to determine the factors that influence the application of franchising as a strategy.

The findings of this study according to the first objective were that CMC Motors Group Ltd adopts various franchising processes for its different units like the Land Rover, Mazda, VW, U.D, Skoda and New Holland tractors. CMC identifies a product in terms of; the quality, value for money and the range of products. For example, Toyota's strength is based on a large range of products beginning with small saloon cars, four wheel drive (4 WD), Sport Utility Vehicle (SUVs), single cab pickups and double cab pickups. In CMC's case they do not have such a franchise; so in order for them to be competitive in the Kenyan market CMC

acquire various franchises, so as to provide them with the same range of products as Toyota and Nissan being distributed by D.T. Dobie Limited.

CMC underwent different processes to attain its various franchises. For the case of Land Rover and VW, which are the oldest franchises of CMC Motors Group Ltd, these were obtained as an open ended agreement between CMC and its respective franchisor. The Suzuki / Maruti franchise was targeted by CMC since there was no product of this category in the market. The franchisor conducted a survey after which the franchise was given to them. The U.D (Ultimate Dependability) franchise was attained to replace the Leyland truck and bus franchise which at that time was about to go into receivership. Another franchise known as Mazda was owned by CMC when they bought out Eastern Motors. The Case New Holland tractors were acquired when CMC bought out McKenzie Dalgeity. CMC bought out Lonhro Motors, which was under liquidation, to attain the Ford franchise.

The second objective of this study is to determine the factors that influence the application of franchising as a strategy. Franchising as a strategy enables a company to gain competitive advantage over its competitors. The competitiveness is achieved by nature of product, nature of the market, capacity of the franchisor, capacity of the franchisee and the rules and regulation of the host country.