

BAHRIA UNIVERSITY

CONSUMER PROFILING AND SEGMENTATION IN AUTOMOBILE INDUSTRY

A Study on Ghandhara Nissan Limited



PROJECT SUPERVISOR: MR. ZAFARULLAH SIDDIQUI

SUBMITTED BY:
MEHREEN SHAHID
01-221082-027
Cell: 0313-5550005

OMER FAROOQ
01-221082-050
Cell: 0345-8590090

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ABSTRACT :

The present study examines consumer tastes and preferences for automobiles. The successful car manufacturers study the profiles of their customers and segmented them accordingly. Whereas others trigger their resources towards making excellent, powerful cars without knowing what the consumers actually want. The car users were therefore made to respond to a questionnaire and their responses were analyzed. The buying decision was dependent upon income level, availability of spare parts, resale value, and fuel consumption of a car. All these variables are found to be interrelated. Car users with low income level were found to be using second hand cars with low engine power. The availability of spare parts, resale value and fuel consumption are also important for this market segment. The buying decision is strongly influenced by the above mentioned variables. Respondents with high household monthly income were found to be having luxurious cars of most famous brands and enjoying drive as their foremost priority. This study therefore reveals the preferences of the car users and the issues considered important while making a purchase decision and it therefore present some recommendations for car manufacturer Ghandhara Nissan Limited.

Dedication:

We dedicate this project to our new born baby Musa Ibn-e-Omer.
He suffered a lot due to our studies and final project. We
promise to give him full attention once we are done with this
project. We love you Musa.

EXECUTIVE SUMMARY:

The automotive industry plays a vital role in improving the economic condition of a country. In its folds it carries many different kinds of vehicles to provide mobility to people and goods. While they may appear to be simple machines, their design and manufacturing have much deeper roots in all the known technologies.

The automobile industry of Pakistan is facing a slump from the past few years. One prominent reason for this is the current economic condition of the country. People have low disposable income to be spent. To deal with this situation car manufacturers have to understand the buying behavior of the consumers, their tastes and preferences, and segment them accordingly. This is the area where improvement is needed in order to raise the automobile industry.

Investment in the automobile industry of Pakistan started in 1950s for assembling trucks and busses. The 1970's experienced nationalization of the industry where as privatization dominated in 1980's.

This is a study on Ghandhara Nissan Limited. A survey was carried out in the areas of Rawalpindi and Islamabad and questionnaire technique was used. The sample size was 30 individuals. In the end the analysis was done and some recommendations were given to Ghandhara Nissan Limited for competing effectively in the Pakistani market.

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CHAPTER 1: INTRODUCTION

Broad Problem Area:

The automotive industry plays a vital role in improving the economic condition of a country. In its folds it carries many different kinds of vehicles to provide mobility to people and goods. While they may appear to be simple machines, their design and manufacturing have much deeper roots.

The automobile industry of Pakistan is facing a slump from the past few years. One prominent reason for this is the current economic condition of the country. People have low disposable income to be spent on specialty goods. To deal with this situation car manufacturers have to understand the buying behavior of the consumers, their tastes and preferences, and segment them accordingly. This is the area where improvement is needed in order to raise the automobile industry.

Problem Statement:

"The lack of knowledge about consumers' tastes and preferences result in loss of sales and decrease in profits of the car manufacturers while leaving unsatisfied customers".

Objectives of the study:

The main objective of the study is to understand the buying behavior of the car users in the sample area i.e. Rawalpindi and Islamabad. A comparative analysis of different players in the automobile industry of Pakistan is done in order to assess their standing as compared to one another. Gandhara Nissan Limited was selected for the study and the main objective was to find out the problem areas of the company and give recommendations for improvement.

Research Methodology:**Type of study:**

This study is Constructive Research as it presents solutions to the problems faced by the car manufacturer Gandhara Nissan Limited.

Population/Sample:

The sample size of the study is 30 individuals. Random sampling was used to select the respondents. Data was gathered from the following mentioned places:

- Different offices (Software Technology Park, Unitech Engineers and contractors etc)
- Petrol and CNG stations
- Bahria University (Islamabad Campus)
- Auto dealers (Khan Motors, The Cars etc)

Instruments and measures:

The instrument used to collect data is questionnaire. Data gathered through questionnaire was then analyzed using MS Excel charts.

Limitations:

The following limitations were faced in this study

Time:

The projected time to complete this project was five to six months. This was a very limited time as compared to the required work and it was the biggest constraint for us.

Resources:

It took a lot of resources in gathering and analyzing the data. The availability of transport was a major constraint along with other resources such as money. Going from one place to another to gather the responses of the respondents required the resources of time and money and it was a constraint for in time completion of the project.

Respondents' willingness to provide information:

The project was dependent upon the respondent's willingness to spare some time and fill in the questionnaire. Plus the study is dependent upon the accuracy of the information provided by the respondents. So this was also a constraint.

CHAPTER 2: LITERATURE REVIEW

Determinants of Demand:

In economics, we have learned that price is the major factor on the quantity demanded. Many decisions and results have often depended only on prices of goods and services. However, passages of time allow factors other than price to influence demand significantly. These factors are called the determinants of demand and they include consumer tastes and preferences, market size, income, prices of related goods, and consumer expectation. Change in any one of these determinants can cause a change in the overall demand of a good or a service. Changes in consumer tastes and preferences can have a major impact on demand for products. For example, if BMW has a new model of the 7 series that is just released, the popularity of the car will be high and thus making an increase on the demand of the product. (<http://www.megaessays.com/viewpaper/103871.html>)

Banwari Mittal & Walfried M. Lassar are of the view that customer loyalty is increasingly being recognized by American businesses as a path to long term business profitability. Although companies are realizing the value of keeping customers loyal, no one knows for sure how to do it. Companies measure customer satisfaction, and hope that if the satisfaction scores are good, the customers will stay with the firm. But even satisfied customers leave for the lure of a competitor's offer.

Knowing your customers in today's market:

Staying close to ones customers has become the top management watch phrases of the 1980s, and organizations with this ability are said to provide unparalleled quality, service, and reliability. More executives and managers are using knowledge of their customers' preferences and whims to shape products and services to meet customer needs. This approach is particularly relevant in today's environment of rapid change and increasing competition. Competitive advantage and success await organizations able to anticipate and satisfy customer needs. (Moosbrucker, Jane; Berger, Emanuel, March 01, 1988)

One may think they have a great product and service but what does the customer really feels is the issue under consideration. Take the example of Marriot. Each year the Marriott sends out guest satisfaction surveys, meets regularly with corporate meeting planners, conducts focus groups and does other forms of research, all in an effort to track and constantly refocus the changing profile of its customers. Many businesses, like the Marriott, realize they must spend time, energy and money not only to get customers to buy but also on evaluating and improving their products or services. This requires putting in place systems for communicating with customers, managing customer service programs and measuring customer satisfaction. (Brown, Carolyn M, June 01, 1998)

Partnering, not products, should be the focus of a sales call in order to increase sales and profitability of a company. This will eventually become a source of competitive advantage for the company.

The world's top producing salespeople do not talk product on the initial sales call but more than ninety percent of industrial sellers violate this fundamental rule of selling. That means we are missing opportunities to both increase sales and significantly reduce price objections.

Nearly one in three new car purchases in the U.S. was an Internet-generated sale in 2006 and 60 percent of U.S. vehicle-owning households are currently online.

Jupiter Media Metrix , the global leader in Internet and new technology analysis and measurement, today reports that the Web for the automotive industry will be more important to consumers for research and to manufacturers for building and extending customer relationships than for sales transactions. (Source: PR Newswire, Article date: December 10, 2001)

According to Farhan Mirza the introduction of the Honda Civic and Accord, two exceedingly popular cars in Pakistan, captivated consumers with its luxury and class. Until the release of these models, car buyers were restricted to the same standard features available in most models in each segment. The [Honda](#) promised far more in terms of value and even status for affordable and comparable prices.

He is of the view that prior to Honda's introduction to the automotive market, Toyota was predominantly the market leader in terms of share and loyalty. It had models for most consumer segments with well-known and established models like the Corolla, Corona, Mark II and Crown. Other manufacturers like Suzuki, Mazda, Nissan and a few European companies like Fiat and Mercedes had a few models but lacked presence unlike Toyota.

Car buyers and corporation saw Honda as an opportunity to own both reliability and class. Honda's models had extra trims and features like map reading lamps and power steering, which at the time other competing models did not. Suddenly Honda had a substantial presence on the roads of Pakistan's urban centers and became a widely accepted and sought after automobile. Although Toyota saw a drop in sales, it still managed to retain a big chunk of the market unlike the other manufacturers who were struggling to remain afloat.

Year after year Honda's beautifully crafted exterior and interior provided it with a substantial lead over the competition. It had a spacious interior, which enhanced the consumer's driving experience by providing a more comfortable ride for short and long trips alike. To compete effectively in the 1300CC engine capacity market, Honda introduced the City, once again providing features that no other car at the time was offering. To stay competitive in terms of price, Honda opened up production in Pakistan in partnership with a well known firm.

Honda's quality remained a notch above the rest and it earned a reputation of being fuel efficient and highly dependable. The engines provided the impression of driving a bigger car and in a short time Honda's reliability ranked closely to Toyota's. Maintaining a Honda proved inexpensive apart from the regular oil change and tweaking common to all cars and makes. These factors contributed largely to the growing demand for these cars in Pakistan's used car market and the rise in its resale value.

Honda has rapidly developed an impressive reputation for reliability, fuel efficiency and a classy look and feel. With a spectacular track record and highly respected models like the

[Civic](#), it looks like Honda will be leading the new and used car market for a substantial period of time, despite efforts by competitors to introduce a variety of new models. (Date Published: 12th August 2009, Author: [Farhan Mirza](#))

Honda gained substantial market share in Pakistan only by understanding the needs and wants of the customers more closely than its rivals. This not only proved to be a source of survival for the firm but it also gave them an edge over the rival Toyota.

CHAPTER 3: INDUSTRY ANALYSIS

The Automotive Industry:

The automotive industry plays a vital role in improving the economic condition of a country. In its folds it carries many different kinds of vehicles to provide mobility to people and goods. While they may appear to be simple machines, their design and manufacturing have much deeper roots in all the known technologies. In-depth knowledge and skillful application of mechanical, electrical, electronics, chemical and a host of other technologies culminate in achievement and improvement of the manufacturing base of a country, by focusing on a single product the automobile. This then provides an opportunity to produce a large number of goods and services for consumption of the entire international community.

In recent years, we have witnessed that the industrialization of South East Asian countries greatly depend on the development of their automotive industry. Similarly, automotive industry acted as a catalyst in the overall growth of the industry in Japan and Korea and the consequent well being of their citizens.

It is indeed heartening that the automobile industry has once again smiled at Pakistan. Fortunately the last 3 years have witnessed phenomenal growth in the industry in terms of technological advancements and production/sales volumes with the local contents rising as high as 90%. The industry is already employing 120,000 people, contributing more than 12 billion rupees to GDP, attracted investment worth Rs. 52 billion including a substantial foreign investment. Today the customers have choice to pick from a wide range of products including

motorcycles, trucks, buses and cars of premier Japanese and Korean brands at internationally competitive prices which has only become possible due to local contents and availability of highly productive and inexpensive human resources.

An automobile has over 2000 components and parts out of which the assemblers usually concentrate on the manufacturing of small but critical parts while the remaining parts are supplied by the vendors and the subcontractors. In the world trade, Auto Sector is one of the largest segments and is the major driver of economic growth and business activities. Day-in, day-out around 200,000 vehicles roll off the world's assembly lines with car as the dominant segment of the industry.

Early beginnings:

Investment in the automobile industry in Pakistan started in the mid 1950's when Kandawalla Industries established its units for assembling buses and trucks. The company's name was later changed to Naya Daur Motors.

Kandawalla Motors on its part came up with 'Nishan', a jeep copied on the pattern of Willys Jeep of USA by the Pakistan Army, it was said that the project was successful but was killed before the commercial production could begin.

Potentials of industry and high demand of the products attracted new entrants whereas the existing players started producing in mass quantities. This mass production that started in 1964 resulted in the first ever period of progressive manufacturing in the history of Pakistan. The idea of progressive manufacturing was first mooted by the Ghandhara Industries and Mack Trucks. The idea was to start local manufacturing with

simple and non-functional parts and to add more and more complicated parts in small steps. According to the planning then done 100% local manufacturing was to be achieved in seven to ten years. Unfortunately, this period does not last long as the projects undertaken proved to be over ambitious that eventually fail.

Clearly the concept of progressive manufacturing has not added much to technology, self-reliance or economy. Against the targets set of manufacturing 100% of local contents in maximum 10 years actually achieved deletion in eighteen years is 45.78% for trucks & buses, 43.17% for trucks & buses engines, 16.50% for 4x4 jeeps and zero percent for cars. Furthermore, no new units for manufacturing passenger cars, 4x4 vehicles, buses and trucks were established under this concept.

A few new units for producing tractors, jeeps and specialized vehicle were established and these were Atlas Honda, Khawaja Autos, Rana Tractors, Jaffar Industries, and Bela Engineers. A more market oriented approached was observed by Honda motorcycles and Vespa scooters during this period, as they introduced light motorcycles for the first time in a market dominated by heavy motor bikes like BSA, Triumph and Lamberetta scooters.

Evolution of Automobile Industry in Pakistan:

Automotive industry in Pakistan started in 1950 and has gone through different phases as mentioned below:

- 1970's: Nationalization

- 1980's onwards: Privatization

Nationalization of Industries

Following the progressive manufacturing period, nationalization of industries under Economic Reforms order had a profound impact on automobile industry in Pakistan. In early 1972 under Martial Law Regulation, the Government took over the control of 32 industrial units, including eight automobile plants, under the officially appointed Board of Industrial Management with the Minister for Production as its Chairman. Out of the units taken over by the Government were included iron and steel, heavy engineering, heavy chemicals, assembly and manufacturers of motor vehicles.

Initially, the management of these industries was taken over by the government, but in August 1973, the President promulgated the Economic Reforms (Amendment) Ordinance after which the Federal Government acquired majority ownership of shares of these industrial units. After nationalization, the bought units were renamed, their functions were redefined and Pakistan Automobile Corporation (PACO) was created in 1973 under the administrative control of the Federal Ministry of Production.

Formation of PACO:

In order to manage the automobile units and to advise the Government (in developing policy guidelines for growth and development of auto industry), Pakistan Automobile Corporation (PACO) was formed in 1973 under the administrative control of the Federal Ministry of Production. It was a major public industrial conglomerate of 15 companies including four joint

ventures. For the first time in Pakistan emphasis was given to develop the nationalized units under took local manufacturing facilities and the development of parts in an organized manner and the system of standardization, regulations and monitoring was established.

This requires the industry to assemble from Complete Knock Down (CKD) and then go on to manufacture components and to achieve a local content of 75% over a five year period. A number of small and large industrial units that were mostly functioning in the unorganized sector were channelized into a more formal pattern of production management under the PACO control. The direction for achieving quality standards as laid down by the "Principals" was also established.

Performance under Government control:

According to the government resources, the nationalized industries made progress on a wide front. In 1973-74, large scale manufacturing sector achieved a growth rate of 7% as compared to 11.8% achieved in 1972-73. The performance of automobile and farm equipment group was the best with production recording an increase of 78.6%, followed by chemicals (30%) and steel and engineering (15.1%).

The distinctive feature of after nationalization period is the assembly of Suzuki range of vehicles (Cars, P/up, Vans & Jeeps) and Isuzu Trucks & Buses in the public sector. Awami Autos signed a Joint Venture Agreement with Suzuki Motor Co. of Japan and a new company by the Name of Pak Suzuki Motor Co. Ltd was established in 1982 to produce Suzuki range of vehicles at the existing facilities of Awami Autos. PACO also established two

units in the public sector namely Baluchistan Wheels and Bolan castings.

Privatization of industries:

The policy of de-nationalizing public sector units was adopted after the change in government took place in 1970s. Privatization brought in foreign companies. This resulted in a number of joint ventures. Due to these ventures, Pakistan auto industry entered into assembly/progressive manufacture of passenger cars, commercial vehicles and motorcycles. Once the new management of cars and motorcycle assemblers took over the control they entered into joint ventures with foreign companies mostly Japanese, for further development. Most important joint venture that took place was of Atlas with Honda and Indus Motor with Toyota.

Similarly, Naya Daur which after discontinuation of AMC-Jeep franchise had, become a mere vendor to Pak Suzuki (assembling Suzuki Jeeps) was sold to Tawakal group. Under the Government de-nationalization policy Naya Daur entered into Joint Venture with Kia Motors of Korea and started assembling Kia Pickups and Kia Pride Cars.

The process of privatization started in 1970s and is still on. Fortunately every government has adopted the policy of privatization and opening of the markets for foreign investors. Although, process is on but still many object that this process is not crystal clear and has many short comings.

The automobile sector in Pakistan has been registering high growth for the last four or five years due to the country's

business friendly policies along with lower tariff rates, persistent growth in GDP, and per capita income.

The auto industry in Pakistan is fast evolving as a robust industry. Some sub-sectors of this fast growing industry, like motorcycle production, have already achieved economies of scale. The level of motorization has also been gradually rising over the years. In 1998-99, it was three cars per 1000 persons, which has significantly increased to 11 cars per 1000 persons in 2005-06.

The indigenous production of motorcycles increased by 25% during 2005-06, reaching to an all-time high of 520,124 as compared to 106,797 units in 1996-97, which accounts for around 380% increase in motorcycle production during the last nine years. The production of trucks as well as that of buses has also posted sufficient increase during the last 10 years. Some 2,994 units of trucks were being produced in the country in 1995-96 which, over the years, have increased to 4,518 units, showing a rise of 51 per cent. In the case of buses, the rise in production is more pronounced as compared to that of trucks as their production augmented by around 74% during the last decade or so.

The industry has achieved a phenomenal growth of 50.2 % in FY04 and increased competition has led to the introduction of innovative products as well as a decline in financing costs. Compared with Pakistan, India has a strong engineering base and has successfully created a sizable capacity for production of vehicles. It enjoys a clear edge over Pakistan in the automobile sector. Indian auto companies are highly cost competitive due to appropriate levels of automation and low cost automation and

have achieved a high level of productivity by embracing Japanese concepts and best practices.

India is already the second largest two wheeler manufacturer, second largest tractor manufacturer, and fifth largest commercial vehicle manufacturer in the world and is the fourth largest car market in Asia. The automobile industry in India is now gradually evolving to replicate those of developed countries. Pakistan can import automotive components and spare parts from India at a lower price as presently these items are being imported from the Far East at higher prices. On the other hand, India is expected to benefit from free trade due to its low raw material, electric and labor costs.

The automobile industry was considered to be in a boom with an average GDP growth of 7.5 per cent during the last five years due to constant rise in the consumption and investment levels. A great potential lies for its further growth. However, the auto industry is now witnessing a slump. Recently, there have been adverse affects on the sales, profits and production of cars. The consumers' tastes and preferences are changing with time and according to the prevailing economic conditions of the country.

There were many reasons for the boost in the auto industry. One of the determinant factors in the expansion of auto market was higher disposable income of middle class consumers. But recently, due to high inflation the purchasing power of consumers has reduced significantly. Secondly, consumer financing had also given a significant rise to the auto industry. But the level of prosperity and consumers' capacity to repay debts weakened which resulted in high default rate in the recent past. Moreover, liberal and pro-industry policies of the

government had given rise to the automobile and allied industry in Pakistan. But, changing government policies and uncertain political conditions in 2007 negatively affected car sales.

In Pakistan the automobile components manufacturing industry consists of mainly units producing original components for assembly under deletion program and units producing reconditioned and original components for local use. These units are in three types which include the original equipment manufacturers, independent manufacturers and the ancillary industry producing small parts and non-automotive items.

There are more than 800 vendors in the country with a total investment of over eight billion rupees; they are engaged in the manufacturing of original components for the assembly operation under the deletion program as well as producing reconditioned and original components for sale in the local market.

They manufacture and supply the local car assemblers with auto parts such as pistons, engine valves, gaskets, camshafts, shock-absorbers, struts, steering mechanism, cylinder head, wheel hubs, brake drums, wheels, bumpers, instruments and instrument panels, gears of all types, radiators, cylinder liners, blinkers, lights, doors and door locks as well as auto air conditioners.

Critics say that the local vendor industry though still in the process of development could not achieve the deletion targets by producing low quality components which are not acceptable by the local assemblers, it is said that the Pakistan Association of Automotive Parts & Accessories which represents the auto parts

manufacturers have not in a way been fully able to contribute its share to the development of the sector. The vendors on their part however put the blame on the policy makers and partly on the assemblers who have not been encouraging the local vendors as such.

On the other hand it is said that the foreign car principals have no justification for their complaints because of the level of their participation in the local vendor industry. Hino trucks it was pointed out have started manufacturing wheel drums locally while Suzuki is still complaining about the quality of silencer it received from the local vendors.

Players in the industry:

The following are the main players in the automobile industry of Pakistan:

- Indus Motor Company Limited
- Dewan Farooque Motors Limited
- Atlas Honda and
- Ghandhara Nissan Limited

Indus Motor Company Limited:

Indus Motor Company (IMC) is a joint venture between the House of Habib, Toyota Motor Corporation Japan (TMC), and Toyota Tsusho Corporation Japan (TTC) for assembling, progressive

manufacturing and marketing of Toyota vehicles in Pakistan since July 01, 1990.

Manufacturing facilities:

Just in Time spirit implies two opposing forces of providing fast and flexible response to customers, yet building efficient mechanisms and systems that are efficient and waste-free.

The concept is to provide the right product and information, at the right time, in the right amount, in the right manner, while maintaining high standards of efficiency and cost control. We have to practice this contradictory idea in our daily activities.

Product line:

The following cars/SUVs are offered by the company:

- Camry
- Corolla
- Cuore and
- Hilux

Dewan Farooque Motor Limited:

The Dewan family started business in 1916 at Patiyala State in the Punjab province of India when a small cottage industry was set up by Dewan Mohammad and his son to manufacture garments.

In 1947 Dewan family migrated to Pakistan and settled in Karachi. They formed Dewan Mushtaq Sons and started trading in commodities like tea, sugar, garments, and fabrics. By the late 1950s the firm's turnover had risen to around US\$ 7 million.

In 1968 the Dewan family decided to enter the industrial Arena. They first ventured into Textile yarn spinning and thereafter diversified into sugar and Polyester Staple Fibre. The fourth generation of Dewan family is now aggressively expanding and diversifying in the fields of Acrylic Fibre, Automobiles & Motorcycles and Technology development.

In 1998 Dewan Mushtaq Group diversified its business activities by entering into the automobile industry. Dewan Farooque Motors Limited signed Technical License Agreements with Hyundai Motor Company and Kia Motors Corporation as the progressive manufacturer and distributor of Hyundai and Kia vehicles in Pakistan.

Dewan Farooque Motors Limited acquired franchises of Hyundai Motor Company and Kia Motors Corporation to bring in Korean technology to the country to produce vehicles of high quality at reasonable prices.

Product line:

The following cars of Hyundai motors are offered by Dewan Farooque Motor Company:

- Santro Club
- Santro Exec
- Santro Prime

- Sonata and
- Hyundai Coupe

The following cars of Kia Motors are offered by Dewan Farooque Motor Company:

- Rio
- Sportage and
- Picanto

Atlas Honda:

Atlas Honda Limited is a joint venture between the Atlas Group and Honda Motor Co., Japan. The company was created by in 1988. Atlas Honda Limited manufactures and markets Honda motorcycles in collaboration with Honda Motor Company. The Company also manufactures various hi-tech components in-house in collaboration with leading parts manufacturers like Showa Atsumitech, Nippon Denso and Toyo Denso.

Atlas has undertaken to develop local manufacturing capabilities to the highest, economically feasible level. The company has country's largest in-house manufacturing capability.

Product line:

Following cars are offered by the company:

- Honda Accord
- Honda City
- Honda Civic and
- Honda CR-V

Pak Suzuki Motor Company Limited:

Pak Suzuki Motor Company Limited (PSMCL) was incorporated as a public limited company in August 1983. On completion of first phase of this plant in early 1990, in-house assembly of all types of Suzuki engines started. The new plant was completed in 1992, on its completion all Suzuki products were transferred to new plant and three box 1300cc Margalla car was also added to its range of production. In September 1992 the company was privatized and placed directly under the Japanese Management. With the intensifying market demand the production capacity was further enhanced to 80,000 vehicles per year (2005), 120,000 vehicles (2006) and 150,000 vehicles per year (2007). Till June 2008, 740,828 vehicles production have been achieved from this plant.

Product Line:

The following cars are manufactured by the company:

- Suzuki Mehran
- Suzuki Alto
- Suzuki Cultus
- Suzuki Bolan
- Suzuki Liana
- Suzuki Jimny
- Suzuki Ravi
- Suzuki APV

Perceptual Map:

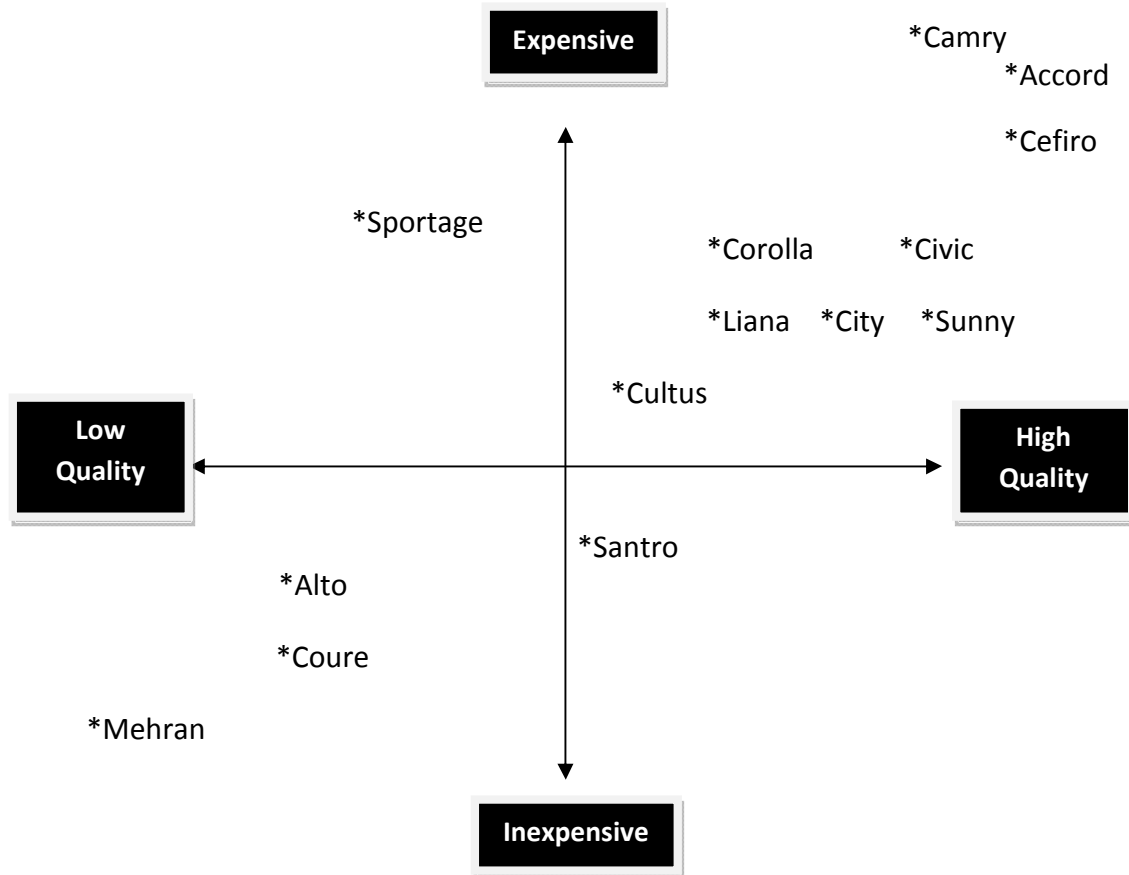


Figure 1: Perceptual Map

External Environment Analysis:**Opportunities:**

The following opportunities exist in the Pakistani market for car manufacturers:

- Before 2005 the duty on imports of cars was 250%. In the same year WTO pressurized the government to reduce this duty and it was then reduced to 50%-80%. It was therefore an opportunity for the car manufacturers and they were able to import the cars with considerable ease.
- Labor in Pakistan is available at very cheap rates as compared to other countries. This is viewed as a big opportunity for the multinational companies. It can bring down costs to a significant level and leave the company with good financial performance.
- Restriction on imports of cars is very high. This restriction is in the form of high duties and it therefore benefits the already existing players in the market.
- Pakistan is a huge market for the car manufacturers. This is an opportunity which everyone wants to capitalize.
- The auto industry, particularly car-making, has started recovering from last year's slump. A 22 per cent boost in car sales between July-September 2009 is a sure sign towards the betterment of the industry.

(<http://www.dawn.com.pk/wps/wcm/connect/dawn-content-library/dawn/in-paper-magazine/economic-and-business/car-makers-out-of-the-woods-609>)

Threats:

The following threats exist in the market:

- Political instability in Pakistan is one of the major reasons why multinational companies do not want to work in Pakistan. Government changes after every two to three years and as a result the policies made by one government are changed by the other before the term is complete. This is really threatening and harmful for the industry.
- Pakistan's economy, together with the world's economy, has seriously been damaged over the past few years. This has affected almost all industries. The production levels have gone down, employees faced layoffs, people started to spend less, no investments etc. give rise to not one but many threats.
- Due to high inflation rate and poor economic condition of the country people have low disposable income. This also serves to be a major threat.
- **Federal Industries Minister Mian Manzoor Wattoo has asked the car makers to increase the localization of parts. This is a serious threat for all car manufacturers and especially for Ghandhara Nissan Limited as their focus is engineering and all the parts are 100% Japan made.**

(<http://www.dawn.com/wps/wcm/connect/dawn-content-library/dawn/news/business/19-auto-makers-urged-to-use-local-parts-to-cut-prices-hh-04>)

External Factor Evaluation Matrix:

KEY EXTERNAL FACTORS	WEIGHT	RATING	WEIGHTED SCORE
OPPORTUNITIES			
Availability of workforce at cheap rates	0.1	2	0.2
Less international competition	0.05	1	0.05
Lack of competition due to dominance of a few players	0.05	1	0.05
Restriction on imports	0.3	1	0.3
THREATS			
Change in government policies	0.1	1	0.1
Political instability	0.2	2	0.4
Poor economic condition	0.1	1	0.1
Low disposable income of the consumers	0.1	2	0.2
TOTAL	1.0		1.4

The average total weighted score of Gandhara Nissan Limited is 1.4. This score shows that the company is not capitalizing on the opportunities that exist in the market or avoiding the external threats.

Competitive Profile Matrix:

Critical Success Factors	Weights	Gandhara Nissan limited		Indus Motors		Atlas Honda		Pak Suzuki	
		Rating	Score	Rating	Score	Rating	Score	Rating	Score
Resale value	0.1	2	0.2	4	0.4	3	0.3	4	0.4
Availability of spare parts	0.2	2	0.4	4	0.8	3	0.6	4	0.8
Competitive pricing	0.05	4	0.2	3	0.15	3	0.15	4	0.2
Variety of car models	0.05	1	0.05	2	0.1	2	0.1	3	0.3
Economical	0.2	2	0.4	3	0.6	3	0.6	4	0.8
Performance	0.05	3	0.15	3	0.15	4	0.2	2	0.1
Drive	0.01	3	0.03	3	0.03	4	0.04	1	0.01
Fuel consumption	0.09	3	0.27	3	0.27	2	0.18	4	0.36
Maintenance	0.25	3	0.75	3	0.75	3	0.75	1	0.25

TOTAL	1.0	-	2.45	-	3.25	-	2.92	-	3.22
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Availability of spare parts, economical car, and maintenance are the most important critical success factors as indicated by weights of 0.2, 0.2, and 0.25 respectively. Indus Motors and Pak Suzuki has highest resale value as indicated by a rating of 4 and the availability of their spare parts is also easy which is also indicated by a rating of 4. Ghandhara Nissan Limited is the best in terms of competitive pricing (also indicated by a rating of 4). However, the resale value of Pak Suzuki and Indus Motors is the best. Atlas Honda has a resale value that is considered to be slightly less than Indus Motors and Pak Suzuki. Ghandhara Nissan Limited's resale value is not so good (indicated by a rating of 2).

CHAPTER 4: ORGANIZATIONAL OVERVIEW

Ghandhara Nissan Limited:

Introduction:

Ghandhara Nissan Limited (GNL) is a group Company of Bibojee Services (Pvt.) Limited. The Company was incorporated in 1981 as a Private Limited Company having the sale licensee for the distribution of Nissan vehicles in CBU condition in Pakistan. Later in 1992 it was converted in to a Public Company listed in Karachi Stock Exchange.

GNL has Technical Assistance Agreement with Nissan Motor Co. Japan and joint Venture Agreement with Nissan Diesel Co. Japan for the progressive Assembly of Passenger Cars, Light Commercial Vehicles and Heavy Duty Vehicles. GNL's Car and Truck Plants are located at Port Qasim adjacent to each other.

It is the only Automobile Company in the country assembling complete range of products i.e. passengers cars, light commercial vehicles and heavy-duty trucks and buses.

The company is committed to achieve high quality products, customers' satisfaction, market leadership, contribution in the economic growth of Pakistan and comply with all regulatory and other requirements for making the environment user friendly products.

Vehicles line-up:

GNL assembles cars, trucks, and busses in Pakistan. The following models of cars and busses/trucks are assembled at Bin Qasim port in Pakistan:

Cars / SUV:

- X-trail
- Cefiro
- Sunny
- Pickup (4*4) & (4*2)
- Urvan van
- Civilian (Coaster)

Trucks/busses:

- PKB 211 GHRN
- CWM 454
- SP 210 (BUS)
- CDA 411
- PKD 411 E

X-TRAIL:***Performance:***

The X-TRAIL offers formidable 4X4 capabilities for wild terrain and it is equally on the highway or city street. It has fuel-efficient engine, sophisticated suspension, quality engineering, and exceptional soundproofing. The vehicle promises supremely satisfying performance whether commuting or enjoying the wide open road.

Control safety:

The control safety measures allow the driver to avoid emergency situations by enhancing vehicle control. Following are the safety measures that are there in X-trail.

Electronic Brake force Distribution (EBD): Provides enhanced braking control for safer, stress-free driving in every vehicle load situation

Brake Assist System (BA):

Ensures additional stopping power by activating ABS (or EBD) during hard or panic braking

ABS:

Optimizes braking performance, helping the driver to retain directional control of the vehicle, especially during emergency braking.

Prices:

Model	Selling Price
Nissan Xtrail 2.2L D SLX M/T	Rs. 6,900,000/-
Nissan Xtrail 2.5L LE M/T	Rs. 6,350,000/-
Nissan Xtrail 2.5L LE A/T	Rs. 6,600,000/-
Nissan Xtrail 2.5L SLX A/T	Rs. 6,770,000/-

Nissan Patrol:

This car has an impressive new style and richly appointed interior. It is a 4wd and is said to have a world class experience.

Performance:

Nissan Patrol's formidable all-terrain prowess is underscored by superior engineering that ensures greater driving confidence, passenger comfort, and on-road performance. The 5-speed automatic transmission with manual mode provides sporty performance in all driving situation. Wide, 257/65R17 redial tires and attractive alloy wheels give Patrol a formidable appearance.

Model	Selling price
NISSAN PATROL 4.2 SGL M/T	Rs. 9,850,000/-
NISSAN PATROL 4.8 GRX M/T	Rs.10,500,000/-
NISSAN PATROL 4.8 GRX A/T	Rs.10,800,000/-

Nissan Cefiro:

Distinctively elegant, yet visibly imbued with the dynamism of a vehicle capable of cruising across continents with consummate ease. Underlined by the quietly elegant chrome trim along the edge of the integrated bumper and flanked by impressively large combination lamps, the substantial trunk of the Cefiro clearly

marks this as a premium sedan.

Intelligent key:

The Cefiro intelligent key comes in a card format for carrying convenience. As long as you have the key in your pocket or bag, you can unlock and lock the doors, including the trunk. No key is needed to switch the ignition on or off. Both the door locks and trunk lock sense when the intelligent key is within range (up to 80CM). The remote control function allows you to unlock and lock the doors merely by pressing buttons on the key.

Nissan Sunny:

"The closer you look, the more compelling the attraction becomes" this is how the company describes its Nissan sunny. It has very stylish contemporary appeal and is equipped with advanced technologies.

Prices:

Model	Selling Price
NISSAN SUNNY 1.3L EXECUTIVE SALOON M/T GASOLINE	1,170,000/-
NISSAN SUNNY 1.6L EXECUTIVE SALOON M/T GASOLINE	1,225,000/-
NISSAN SUNNY 1.6L SUPER SALOON M/T GASOLINE	1,370,000/-
NISSAN SUNNY 1.6L SUPER SALOON A/T GASOLINE	1,470,000/-

Assembling Plants:

The Assembly Plant of Gandhara Nissan Limited situated at Bin Qasim, Karachi is most modern of its kind in Pakistan. The innovations carried out in-house from time to time, contributes to high standard of quality. Its capacity is flexible and can be doubled easily. It can produce 1200 vehicles annually on single shift basis. The Company is committed to meet the nation's transportation needs by providing economical, user friendly and high quality commercial vehicles.

In this regard quality at all levels is strictly maintained by Gandhara Nissan Limited team of Engineers and Technicians, trained locally and abroad.

Internal Analysis:**Strengths:**

Following are the strengths of the company

- The company manufactures cars that are of high quality. Engineering is the focus of the company. All the cars manufactured by Gandhara Nissan Limited are best in terms of engineering. This is the main strength of the company.
- The life of the engine is very long as compared to that of competitors.
- Nissan cars are fuel efficient. They are almost 10-15% more fuel efficient than Toyota and Honda cars. Low RPM (Revolution per minute) is the reason for this.
- In 2009, Gandhara Nissan Limited's cars are 100% Japan manufactured. They are only assembled in Pakistan. Japan manufactured car is an assurance of high quality in itself.
- In March 1999 Nissan Japan merged with Renault. This merger was a perfect combination because Renault was best in making excellent car shapes whereas Nissan was best in engineering. So together they made a perfect combination. This merger resulted in taking the company to number 7 car manufacturer all over the world.

Weaknesses:

-
-
- In 1996 the government of Pakistan banned the imports of cars. The new policy was to get at least 40%-50% parts of a car from a local vendor and they were not able to provide the parts with desired level of quality. This policy did a huge damage to Ghandhara Nissan Limited and the company was able to manufacture only 60-70 units that year instead of 1000 units. So Ghandhara Nissan Limited, which was the market leader in 1980s, was out of the market for almost 10-15 years.
 - The availability of spare parts is very difficult. And if the spare parts are available they are very costly. This is the reason why people are reluctant to buy Nissan cars.
 - The resale value of Nissan cars is very low. This is partly due to the cost associated with finding the spare parts, both in terms of money and availability.
 - Ghandhara Nissan Limited has been out of the operations in Pakistani market for 10-15 years. This gap in operations became the reason that the company has now nominal share in the market.
 - One of the main reasons for the downfall of Nissan cars is its unchanged shape. As already mentioned that the focus of Nissan cars was engineering they therefore did not focused on the shape of the cars. They continue manufacturing the cars with a simple and unchanged shape from 2002 until today which is a major weakness.

- Currently there are only 30,000 to 35,000 units in operation (UIO) of Nissan cars in Pakistan. This is a very small number and is a weakness of the company.
- After a long gap in operations the company made a comeback in the Pakistani market in the year 2005. As it has only been four years so they are trying to gain market share but right now they have a nominal share in the market.

CHAPTER 5: IDENTIFICATION OF ISSUES

The following are the most important issues that Ghandhara Nissan Limited is currently facing

- The company's main focus is engineering. This focus is so strong that they gave little importance to car shape and focused more on developing powerful engines. This focus of theirs presented them with low market share.
- A long gap in operations of the company in Pakistan came due to the change in government policies. This resulted in the shutdown of the plant and the company was out of the market for almost 15 years. And they are still not able to make a comeback as market leaders.
- Heavy duty on the import of cars is another big issue for the company. As the parts of Nissan cars are 100% Japan made therefore these duties contribute towards huge costs.
- The availability of spare parts of any car is the most important consideration while making a purchase decision. Although Nissan cars are considered to be luxurious and of good quality yet we hardly see these cars in majority on roads. The main issue underlying this fact is the unavailability of its spare parts at an acceptable cost.
- Nissan cars have a low resale value as compared to its competitors Indus Motors, Atlas Honda and Pak Suzuki.

- Ghandhara Nissan Limited only offers big cars in the Pakistani market whereas its competitors offer cars with powerful engine as well as small cars with engine power less than 1000cc. this makes their competitors strong because majority of the car users in Pakistani market have an average monthly household income and therefore use small to medium cars.

CHAPTER 6: POSSIBLE OPTIONS**SWOT Matrix:**

SWOT Matrix for Gandhara Nissan Limited		
	Strengths	Weaknesses
	1. Best engineering 2. Long life of engine 3. Fuel efficient cars 4. High quality 5. Ranked in World's top 10 car manufacturers	1. Expensive spare parts 2. 100% Japan manufactured parts (it is a weakness due to government policies on imports) 3. Low resale value 4. Gap in operations 5. Unchanged shape of the car 6. UIO are very less 7. Nominal market share
Opportunities	SO Strategies	WO Strategies
1. Restriction on imports 2. Cheap labor	1. Start local manufacturing of the parts (S1, O1)	1. Introduce small car for the masses (W7, O3)

3.Huge market size	2.Send the local workforce to Nissan Japan for training (S5,O2)	2.Advertise existing car models (W6, O3)
Threats	ST Strategies	WT Strategies
1.Political instability 2.Economic crisis 3.High inflation rate 4.Competition	1.Gain control over the distributors in order to compete effectively (S5,T4)	1.Give customers the option to sell used Nissan cars to the company and they can buy new Nissan car with some additional payment (W3,T3)

CHAPTER 7: CONCLUSION & RECOMMENDATIONS

Recommendations:

Following are some of the recommendations for Gandhara Nissan Limited:

- The cars introduced by Gandhara Nissan Limited are very powerful and they are big and expensive while the majority of the car buyers in Pakistan cannot afford these cars. They have an average household monthly income. Gandhara Nissan Limited should introduce an economy budget car for this segment of the market.

- The availability of spare parts at cheap prices is very critical to the sales of any car. The resale value heavily depends upon the demand of a car model and the cheap availability of the spare parts. The spare parts for Gandhara Nissan Limited's cars are both expensive and hard to find. In addition to Nissan cars being expensive they are also difficult to maintain because of the availability of spare parts. Therefore the GNL should make sure that the spare parts are available easily and at cheap prices.

- Start manufacturing the spare parts in Pakistan. By doing this the cost of manufacturing the spare parts will be reduced. So

the company will be able to provide spare parts to its customers in an efficient way.

- The company should send its workforce to Nissan Japan for training. This will both improve the local manufacturing and increase the motivation level of the employees.
- Ghandhara Nissan Limited has a small customer base as compared to its rivals Indus Motors, Atlas Honda and Dewan Salman. It should therefore try to increase its customer base. A good way to do this would be through catering the niche market segmentation. This can also help in multiplying the profits.

The company can introduce girlish cars in pink, red and such colors loaded with accessories. Similarly a small sports car type car can also be made for males. As no other competitor is targeting this market segment and the demand for such products exist in the market so Ghandhara Nissan Limited can have first mover advantage in this area.

- Motor Vehicle Crashes are the number one cause of death for children and adults, age groups 1 to 34(<http://www.car-seat.org/showthread.php?t=102800>). Selecting a safe vehicle and properly using child restraints and seatbelts is the most important thing one can do to protect ones family. People of Pakistan are not aware of the importance of using the seat belts and baby seats in the cars. Ghandhara Nissan Limited should do some social marketing and should try to aware people of these things. Ghandhara Nissan Limited's cars should come with a built

in baby seat. This will show the customers their safety is important for the company.

- Ghandhara Nissan Limited has only one company operated 3S (spare parts, service and sales) shop in Islamabad. Whereas Atlas Honda and Indus Motors has several 3S shops in these areas. Ghandhara Nissan Limited should have more 3S shops in major cities of the country.

- The fuel prices are going up every day and car users therefore prefer to use CNG in their cars as compared to petrol and diesel. All the cars introduced by Ghandhara Nissan Limited are on petrol. The company should introduce company fitted CNG cars as it would be economical for the customers.

- In order to cater a large segment of the market, which has an average monthly household income, the company should start car financing on easy terms. Nowadays, banks do offer car financing but they are on very difficult terms. So Ghandhara Nissan Limited should start this service for its customers and make it an easy option to buy its cars.

- Majority of the respondents prefer to buy a second hand car because we see that it is very difficult to buy a new one for most of them. It is partly due to the low income of the consumers. In order to deal with this and in order to increase the sales the company should introduce a system whereby the customers can sell used Nissan cars to the company and can buy new one with some additional payment.

- Gandhara Nissan Limited can enter into a contract with other companies and embassies. The company can provide them with Nissan cars. This can strengthen its market base and multiply profits.

Conclusion:

The majority of the respondents had a Suzuki car which is known for its cheap pricing and an acceptable quality. It is important to note the relationship of one's income level to the type of car one owns. Respondents who had an average household monthly income had a small car where as those who has an above average income owned luxurious and more powerful cars.

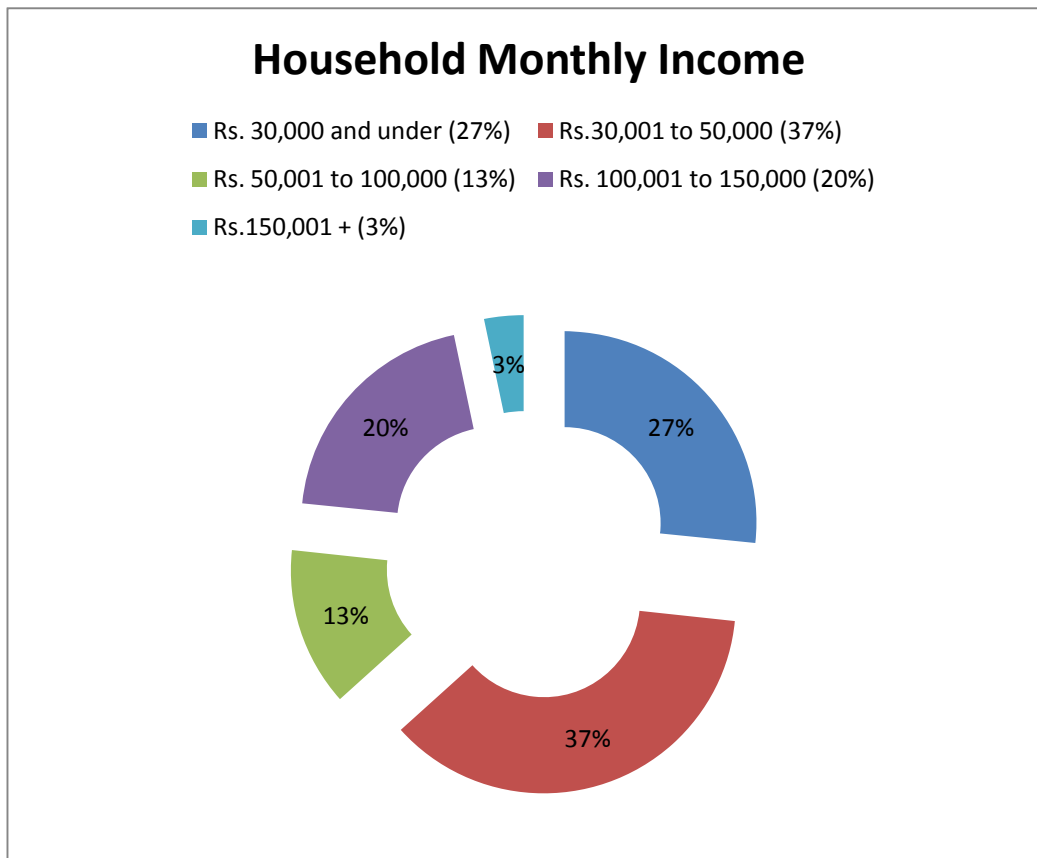
Most of the respondents prefer buying a second hand car in good condition. The most important factors for the buyer of these cars are the car mileage, model and year of manufacture of the car. Resale value is also of great importance to them which depends upon the availability of spare parts.

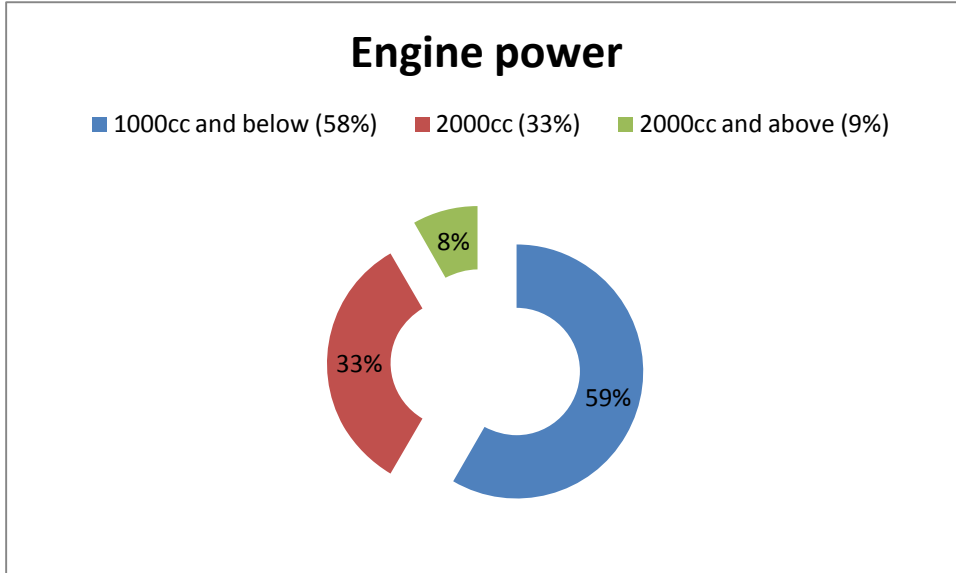
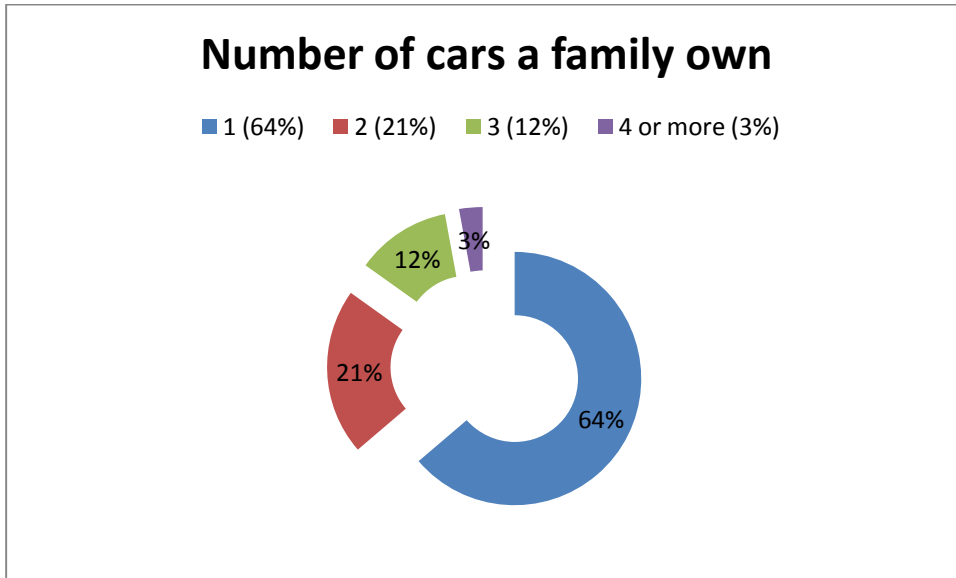
According to the results obtained through questionnaire the engine power, income, model, availability of spare parts, and year of manufacture are important for the customer when making a purchase decision. Thus these considerations should be the focus of the car manufacturers while and after introducing a car.

ANNEXURE :**Data analysis:**

Following is the analysis of the data gathered through questionnaires:

83.33% of the respondents were male and 1.66% were female. The age bracket of 40% was between 18 to 25, 33.3% were between 26 to 30, 26.6 were between 31 to 35 and 3.33% were above 40%.

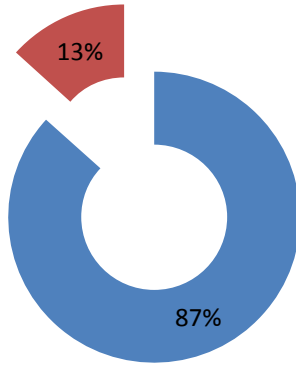




Out of these 70% owned a Suzuki car, 30% had Honda, 16.6% had Toyota, and 3.3% had Nissan.

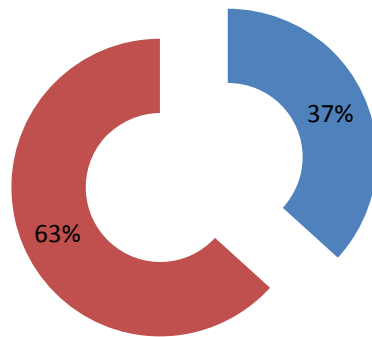
Mode of payment for purchase of car

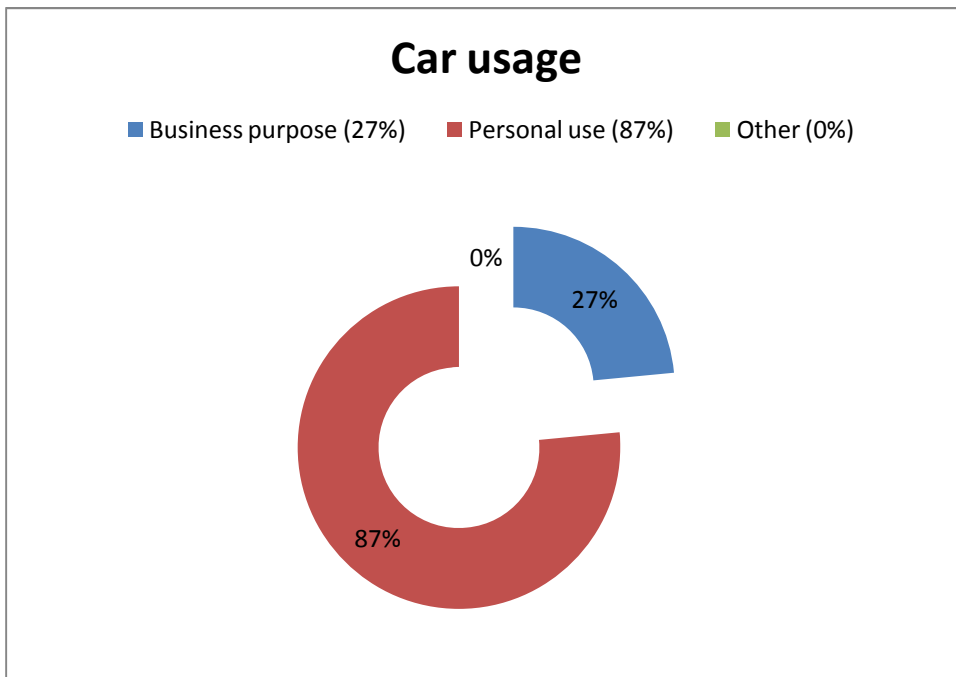
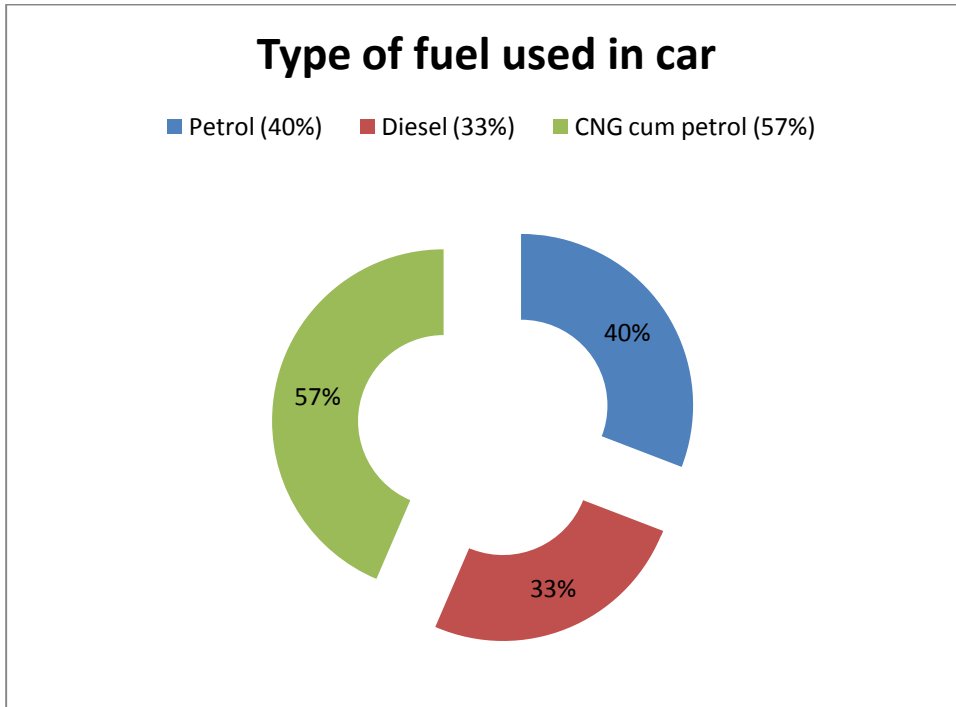
■ Cash/cheque (87%) ■ Credit/leasing/financing (13%)



Car condition at the time of purchase

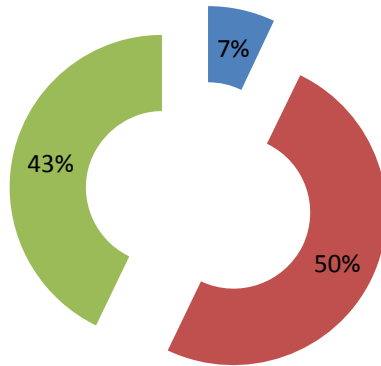
■ Brand new (37%) ■ Second hand (63%)





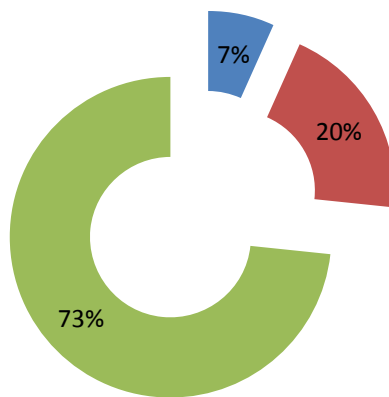
I am satisfied with the overall performance of my car

■ Completely disagree (7%) ■ Agree (50%) ■ Completely agree (43%)



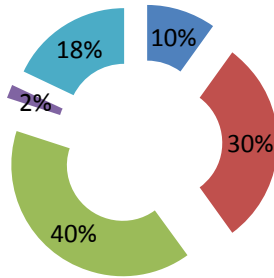
I enjoy driving my car

■ Completely disagree (7%) ■ Agree (20%) ■ Completely agree (73%)



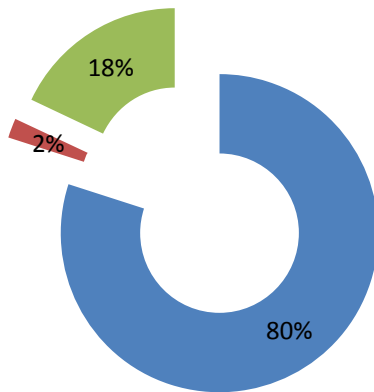
My car needs maintenance

■ Every week (10%) ■ twice a month (30%) ■ every month (40%)
■ every six weeks (2%) ■ other (18%)



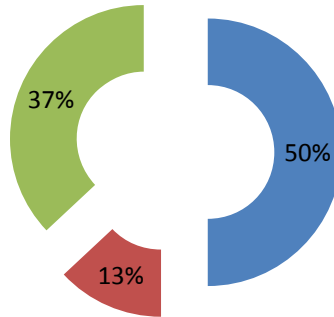
I am satisfied with the availability of spare parts of my cars

■ completely disagree (80%) ■ agree (2%) ■ completely agree (18%)



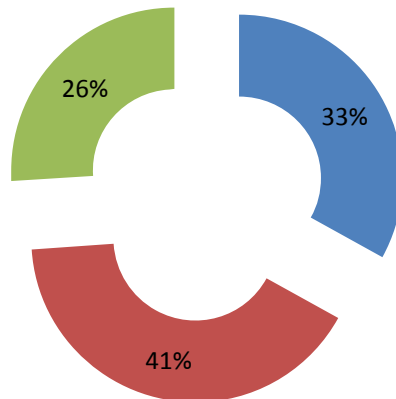
I am a loyal customer and will most likely not switch the brand

■ completely disagree (50%) ■ agree (13%) ■ completely agree (37%)



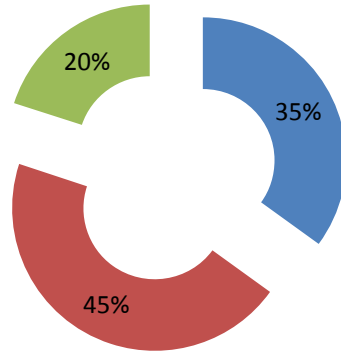
I am satisfied with the fuel consumption of my car

■ completely disagree (33%) ■ agree (41%) ■ completely agree (26%)



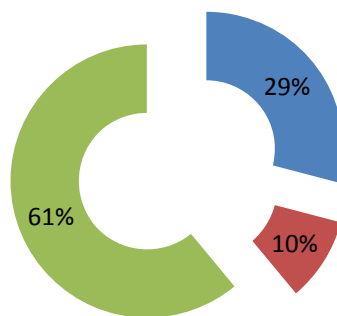
I am satisfied with the social status by having my car

■ completely disagree (35%) ■ agree (45%) ■ completely agree (20%)



Advertising and word of mouth promotion affects my choice of car selection

■ completely disagree (29%) ■ agree (10%) ■ completely agree (61%)



Engine strength and year of manufacture of the car were rated at the highest priority while selecting a car (63% of the respondents). Income was the second important factor for 25% of the respondents and mileage was the third important factor for 12% of the respondents. Model of the car and brand name was the least important for the respondents when compared to engine strength, income, year of manufacture of the car, and mileage.

Honda civic, Toyota corolla, Nissan sunny and CEFIRO were the top rated cars by 75% of the respondents. Suzuki Mehran, Cultus, Cuore, Alto and Santro were rated as average by 11% of the respondents. Suzuki Bolan and Liana were rated below average by 2% where as 12% rated Nissan Patrol and X-trail were rated as above.

Findings:

Majority of the people who responded had an average household monthly income (37% had Rs.30,001 to 50,000). They had a second hand small car (engine power less than 1000cc) and majority owned a Suzuki car. These cars are said to have an average price and are of an acceptable quality.

Majority enjoys driving their cars and had to take their car for maintenance once in a month. They are also satisfied with the availability of the spare parts of the car. 50% are so satisfied

with their brands that they want to stick to it and do not want to switch brands.

Most of the respondents used the cars for personal use and the fuel used in the cars was CNG cum petrol. Cash payment was preferred by majority for purchasing the car. The resale value of the car is really important for the car users of these localities because majority of the cars bought are second hand.

QUESTIONNAIRE

We, the students of Bahria University, are conducting a research on "Customer profiling and segmentation for cars" (A study on Nissan). In this connection, we have developed the following questionnaire. You are requested to fill it out. The information provided will be used for academic purpose only. Thank you for participating in the survey.

How many car(s) do you/does your family have and what model(s) they are?

1 2 3 4 or more

Car model(s) (Please specify): _____

What is the engine power of your car(s)?

(In case of more than one car, please specify brand name of your cars against the following options)

1000cc and below _____

Below 2000cc _____

2000cc and above _____

What was the mode of payment?

(In case of more than one car, please specify brand name of your cars against the following options)

Cash/Cheque _____ Credit/Lease/Financing

Is this car/are these cars bought brand new or second hand?

(In case of more than one car, please specify brand name of your cars against the following options)

Brand new _____ Second hand _____

Which fuel do you use in your car(s)?

(In case of more than one car, please specify brand name of your cars against the following options)

Petrol _____ Diesel _____ CNG cum Petrol

Which of the following purpose takes the highest ratio in your daily car use?

Business purpose Personal use Other (please specify)

I am satisfied with the overall performance of my car

Completely disagree Agree Completely agree

I enjoy driving my car

Completely disagree Agree Completely agree

My car needs maintenance

Every Week Twice a month Every Month Every
six weeks Other

I do not feel frustrated handling and maintaining my car

Completely disagree Agree Completely agree

I am satisfied with the performance of my car as compared to its price

Completely disagree Agree Completely agree

I am satisfied with the availability of spare parts of my cars

Completely disagree Agree Completely agree

I am a loyal customer and will most likely not switch the brand

Completely disagree Agree Completely agree

I am satisfied with the fuel consumption of my car

Completely disagree Agree Completely agree

I am satisfied with the social status by having my car

Completely disagree Agree Completely agree

Advertising and word of mouth promotion affects my choice of car selection

Completely disagree Agree Completely agree

Gender:

Male Female

Age:

18-25 26-30 31-35 40+

Household Monthly Income:

- Rs.30,000 and under Rs.30,001 - 50,000
 Rs.50,001 - 100,000 Rs.100,001 - 150,000
 Rs.150,000+

Identify the top three factors in order of their importance to you while selecting a car: (i.e. highest priority = 1, lowest priority = 3)

Brand selection factors	Rank top three
<i>Income</i>	
<i>Brand name</i>	
<i>Performance</i>	
<i>Model</i>	
<i>Year of manufacture</i>	
<i>Engine strength</i>	
<i>Mileage/usage (in case of second hand car)</i>	

Rank the following brands according to your buying preferences:

(i.e. The brands you like the least =1, Below average =2, Average =3, Above average =4, The brands you like the most =5)

Car brands	Ranking
Honda Civic	
Toyota Corolla	
Suzuki Mehran	
Suzuki Cultus	

Hyundai Santro	
Honda City	
Daihatsu Cuore	
Suzuki Alto	
Suzuki Liana	
Suzuki Bolan	
Nissan Sunny	
Nissan Patrol	
Nissan X-Trail	
Nissan CEFIRO	
Others (please specify)	

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