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COMPETITIVE MARKETING STRATEGY: A STUDY OF
COMPETITIVE PERFORMANCE IN THE BRITISH CAR MARKET

VOLUME TWO

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CHAPTER FIVE

COMPETITION IN THE CAR INDUSTRY

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Introduction

The car industry is one of the major world manufacturing industries. It has been a glamour industry showing massive rates of growth and, with the development of its distinctive production methods and consumer products, it is one of the important symbols of the twentieth century⁽¹⁾. However, there is evidence to suggest that the industry is in the throws of the most difficult adjustment period in its history. After decades of remarkable progress, it is now confronted with a group of factors that call for drastic changes. The oil crises of the 1970s have changed demand patterns and given a major impetus to a very expensive product innovation. A growing government intervention has also created a product innovation dilemma that has not been faced since the early years of the industry. Above all, as a mature industry with world demand projected to grow less than two per cent a year through the 1980s, significant gains in market share by some competitors necessarily translate into losses for others. These shifts in international business rivalry can have a pronounced differential impact on national balance of payments positions, employment levels, economic growth, and even military security⁽²⁾.

With regard to the U.K. car industry, it has been documented that over the past twelve years or so, the industry has declined rapidly and in absolute terms as measured by all the main economic indicators. In relative terms, it has performed remarkably badly, worse than any of the major producing countries. It has lost its share of world output, world trade and the domestic market. Over the last two decades, sales of imported cars have rocketed approaching 60 per cent in 1983 from just 5 per cent in 1965. At the same time, the industry failed to offset this increase in import penetration by increases in exports.

There are many symptoms of the disease which has affected the industry. Product range problems, product quality, low productivity, unsatisfactory delivery records, inadequate investment, distribution difficulties, worsening labour relations, and fragmented structure - all of these have been undermining the industry for many years.

In recent years a great deal of effort has been exerted and many solutions have been proposed to help to achieve recovery. However, most of these efforts have lacked direction and been counter productive, partly because of failure to take account of the global dimension.

The main purpose of this chapter is to review the current status of the U.K. car industry which should be considered in the context of the global car industry.

The study first considers the significance of the car industry as a whole, its definition and evolution, the requirements for success, the main aspects of the competitive strategies adopted and pursued by the major producing countries, and recent developments in the car industry in general.

Thereafter, the study proceeds to highlight the competitive position of the U.K. car industry, its historical background and its current position.

In presenting discussion of these issues, the following format is adopted.

Section One: The car industry: Economic significance and nature of change.

- Significance of the industry.
- Definition and evolution of the industry.
- Factors affecting competitiveness in the industry.
- International competition in the car industry.
- Recent trends in the world car industry.

Section Two: The U.K. car industry.

- Background and current position.
- Significance of the industry.
- Major car producers.
- Trade and competitiveness.

SECTION ONEThe car industry: Economic significance and nature of changeThe significance of the industry

The car industry figures more prominently in the public's mind than any other manufacturing industry. This popular interest in cars relates not only to their central importance as one of the principal means of transport and communication in the modern world, but also to their social and economic importance.

At least six main reasons may be submitted to explain why the car industry occupies a position of such importance:-

1. The substantial size of the industry in terms of output and employment. In the various measures of size, employment and output, the motor industry in general is one of the world's largest manufacturing industries. Worldwide the industry directly employs about 3.5 million people, and probably twice that number can earn their living in related industries such as component supply or car retailing. In 1980 the industry's share of total manufacturing industry employment was approximately 10.4 per cent in Germany, 9.6 per cent in France, 8.9 per cent in Japan, 5.8 per cent in the U.K., and 4.3 per cent in the U.S.⁽³⁾ In terms of output, the car industry accounted for some 29.5 million units in 1983. The leading producer countries were Japan, the U.S., Western Germany, France, Italy, Spain and the U.K.⁽⁴⁾
2. The importance of the motor industry in general and the car sector in particular in international trade and balance of payments terms. In 1980, international trade in motor vehicles represented 15.5 per cent of world trade in manufacturing industry⁽⁵⁾, excluding trade in parts, engines and tyres. For the individual countries, the industry is a major factor relating to the balance of payments. In 1980, the U.S. car exports accounted for some 12 per cent of the

country's exports of manufactured products. Percentages for Japan, France and Germany were approximately 28, 18 and 19 per cent respectively. Similarly, motor vehicle imports represent a significant proportion of manufactured imports for some countries. For instance, they represent about 20 per cent of the U.S's manufactured imports and over 10 per cent of the U.K's. ⁽⁶⁾

3. The high visibility of the industry in the market place and in the labour market. In Jones's ⁽⁷⁾ view, there are two aspects of the industry's visibility in the market place to be noted. First, the concentration of production in the hands of a limited number of producers. The eight largest car producers, General Motors, Toyota, Nissan, Ford, Volkswagen, Audi, Renault, the Peugeot-Citron-Talbot Group and Fiat are based in five countries including the U.S., Japan, Germany, France, and Italy, which between them account for nearly 70 per cent of the world output. ⁽⁸⁾ Second, the psychological dimension. In this respect it has been documented that the types of cars produced and the perceived performance of the national producers have symbolised the national attributes and relative industrial performance of each country.

With regard to the labour market, it has been pointed out that the dominance of the largest firms and the concentration of employment in a few very large plants has resulted in the motor industry becoming a key industry in establishing industrial relations procedures and in setting pay and conditions throughout industry.

4. The motor industry in general has been regarded until recently as an important source of economic growth. Besides being a source of stability in respect of the balance of payments position, automotive production has made many contributions to manufacturing engineering with the early large-scale use of conveyors, high-speed machine tools, precision-made standard parts and the design of plants.

Also, the expansion of the industry stimulated demand for improved products from other sectors of industry such as metal, rubber and petroleum fuels. Further, the highly successful detailed management of the many complex stages of production involved in the volume manufacture of motor vehicles, often spread over a large number of plants and an extensive geographical area, is one of the great achievements of modern industry.⁽⁹⁾

5. Broader management strategies, and business thinking in general, owe much to the experience of the motor industry. The contribution of General Motors and Ford to the history of business organisation and to the production of consumer durables for the mass market is well known.
6. The car is the largest manufactured item that the typical household ever purchases, a fact which partly explains the popular interest in product and in the industry which produces it. In addition, the car is a unique product with elements of utility, sport and recreation, as well as being a significant personal possession conferring social prestige.⁽¹⁰⁾

Definition of the industry and its evolution

The product of the motor industry in general is extremely complicated and highly diversified. The industry includes a very wide range of types of product differentiated by their main function or use, size, weight, and methods of production. The market is divided into three general types; cars, commercial vehicles and components.

Cars, which represent our main concern, constitute the predominant type of vehicle in overall output, comprising about 75 per cent of world production. This general group can be further subdivided by body type (e.g. two-door, four-door, hard-top, sedan/saloons. sports, station wagons etc.), engine capacity and price class. Another subdivision can be made by splitting this group into volume and specialist cars.⁽¹¹⁾ While the specialist manufacturer, such as Rolls-Royce, Porsche, Volvo and BMW, cover a few selected

segments of the market, the volume manufacturer usually has to cover the model range from mini, small and medium to the large executive segments. Variations in engine size and dimensions of cars reflect national differences in vehicle and fuel taxation policies, driving conditions, traditions and income levels.

The second generic group consists of Commercial Vehicles, including vans, trucks and buses. The majority of commercial vehicles are relatively light-weight vans and pick-up trucks used for commercial purposes, recreation and general passenger carrying purposes.

The third and final group is the component market. This segment covers original equipment and the after-sale requirement for servicing vehicles already in use.

Motor vehicles are not yet sold solely by function or by Kilogram. They are sold by brand name, which has particular retail and service connections, and conveys implications of quality, tradition and appeal to a distinct market segment. To the maker, dealer, and buyer, the output of motor vehicles is classified by make, model and variant.⁽¹²⁾

As mentioned earlier, the study is restricted to the car industry and does not cover Commercial Vehicles or the manufacture of components as they constitute a separate market.

With regard to the development stages of the car industry, it could be said that the car industry developed at the turn of the century as a fragmented, small volume industry in Europe, but was soon overtaken by the U.S., where the first extensive growth in car production capacity occurred between 1908 and 1929. World output in 1900 has been estimated at nearly 10,000 units, mostly produced in Europe and the U.S. The one million unit level was achieved in 1915 and production increased rather unsteadily to 5.3 millions in 1919. This growth was a result of the application of new manufacturing techniques, especially by Ford and other pioneers who

introduced assembly lines that paced the workforce, allowed greater division of labour and greater use of semi-skilled labour.⁽¹³⁾ The world depression after 1929 had a strong influence on total production which declined to 1.9 million vehicles in 1932. The industry's most rapid growth took place during the period 1945 to 1973. After the second world war, car output expanded, rapidly reaching 8.1 million units in 1950, about 13 million in 1960. Output almost doubled in the 1960s, reaching around 23 million in 1970, and then expanded to peak of 29.6 in 1973. The oil crisis of late 1973 had a substantial effect on the industry and production declined to 25.5 million units in 1974 and 24.9 million in 1975. An output recovery took place in the following four years, reaching 31 million cars in 1979, a year which witnessed a second oil crisis. Output declined once again, dropping to 28.2 million in 1980, 27.1 in 1981 and 26.4 in 1982, before rising to 29.5 million units in 1983.⁽¹⁴⁾

In examining the history of the car industry, Jones and Womack⁽¹⁵⁾ identified three major transformations that have shaped it. Each of these transformations arose from a creative break-through by a particular set of producers in the technology field as well as in the organisation of the industry both of which facilitated a rapid growth of demand and exports, leading to competitive imbalance between the major producers.

The first of these transformations was a break through by American producers, around 1910, which led to a change from a custom building to a mass-volume industry. The second transformation took place in Western Europe from the late 1950s when European producers combined mass production with an emphasis on product innovation and differentiation to challenge the American-based producers for the first time. The third transformation began in Japan in the late 1960s, when Japanese producers made dramatic break throughs in production organisation that yielded a lower cost product with an unexpectedly high degree of manufacturing accuracy.

The result of each transformation was that a new region of the world seized the initiative in shaping the future of the industry worldwide while other producers with competitive weaknesses embarked on a process of catching up and restoring lost grounds by adopting the new, more effective practices as soon as the required techniques became available to them.

The study identifies a fourth transformation which took place in the early 1980s and it still continuing. The main characteristic of this stage is a concentrated production at low-factor-cost locations, the mass introduction of flexible manufacturing systems, new forms of co-operative competition, and the incorporation of a whole range of new technologies into new car designs.⁽¹⁶⁾

Factors affecting competitiveness in the car industry

Having explained the significance of the industry and outlined its evolution, we shall now set out what appear to be the main requirements for success in the car industry. Any car producer must meet these requirements to compete successfully and remain viable in the industry. The most important requirements for success in the car market will be discussed under the following headings:

(1) Product Policy. Generally speaking, the aim of any automaker's product policy is to retain or gain market share within a product segment, and to establish a proprietary niche in the market that is perceived by consumers to be sharply different from those offered by the competition.⁽¹⁷⁾ In other words, the aim of product policy is to bring together goals of the firm with the demonstrated or expected preferences of the customers and interweave the two. This process includes three main dimensions: Product design, product quality, and product differentiation.

Product design is the first aspect to be considered. During the early years of the industry, it was not unusual for firms to rely heavily on car design as their competitive edge. The very concept of the car was changed for the consumer by early technological

advances in body design.⁽¹⁸⁾ Most models introduced after the Second World War were innovative in the sense that they offered better designed bodies and optimised the overall design of the car to serve emerging postwar demands. Although some necessary technology relating to the major components of the car had been established during this period, the overall design was the most important factor affecting competitiveness.⁽¹⁹⁾ In recent years, as problems with imports, safety and environmental regulations have persisted and have been compounded by higher fuel prices, changes in design have continued to be a major competitive weapon.

The second aspect of product policy is product quality. In the car industry, as with others, a high standard of quality is an important determinant of market share and competitiveness. A reputation for poor quality leads to customer dissatisfaction and to a long-term loss of market share. In the car market there are four main dimensions of quality.⁽²⁰⁾ First, assembly quality: this is what the industry refers to as the "fits and finishes" dimension, which includes such things as body finish, squeaks and rattles, the alignment of doors and hoods, and paint quality. This aspect of quality focuses on the extent to which components and materials meet specifications. Second, product reliability: this refers to the ability to function as designed on demand. Failure to function as designed makes the vehicle less useful, and repairing a malfunction is often considered as a money and time consuming inconvenience. Third, durability: this is related to the ability to provide the car with corrosion protection and longer-life components and systems. Finally, consumer loyalty: or the willingness of buyers to purchase the same car again, is considered to be a test of the quality of production and customer satisfaction.

What should be emphasised here is that quality differences between manufacturers are not only those established by experts or through objective evaluation, but are also those perceived by customers. Therefore, it may be true to say that the competitively important dimensions of car quality are largely established by the market.

There is now a widespread view that quality in this context has been a significant factor in the recent success of Japanese. An important study by the National Research Council⁽²¹⁾ of the U.S. Department of Transportation in 1982 concluded that the American Consumers who place a high value on quality of assembly workmanship, in reliability and on durability seem to believe that Japanese cars are superior in each of these dimensions.

Accordingly, it has been concluded that an improvement in quality will be an important aspect of any attempt to improve or sustain the competitive position of any car producer.

The final aspect of product related policy which is linked with the previous aspects is product differentiation. It is well documented that successful car producers need to offer a range of models which covers the requirements of the different market segments in terms of size, performance, price, range of options and design.⁽²²⁾

Since the early years of the industry, many producers have given special attention to product differentiation in their competitive strategy. After the 1920s, General Motors, for example, set the industry standard by differentiating models along two dimensions: From small to large in wheelbase, frame dimension, and engine displacement. As from "down scale" to "up scale" in the level of styling features, luxury appointments, and convenience-performance options.⁽²³⁾ The effect was to stimulate demand and retain higher profit margins as consumers were persuaded to pay a premium for real or perceived differences in the quality of the cars produced. More recently, the shift towards producing small, fuel-efficient, high performance and technically rather sophisticated cars, in addition to the Japanese advantage in production systems, has intensified competition in all market segments and has heightened the emphasis on product differentiation, not just in terms of size but also in relation to entirely independent dimensions such as luxury, utility, economy, and performance.⁽²⁴⁾ In addition, the product requirements in developing countries, which have represented the major opportunities for car producers in recent years, are very different to those of developed countries, in that

they require cheap and unsophisticated vehicles. This, in turn, involves modifying the product so that it will be suited to the needs of these countries.

In brief, a highly competitive producer is one who is able to offer a range of products, each model being offered with a range of engines and in a number of different standard forms. Management's task will be to see that there are no gaps in product range which may be exploited by competitors, and that each feature in a car is compatible with customer needs and wants.

(2) Costs of Production. In a capital intensive industry with a well established technology like the car industry, competition frequently hinges on price. This means the car producer must achieve cost levels equal to or lower than those of competitors in order to survive and enjoy a viable, long-term future. It is recognised that however attractive the product range, superior the quality or effective the distribution system, the central condition for financial success lies in keeping manufacturing costs at a competitive level.⁽²⁵⁾ There are various means by which cost competitiveness can be achieved:

A. Improvements in production systems. Independent studies of products as diverse as rocket engines, computers and electric light bulbs show that the cumulative effects of minor changes in production processes can be as important as radical innovations in reducing costs and improving product performance. The car is constructed from many parts and incorporates many technologies and these parts must be manufactured and assembled at a competitive cost and in such a manner as to provide high reliability. Failure to devise a production system suited to the product may cause even a very fine product concept to fail in the market place.⁽²⁶⁾ In addition, a defective production system is even more damaging for a producer concentrating on the economy segments of the market and therefore competing largely on price. There is common agreement that the Japanese manufacturing system has given their products a cost and quality advantage.

- B. Efficiency of labour and general productivity. The relative efficiency of the car worker in terms of units produced per hour worked is another factor affecting cost structure. The range of labour skills, labour stability, labour-management relations and labour attitudes towards new technology, among other factors, affect labour productivity. In this respect, several studies have linked the landed cost advantage of Japanese produced cars with the great differences in productivity between Japanese firms and their counterparts. From only one-fifth of the 1956 U.S. level of output per man hour, the Japanese vehicle industry reached half the U.S. figure in 1973 and parity in 1980. While U.S. labour productivity increased by 3-4 per cent a year in the 1970s, productivity in the Japanese industry increased on average 8-9 per cent a year and European productivity increased at a rate of 5-6 per cent.⁽²⁷⁾ In 1983, it was estimated that Japanese production costs were of the order of 30 per cent below those in Europe and the U.S. as a result of the highest levels of productivity achieved by Japanese producers.⁽²⁸⁾
- C. Economies of Scale. An outstanding feature of the manufacturing process in the car industry and one which affects cost competitiveness is the very great significance of economies of scale. This phenomenon explains why production of cars is highly concentrated in the major industrial countries, and also why less than a dozen giant companies in those countries account for the bulk of the world's output of automobile products. From an early stage in the history of the car, substantially reduced production costs arose from large-scale output and from enlarged production facilities. The development of the Ford "Model T" car pioneered most of the characteristics of scale economies of the industry. Low manufacturing costs were achieved at a high volume of output, with a relatively unskilled labour force backed by heavy capital investment in machine tools and conveyor systems. Retail prices fell substantially and the market for cars was greatly enlarged.⁽²⁹⁾ At the plant level, economies of scale

are found in four stages of production, namely the foundry operations, the machining operations, the stamping processes and the final assembly.

However, it has been shown that economies of scale differ according to the nature of the production stage. On this point, Pratten⁽³⁰⁾ claims that economies of scale in engine production could be achieved at the level of around 400,000-500,000 per year, and in final assembly with a total of between 200,000 and 300,000 units annually. In the same vein, a major study of the British car industry indicates that foundry work is a relatively small-scale operation and that is the machining and assembly of engines, transmissions and axles, the power train, that economies of scale are most pronounced.⁽³¹⁾ The study estimated the minimum economic volume for casting of engine blocks at 100,000 unit per year; engine and transmission machining and assembly at 500,000 units annually, and final assembly at 250,000 units.

One effect of the level of the minimum efficient size of manufacturing operations may be observed in the growth of specialised factories devoted to the making of engines, transmissions, axles, body parts and interior trim. Some economies of scale have been gained by international linkages, as with the GM automatic transmission plant at Strasbourg which supplies all GM's European requirements. Apart from technical economies of scale at plant level, there are other areas in which economies of scale can be achieved. There are always slight economies to be gained through specialisation of management functions, product development and design.

In short, the car industry is a highly competitive aggressive industry where failures, takeovers and mergers are the predominant phenomena. The rationale for this is the concept of economies of scale. The larger the firm is, the more it can reduce costs, expand the actual market and attain a specific level of competitiveness.

- D. Location of production. In the early years of the industry, lower labour costs in Western Europe were important in the expansion of American manufacturer in that region. In recent years, faced with slow market growth and high labour costs, producers in the U.S. and Western Europe have distributed production and assembly plants throughout the world. In the 1960s and 1970s, attempts were made to ease the high labour cost pressures in these countries by constructing plants in low-cost areas. Both Spain and Portugal were ideal places for implementing this policy. Similarly, lower wage costs in other developing countries, such as Brazil, South Korea and Mexico, have been an important element in the development there of new production centres.
- E. The effects of job structure, style of management, levels of capacity utilisation and worker-management relations are stated to have had an impact on cost structure and plant profitability. For example, low levels of capacity utilisation resulting from interruptions in production can lead to rising costs and reduced profits. At the same time, any stoppage in production lines inevitably leads to loss of sales opportunities, this reducing profits. The CPRS report⁽³²⁾ claims that interruptions to production resulting from an eight-hour shift reduce a plant's profitability by at least 40 per cent. Other factors such as effective purchasing of raw materials and component parts, good relations with suppliers and financing sources and effective stock control systems can reduce cost and enhance competitiveness.

To sum up, because the car industry is highly competitive, costs are a vital weapon. If a rival can produce an acceptable product at a lower cost, the higher cost producer may face a struggle for survival.

- (3) Marketing Policies. As with all products directly associated with a consumer market, the promotion of car sales and usage is as important as technical development and production. Marketing policy, broadly speaking, is a matter of deciding:

- Which national markets and segments of these markets to serve.
- To what extent the firm will be able to influence the market place, both in the long and short term, through marketing efforts.
- What means should be used to affect demand in the market place.
- What strategies the firm should undertake to ensure that its mix satisfies future market demand.

Before explaining the role of a marketing policy in achieving competitiveness in the car market, it is necessary to point out at the outset that the forces which shape any aspect of so large and so segmented a market are generally complex. They involve an interplay between the economy as a whole, the attitudes of consumers, the tactics used by other competitors, and a multiplicity of surrounding forces and participants, among which the Government has moved from playing a minor role to assuming a centre-stage position. In such a situation, the task of marketing is not a simple one. Therefore, a brief comment on some key aspects of the marketing function is not intended to represent an attempt to cover every aspect and to deal with its potential role in shaping the competitive balance. Instead, the focus will be directed only to what appear to be some of the predominant aspects.

First; in regard to market placement, the firm tries to deal with two main issues: a) which national markets to choose, b) which segments of these markets to serve. Generally speaking, serving a large number of markets with a wide range of products makes a producer less vulnerable to dramatic demand shifts in individual markets or to setbacks in individual economies.⁽³³⁾ However, achieving broad market access, at least in the future, will almost involve willingness to produce in some of these markets partly because of trade restrictions. Therefore, the firm should attempt to strike a balance between the advantages of market access gained through local manufacturing and the advantages of concentrating production in the producer's home country and exporting whenever

possible. The other aspect of market placement is to decide which segments in those markets to serve. One common view of segmentation in the car industry is by size, namely sub compact, compact, intermediate and standard. Within a particular segment, there may be a variety of product subsegments such as luxury, sporty, and station wagons. Some argue that these traditional definitions have been challenged in recent years as demand requirements and fuel economy standard alter the basic characteristics of the product. If existing competitive patterns are disrupted, there will be a rapid repositioning of body styles and perhaps the definition of entirely new market segments.⁽³⁴⁾ Ideally, a volume car manufacturer needs to offer a range of models which cover the requirements of different market segments. However, to achieve this, it will be burdened with excessive investment requirements and have to face the economies of scale problem.

The second dimension of the marketing policy is deciding to what extent the producer will be able to influence the market place both in the long and short term. In general, the ability of the automaker to influence the market place depends on an understanding of the market trends and the ability to benefit from it. Since the size of the market and its growth rate is primarily a function of the annual shifts in the economy as a whole, consumer influences and attitudes, and the demographic and residential dispersion of the population, as well as other factors, the influence exercised by the automakers appears to be largely in attempting to optimise the opportunities for the industry that are embodied in these broader trends. The major strategic approaches in this optimisation process are likely to include the following:⁽³⁵⁾

- A relative stability in the pricing policy.
- Generating larger numbers of basic vehicle configurations and broadening the appeal of each one by offering a wide variety of bodies, trim combinations, power trains, and optional packages. Doing this enables the producer to offer individualised products in different segments and subsegments of the overall market while benefiting personally from economies of scale and economies of standardisation.

- Consumers themselves should be seen as the primary innovators of new types of vehicles while the automakers should be seen as the primary innovators of comfort, convenience, and performance features.
- The automakers must be responsive to changing patterns of demand and exploit these changes to maximise effect, through marketing expertise.

The third aspect of marketing policy is deciding to see what means should be used to affect the demand in the market place. The principal marketing tools available to the car producers include the type and range of models produced, pricing, the method of distribution and promotion activities. The product-related aspects were presented earlier in this chapter, so attention will now be given to the other tools in the marketing package.

A) Pricing policy. Although pricing policy in the car industry is a sensitive process and one involving a high degree of confidentiality, there are some common considerations which cannot be ignored in making pricing decisions, such considerations include:

- Demand correlations and elasticity. Many analyses suggest that in a period of inflation, if disposable personal income were to rise at a faster rate than new car prices, continued growth in demand would probably be maintained.⁽³⁶⁾
- The volume-orientation policy. The pricing behaviour of the automakers seems to be consistent with the pursuit of their own interests by attempting to ensure high volume levels. This volume-oriented tradition and the use of aggressive pricing as a means of achieving it, is seen as a reflection of the nature of industry competition which accounts for moves made by aggressive competitors, especially the Japanese.
- The product planning process. Pricing policies are determined early in the process by which new products are developed in the car manufacturing companies. Their

price targets are established largely on the basis of past experience and expectations of future buyer behaviour. Schnapp and Associates⁽³⁷⁾ emphasise this point, indicating that "There is no evidence to support the popular belief that in the product planning process the manufacturing companies use a uniform "cost plus" formula approach to pricing; rather there is considerable indication that pricing policies vary considerably from product to product, and that these variances are accepted by the automakers as necessary in their efforts to maintain broad product lines that embrace all mass segments of the market".

- Product uniqueness. A perceived uniqueness of the product may give the producer a relatively free hand in deciding its pricing policy.
- The pricing policy also takes into account other surrounding influences such as the external economic conditions, production costs, market share and competitive behaviour.

Armed with the best collective judgements of the firm's executive staff regarding what price levels will stimulate consumer purchases and maximise the financial return to the firm from each product line, and taking into account the previous restrictions, the firm can achieve an increase in its market share.

- B. Distribution networks. It has been documented that with a product as expensive as a car, efficiency and accessibility of the distribution networks can constitute a crucial competitive weapon. Firms desiring to enter a new market or improve their market position in their present markets have found the presence of an efficient network to be vital. The importance of the distribution process has led to the direct involvement of many manufacturers in the selling process, and the selection of effective dealers capable of concentrating their efforts on one manufacturer's products. Distribution can be either by means of a single tier where the car manufacturer deals directly with the retailer or by using a multi-tier system.⁽³⁸⁾

In the latter, the manufacturer will deal with a distributor, who is in effect a wholesaler, who then deals with a number of other dealers. In today's saturated car market, in which many producers offer products in each segment, market share can be greatly affected by the level of efficiency of the distribution networks. In Bhaskar's⁽³⁹⁾ view, up to 80 per cent of changes in market share for cars can be statistically explained by changes in the number of retail outlets. This partly explains the fall in BL's share of the domestic as well as the foreign market. If outlets are lost or cast aside in mergers, they will start to sell another manufacturer's products. In most markets there is a direct link between the manufacturer and the retail dealer holding an exclusive franchise. Direct links enable the producer to emphasise his need for effective and aggressive retailing at the local level. To attract effective dealers into their distribution network, producers must provide adequate margins, high annual sales volumes, continuity of supply and cars that have been carefully inspected for faults.⁽⁴⁰⁾

- C. Promotional activities. With regard to promotion policy it seems that advertising is the most commonly used tool. Not only do automakers use their advertising to inform customers that they have what they appear to be seeking, but they also link each product group with symbols to which potential buyers are likely to respond.

Promotion becomes an effective marketing tool when the need for special efforts to ease the way for new models emerges. For example, the Ford Company has undertaken substantial efforts in recent years to increase its leadership position in small car sales, including allocating the majority of its advertising resources to small, fuel-efficient car lines, offering dealers and salesmen incentive programmes at the retail level, offering numerous special value programmes, giving away popular optional equipment, and employing a variety of pricing strategies favouring small cars and fuel-efficient power trains.

Promotion activities also become vital when consumer response does not match the producer's expectations. In this case an extensive promotional programme is used to support the product's position in the market place. Among the various activities which are used to stimulate demand are the following:⁽⁴¹⁾

- Increasing the advertising schedule for the product line.
- Launching a contest or some other form of sales incentive programme for dealers, sales people and sales managers.
- Undertaking a special promotion programme aimed at the public, typically offering the product with a specified package of popular accessories at a substantial saving from the retail price of those accessories.
- Providing the dealer with a rebate on dealer inventories of the product line with the expectation that this will be passed through to the public and create a selling momentum.
- Offering a fleet discount to volume buyers or, less frequently, offering retail customers a price reduction through the dealers.
- Offering more attractive credit terms.

Promotional activities then, and advertising in particular, are regarded as major components of the marketing package used to meet the comprehensive challenge in the car market.

Other marketing tools, including delivery-dates, after-sale service and market research, have proved to be vital components in the marketing strategies adopted and pursued by successful car producers. For example, if an individual company is subject to frequent interruptions in production, it will lose sales as customers are not willing to wait for a car if other models are available. In addition, failure to provide dealers with an uninterrupted supply will affect their sales, thereby causing dissatisfaction. The poor performance of the British Car Industry is attributed partly to its inability to meet competitors' standards of product availability.

To sum up, there are three key factors for success in the car market; the product itself, costs of production and the marketing policy. The best combination of these factors provides the soundest base for competitive success. However, in practice, producers, while devising their competitive strategies must take into account another group of factors which represent major constraints on strategic freedom and action. These factors include:

- A) Consumer attitudes and preferences. It is generally acknowledged that demand for cars is very selective, reflecting a varied series of preferences expressed by customers. A natural result of this characteristic is the acknowledgment of many segments within the industry's market. Market segmentation according to age groups, income levels, occupations and other factors becomes necessary in order to meet the varied and even conflicting desires of customers. The most important implication of the segmentation concept is the danger in being limited to one type of price/size class. At the same time, diversification to cover the overall market preferences requires immense investment in model ranges, production facilities and distribution networks. Broadly speaking, the battle for prospective customer which, in a way, determines the competitiveness of particular automakers, depends on several factors: First, price competitiveness, which depends heavily on efforts to increase efficiency and reduce costs; second, car operating costs, which are likely to influence the choice of a particular car, when energy costs are rising; third, the ability to produce a competitive product range which meets the special requirements of different segments; and finally, the ability to provide a high standard of quality and reliability.

In other words, seeking competitive advantage in the car market involves meeting the requirements of consumers in terms of price, size, performance, range of options, and design.

- B) The second constraint is caused by financial limitations which can affect the funding that can be obtained to cope with the fluctuations inherent in demand cycles, to compensate for miscalculations, and to adjust to market discontinuities. The ability to obtain funds to meet these adverse situations is closely related to the diversity of the producer's activities and the nature of the national financial systems.⁽⁴²⁾
- C) Producers must also cope with work-force constraints regarding acceptance of new technology, new work procedures, wage adjustments and layoffs, and also with limitations imposed by skill and education levels.
- D) Finally, car producers must also cope with government actions and restrictions. In some cases, governments can impose restrictions on options which are attractive to auto producers such as access to markets, mergers or large-scale plant closing. In other words, public policy decisions became an area which firms must take into consideration in order to survive.

The car producer must pursue a long-term coherent strategy that takes into account the interaction between the above mentioned factors on the one hand, and the interaction between these factors and the reward in the market place on the other. It is the Japanese strategy of bringing together appropriate product design, competitive production costs and an effective marketing policy, that stands out as the most important factor in their competitive success.

International Competition in the Car Industry

Having examined the main sources of competitive advantage in the car industry, it might be convenient at this point to examine the extent to which the different car producers incorporate these sources in their competitive strategies. Therefore an assessment will now be undertaken of the current competitive status of car producers in Japan, Western Europe and the U.S, as a means of identifying the nature and causes of competitive imbalance.

The Competitiveness of Japanese Manufacturers

As the world car industry has grown rapidly over the last few decades, the Japanese car industry has progressed remarkably and steadily. Japan's output of cars up to 1955 was negligible compared with other major producers. By 1961, this had risen to a quarter of a million units although Japan still lagged behind. However, particularly after 1965, Japanese production grew continuously and more rapidly than that of any other producer. By 1968, she overtook the U.K, Italy and France to become the third largest producer of cars in the world, with only Germany and the U.S. producing more. By the early 1970s, she overtook Germany and became the Second World producer, while by 1980 the Japanese quickly came to dominate world car production leaving the U.S. in the second place. In 1983, she produced 7.2 million units, while the U.S, Germany, France, Italy and the U.K. produced 6.8, 3.9, 2.9, 1.4 and 1.04 respectively.⁽⁴³⁾ This sort of evolution pattern represents one of the spectacular economic miracles of the past two decades. It is important not only for an understanding of the Japanese industry in its present form, but as a model for many ambitious countries all over the world.

Trade and Competitiveness

The Japanese car industry is heavily dependent on exports which in 1983 accounted for more than 53 per cent of total production. In 1981, her exports reached about 32.2 per cent of the total value of OECD exports.⁽⁴⁴⁾ It was not until the 1960s that the car became a significant and dependable earner of foreign exchange. However, the subsequent rise leaves no room for doubt that the Japanese car exports are competitive in the major markets of the world. In the last twenty years or so, Japan's exports have overtaken nearly all the major established competitors. She has maintained a very rapid rate of growth in exports over a longer period than any other major producers. In 1983, Japan exported 3.8 million units followed by Germany, France, Italy and the U.K, which accounted for 2.1, 1.4, 0.5, and 0.36 million units respectively. Apart from a period in the mid 1960s, North America has been Japan's largest market, and

is by far the most significant factor in the export expansion of Japanese cars. The Japanese share of the U.S. car market increased from 3.7 per cent in 1970 to 21.3 per cent in 1980.⁽⁴⁵⁾ Europe is the second most important market, market penetrations of 10 per cent in the U.K. and Germany having been achieved. Japanese products have much larger market shares in minor West European markets: 27.4 per cent in Austria, 35.5 per cent in Finland, and 36.8 in Norway in 1982.⁽⁴⁶⁾ Japanese producers are currently dominating the car market in many developing countries.

Competitive Strengths of Japanese Companies

As noted, Japanese producers have been successful in penetrating most foreign markets. This success, which was not achieved easily, was the result of a number of factors. Among the many factors which have contributed to the competitive strength of Japanese producers, we shall discuss those which appear to be most significant.

- (1) Costs of production. Several studies have pointed to the landed cost advantage of Japanese producers as major factor behind their success in the world car market. Numerous factors are mentioned as contributing to this situation, including:
 - a) Labour productivity. Auto manufacturers enjoy one of the highest levels of productivity both in Japan and in the world. In 1974, Toyota produced as many cars as VW, but with only one third of its total workforce. Toyota made just under 3 million units in 1978, with only 45,000 employees, a productivity level of 63 vehicles per employee per year. Honda's consolidated figures show a productivity for cars in excess of 30. This should be contrasted with European and American norms of 10 to 12 vehicles per employee per year.⁽⁴⁷⁾ More recently, an important study by the National Research Council concluded that the major Japanese producers appeared to have significantly higher overall productivity than their American counterparts. Some estimates put the productivity difference as high as 40-50 per cent.

Employee cost per hour worked in Japan is about 50-60 per cent of the U.S. average.⁽⁴⁸⁾ Further evidence to support the above view comes from Altshuler and Associates⁽⁴⁹⁾ when they indicated that in the early 1980s, the Japanese producers needed only about 65 per cent of the labour required in the American car industry to produce a comparable product and, on average, about 30 per cent fewer labour hours than the German auto producers.

There is evidence which demonstrates that the Japanese manufacturers are continuously improving labour productivity, and it appears that as a result differences in productivity between Japanese producers and their competitors will increase.

- b) Economies of scale and experience curve effects. The heavy investment in large scale operations and the efficient use of resources have been of prime importance. By fostering the home market and growing faster than it, both Toyota and Nissan created, in the early 1970s, the volumes necessary to achieve equivalent economies of scale to Ford, Chrysler and most large European producers. Apart from GM, no producer was getting more benefit from economies of scale than Toyota and Nissan. In 1977, Toyota achieved the largest production run for a single identified model, with 817,000 corolla vehicles.⁽⁵⁰⁾ In 1980, the four models with a production run of more than 500,000 units were Toyota Corolla, Renault R5, VW Golf, and Nissan Sunny. In addition, there is evidence to support the view that the Japanese car industry has benefited from the experience curve effect. Abeggien⁽⁵¹⁾ in examining the dynamics of Japanese competition, pointed out that the cost-experience effect is clearly noticeable in the development of the Japanese car industry. The existence of scale economies and experience curve effects are reflected in the highly competitive prices of their cars.

- c) Production System. The Japanese manufacturers have given careful attention to the manufacturing process. Some argue that the Japanese cost advantage is rooted in the high commitment to manufacturing excellence and the use of manufacturing as a competitive weapon. Productivity, and accordingly production costs, is not only affected by worker efficiency, but there are also other factors including production organisation and structure, process automation, product design, process yield, and quality of management, which share in the productivity process. In this concern it is indicated that under new Japanese production systems, the Japanese auto industry, compared with that of any other country, requires fewer hours of labour by factory workers, designers, technicians, and managers at all levels of the production chain to make a vehicle of any given description.⁽⁵²⁾ In Jones and Womack's⁽⁵³⁾ view, the new standards of organisational efficiency established by the Japanese have pulled the rug from under the feet of other competitors. Between 1970 and 1981, the Japanese reduced the total number of hours needed to build a car from 250 to 130 hours, with a further improvement since then. In their words "Not only have the Japanese reduced the number of hours required to assemble a car or build an engine, but the focus of attention in seeking productivity improvements has also shifted from the costs of the factors of production to how efficiently they are combined into an integrated sequence of production operations". In addition, the Japanese auto industry on average has a very high level of manufacturing accuracy, a lower level of in-process inventories, and greater versatility in shifting model mix and in developing new products, all of which contribute to lower production costs and flexibility in meeting changing market conditions.
- d) In addition to advances in production organisation within the plant, the Japanese car firms have developed a unique set of relationships with their suppliers that overcomes

many weaknesses of vertically-integrated companies in the West and arms-length relations with independent suppliers. These cross-ownership links are built to coordinate not only the technology of the design but also the labour content, the job characteristics and the quality-control measures that are essential to a superior product. In other fields such as R & D, staffing and capacity utilisation, the Japanese system shows further cost advantages.⁽⁵⁴⁾

These factors and others have permitted substantial reductions in price and provided the ability to compete on price whenever required.

- (2) Product Quality. It had become almost commonplace to cite the superior quality of Japanese producers as a rationale for their competitive success. The quality of the output of Japanese manufacturers varies with manufacturer but has on the whole improved significantly throughout the 1970s and is highly regarded by consumers in different markets. Existing evidence suggests that Japanese cars have achieved a noticeable advantage in assembly quality and consumer ratings of vehicle conditions on delivery. Counts of defects per vehicle shipped also show a Japanese advantage, and present consumers seem to express a high degree of loyalty to Japanese made cars.⁽⁵⁵⁾ In a recent survey, in which U.S. automobile engineers were asked, "What country produces the best quality today? nearly half of the respondents, 48 per cent, selected Japan, away ahead of the U.S. with 27 per cent and West Germany with 23 per cent.

Similarly, the results of another survey revealed that five Japanese models were among the six models with the lowest frequency of breakdowns.⁽⁵⁶⁾ Quality assurance lies at the heart of the production process. Superior automation, production control systems and a job structure that places responsibility for quality on workers, all operate towards producing a high level of quality output. Normal warranty

offered by Japanese manufacturers extends to two years or 25,000 miles from the date of purchase. Sometimes they offer two free services at 1,000 and 3,000 miles. Guarantees of this type and willingness to service free of charge reflect the high standard of workmanship and inspection in Japanese factories.

In brief, Japanese quality levels are already perceived to be a cut above domestic producers in most national markets. With their emphasis on quality and performance, the major Japanese firms have acquired a kind of "reputation capital" that enhances an already formidable competitive position.

- (3) Financial Strength. In the initial years of the industry's formation after the war, the level of investment required was far beyond the financial capabilities of individual firms. The government and the banks tolerated and encouraged remarkably high debt/equity ratios. As the postwar economic boom continued, these gradually fell to a point where several of the Japanese automakers are today debt free, but were supplanted by another type of group affiliation in the form of cross equity holdings. The contrasting experience of Mazda on the one hand and Chrysler and BL on the other, during recent periods of financial crisis, illustrate the unusual features of this Japanese system and the competitive advantage it retains over American and much European financial practices⁽⁵⁷⁾, while the group's collective expertise facilitated the rapid recovery of Mazda's position through the successful modification of product strategy. By contrast, at Chrysler and BL, the relationships with lenders and stockholders were distant. In recent years, as a result of their export success, the five large Japanese producers have been so strong financially that they face few financial constraints. Toyota's long term debt reached zero a few years ago and it has now the capability to finance working capital requirements and capital expenditure to a large extent out of retained earnings.

In 1978, the typical performance of Japanese companies included returns on sales of between 5 and 7 per cent, returns on equity of 15 to 20 per cent and returns on assets of 10 to 17 per cent, a performance that surpassed that of many of their American and European counterparts.⁽⁵⁸⁾ Therefore in general it could be said that the financial strength of Japanese companies has played its part in making the industry the dynamic force it is today and has contributed, albeit indirectly, to its competitive force in export markets.

(4) Marketing Policy. In addition to the evidence relating to productivity and costs, product quality and financial strength, it also appears that the Japanese competitive position is enhanced by adopting and pursuing a successful marketing strategy. The main features of Japanese marketing practices in relation to the car industry could be outlined as follows:

- a) Aggressive pricing. The Japanese car producers, especially in the early years of the industry's internationalisation, have been aggressive users of price competition. A strong orientation to growth combined with the presence of well established competitors makes aggressive pricing strategy a vital weapon for competing successfully in the world market place. Prices for Japanese cars in export markets were roughly twenty per cent lower than in the domestic market. These prices in the U.S. were comparable of those of European imports and rose more slowly in the 1970s than did the price of European cars. It has been shown that comparable Japanese imports had a 100-400 dollar price advantage over comparable U.S. models.⁽⁵⁹⁾ However, in recent years, a changing domestic and international business environment has forced Japanese producers to shift their strategy towards a non-price competitive base. Some key factors of these changes are:⁽⁶⁰⁾
- Maturing home and foreign markets with only small secular growth rates expected.

- Pressure from the government to stabilise unit volume exported to foreign markets.
- Strong pressures from appreciation of the Yen, forcing the Japanese to raise prices and denying them the lowest priced segment of the foreign market.
- Cost increases in Japan, especially wages for the industry's "aging" labour force.

The only relief from these pressures is to move toward more luxurious, up-scale products with higher profit margins potential.

- b) Product policy. The Japanese producers have progressed steadily through stage after stage, with each generation of vehicles being an improvement on the last and a step closer to the best practice of the American and European producers. From the image of being a basic and cheap product, the Japanese car producers have dropped the emphasis on low price and converted production cost advantages plus growing skill in vehicle design and packaging into a quality image. Then next step was into the large car market segment. Although their models in this class do not match the level of large American and European models in handling or performance, they provide an experience base and vital consumer feedback that will no doubt make the next generation more competitive.⁽⁶¹⁾
- In addition, to cope with intense competition and stagnant world car demand, Japanese products are attempting to differentiate their offerings. Unlike Ford, who was willing to sell his customers any colour of car they wanted as long as it was black, Toyota decided that every customer basically wants to have a different model and that there was no reason why that desire could not be met. Accordingly, the so-called kanaban "signpost" system was devised, capable of producing a variety of different models in according to the sequence in which the plant receives orders from its dealers.

Copies of a computer printout of the specifications of the particular car to be delivered at a given time on a given day are distributed to the vendors and posted throughout the main assembly line. To permit each car to be assembled, all the components of that particular model will be synchronised to meet at precisely the right moment at the appropriate points on the line, called "just-in-time" at Toyota.⁽⁶²⁾ Such a system implies greater ability to deal with rapid change, whether the change comes from strategic moves by competitors or through shifting in consumer demand. So, the ability to differentiate products flexibly is a common characteristic of Japanese auto producers.

- c) **Distribution Channels.** The Japanese car producers' willingness to establish distribution channels in export markets, even though financially unattractive in the short run, is one of the distinguishing characteristics of the Japanese marketing philosophy and one of the factors contributing to their success. The growth of Toyota's and Nissan's exports has been impressive as the successive steps from dealerships to the establishment of a local sales force in many countries have been carefully planned with regard to the type of market offered and the prevailing government regulations in that market. For instance, Japanese expansion into the U.S. market did not take place until after an extensive network had been established in the regional target markets. Japanese automakers encountered little difficulty in attracting U.S. dealers as profit margins on Japanese cars were comparable to those for domestic models.⁽⁶³⁾ The policy of both Toyota and Nissan was that sales efforts should be geared directly to servicing and spares capability, as their researches had shown this to be a stumbling block for some European manufacturers.
- d) **Market research, promotion and other marketing activities.** Market research lies at the heart of the

Japanese marketing policy. Although Japanese cars were broadly acceptable in markets like North America, special research was undertaken to pinpoint the market gaps which would allow Japanese products to expand sales rapidly. The research was directed along two main fronts⁽⁶⁴⁾: First, a complete study of what the market wanted, dealers and consumers were researched to identify the type of car wanted; second, a study of foreign car producers' export activities in the U.S. market. The success of Japanese producers in the small car segment is due partly to their continuous research to find out market gaps. In general, demand forecasts for Japanese and other competitors are made, an analysis of customer tastes is conducted, and critiques of current products in different markets are produced.

With regard to promotion activities, it is reported that Japanese car producers depend heavily on advertising to promote their products. Advertising expenditure per unit sold is one measure of this effort. In the U.S. market, for example, such expenditure by Toyota, Nissan and Volkswagen were 115, 101 and 61 dollars respectively. By 1971, expenditure per unit sold was 66 dollars by Toyota, 55 by Nissan and 35 by Volkswagen.⁽⁶⁵⁾ As the Japanese firms gained market share, economies of scale in advertising lowered their unit costs, without diminishing promotional effectiveness. In recent years, Toyota advertising programmes have succeeded in cultivating the quality image, while Nissan has created the economy image. The diversity of Japanese products helped them to use advertising effectively to convince customers that they have what they are really seeking and to link each product group with symbols to which potential buyers are likely to respond. Similarly, most Japanese companies invested more heavily in public relations and sales promotion and managed these functions more carefully than their competitors.

Finally, the ability to supply the demand of export markets promptly has also been an important competitive strength of the Japanese car industry.⁽⁶⁶⁾ In many foreign markets, the elaborate network of distribution and dealers has succeeded because of the rapid and reliable availability of the product.

(5) The impact of labour-management relations. Despite the popular image of Japanese superiority in production technology as well as marketing policies, explanations of Japanese competitiveness in the car industry also seem to be related to differences in management philosophies and practices, especially with regard to workforce management. Japan's labour force is apparently more amenable than most and is certainly one of the most productive in the world. The loyalty and dedication of the workforce besides the freedom from stoppages, have been major contributory factors to Japan's competitiveness in export markets. The nature of labour-management relations in Japanese auto firms is reflected not only in productivity differentials, but also in the low level of absenteeism and in the submission of new ideas for improvement and product development. One study concluded that the lower levels of unauthorised absence in Japan's car industry account for as much as 10-12 per cent of the cost gap between Japanese and American producers.⁽⁶⁷⁾

With respect to the generation of ideas, it has been shown that a company like Toyota receives on average about 900,000 suggestions or twenty per employee per year, worth 230 million dollars a year in savings.⁽⁶⁸⁾ It seems evident, therefore, that labour-management relations play a central role in explaining Japanese competitive advantage.

(6) The ability to understand and cope with the competitive environment Broadly speaking, the Japanese auto manufacturers tend to give attention to the trends prevailing in their competitive environment and the probable effects of such trends on their market position. With regard to their external environment, analysis is undertaken of⁽⁶⁹⁾: a) The trends in government regulations affecting the industry. b) The trends in the car

market, especially those related to competitive moves and consumer preferences. c) The trends in automobile technology. They also analyse their internal environment in respect of technological and production capabilities, the investment required in plant equipment, market competition between the projected vehicle and other vehicles currently being produced by the manufacturer and quality improvements. The purpose of this analysis which includes the corporation itself, the customers and the competition, in addition to any other relevant factors such as government intervention, is to achieve superior performance relative to that of competitors.

One of the key aspects of Japanese competitive strategy in the car market is the tendency to look for different battlegrounds on which to compete with the western giants. For example, as opposed to the traditional behaviour of the western auto producers, by changing the design concept, relatively small, strategy minded Japanese companies had proved that a clean engine was possible.⁽⁷⁰⁾ Another key aspect of Japanese competitive strategy is trying to achieve competitive differentiation through aggregating the key factors for success in their business.

Some claim that the strategy of Japanese producers is first and foremost an entry strategy.⁽⁷¹⁾ When they sought to penetrate the U.S. market, they avoided competing with the domestic firms on their terms. Instead, they made their initial entry in those relatively undefended gaps in the product/markets served by domestic producers which held out good prospects for growth.

The market penetration strategies of the Japanese automakers have been studied by Rader⁽⁷²⁾ and Chang⁽⁷³⁾. They suggest that Japanese automakers concentrated their sales efforts initially on protected domestic and third-world markets. The Japanese were trying to increase their sales volume by taking advantage of scale economies and experience effects in order to become more competitive in the home markets of established American and European firms.

To sum up, the strength of the Japanese car industry lies primarily in the combination of high productivity and the production of top quality products. In addition, the Japanese auto industry has had stable labour relations and excellent on-site management. Above all, the Japanese car producers have had a genuine marketing strategy linked with a deep understanding of the various forces prevailing in their competitive environment. Armed with these, and other assets, the Japanese car industry steadily built up its international competitive strength.

Competitiveness of Western European Manufacturers

The car industry of Western Europe is the largest in the world in terms of production. In 1979 it accounted for more than 32 per cent of the world's production compared to 27 per cent for the U.S. and 20 per cent for Japan. This position was maintained in 1983, reaching 32.7 per cent, although Japan's 24.2 per cent surpassed the U.S. 22.9 per cent making her a serious challenger to Western European producers. ⁽⁷⁴⁾

The Western European area is also the largest car exporter when the exports are combined, regardless of destination. The share of total exports of major exporters stood at 52.4 per cent in 1983, down from 71 per cent in 1970, this proportion includes exports to other EC Countries. However, taking only the non-EC destined exports into account, Japan has a clear lead with 41 per cent, ahead of west European producers with 27 per cent and the U.S. with 10 per cent ⁽⁷⁵⁾. The total EC exports, including exports to EC Countries, increased by only 3 per cent during the period 1970-1979.

It is also documented that the ratio of external exports to total exports has declined from 54 per cent in 1970 to 41 per cent in 1979. This indicated a reduced share of overseas markets, mainly a result of the aggressive penetration of Japanese producers. Germany, the largest producer in the EC, accounted for 40.2 per cent of EC production in 1983. France came second with 30.7 per

cent, followed by Italy, Britain, Belgium and the Netherlands with 14.5, 10.8, 2.7, 0.1 per cent respectively.⁽⁷⁶⁾ The rank order has remained unchanged since the early 1970s. Both Germany and France have been conducting an interesting battle for production superiority.

As with North America and Japan, the European car industry is very concentrated. Since the late 1960s, the number of manufacturers in Western Europe has been drastically cut from 34 to 12 major car companies. There are six major producers with market shares in the 10 to 15 per cent range, including GM, Ford, Volkswagen, Renault, PSA and Fiat, while the other six are specialist producers in the 1 to 3 per cent range, including BL, Daimler Benz, BMW, Volvo, Alfa Romeo and Saab.

It has been pointed out that differences between different national markets in respect of vehicle taxation, the degree of population concentration, purchasing traditions, driving conditions and income levels have forced every national market to emphasise a different predominant size of vehicle, ranging from small in Italy and France to large in Germany. Thus, each European nation's market developed around one or two predominant designs and each national producer has specialised in a particular national type - Renault and Fiat in small cars, Volkswagen in light cars, Ford U.K. in medium-sized cars, and BMW and Mercedes Benz in large cars. At the same time, the elimination of trade barriers in the European market in the mid 1970s has not altered the conditions that produced differences in national demand patterns. However, in the last few years there has been a noticeable shift towards greater uniformity in favour of much smaller cars which represent the strongest demand in the 1980s. Recent trends toward larger engined cars appear to have been halted by successive oil crises.⁽⁷⁷⁾

With regard to trade and competitive position, it is reported that in 1983, exports accounted for 65 per cent of car production in Germany, 40 per cent in France, 35 per cent in Italy and 26 per cent in the U.K.⁽⁷⁸⁾ During the period 1970-1983, the export ratio

increased in France and Germany, while it declined in Britain and Italy. Among the major west European producers, only Germany and France were left with a positive car trade balance in 1980. Of course, the other EC countries are the most common destinations for exports. In 1982, 73 per cent of Italian car exports went to other EC countries, the figure being 67 per cent for Germany, 62 per cent for France, and nearly 40 per cent for Great Britain.⁽⁷⁹⁾

With regard to exports to non-EC Countries, it could be said in general that western producers have lost the battle for the most lucrative market, i.e. the U.S. market, as their Japanese competitors outstripped them by more than 2.5 to 1 in 1979 and 5.2 to 1 in 1982, while in 1970 EEC producers sold three times as many cars in the U.S. as their Japanese counterparts. The decline in Western European exports resulted from the European product becoming more mature and the Japanese product being cheaper and more suitable as the basic, low-cost car model. In addition, Japanese products established a reputation for reliability which was never quite matched by the Europeans. There is evidence to suggest that the Japanese challenge to Western European producers has extended to other markets such as Africa and some near east countries.

On the other hand, the import penetration ratio has been steadily rising. Although the imports have been mainly Japanese, there is steadily growing imports penetration from the communist bloc. Since the late 1970s, a significant improvement in Japanese share has been achieved in the Western European markets. Japanese penetration is not limited to the markets of less competitive producers such as the British market, where the import penetration ratio reached 57.7 per cent in 1982, but also includes the markets of highly competitive producers such as the German and French markets. Japanese exports to Germany reached 40.7 per cent of the total imports, including those from the other EC countries, to the German market, while this ratio accounted for 10.8 per cent of total imports to the French market in 1982.⁽⁸⁰⁾

Some argue that the prospects for Western European producers look bleak. In Bhaskar's⁽⁸¹⁾ view, the European manufacturers will experience some of the same problems as were faced by American counterparts which affected their competitive position in the world markets. Some of these problems are:

- a) Increased import penetration and reduced exports. As indicated above, an increasing number of non-European producers are competing now for a market share in Europe. Japanese producers will try to maintain their market share by means of massive investment and modernisation plans. In non-European markets, the position of European producers is generally weak. Export volume has been severely eroded by the Japanese, while the efforts of various European producers to operate on a multinational basis have so far been a cash drain rather than a source of strength.
- b) Labour problems. Like the U.S, Europe faces increasing labour unrest. Countries like Italy and the U.K. are already troubled by poor industrial relations which could affect the future of the industry.
- c) Scale economies. Most of the EC automakers have not yet achieved the economies of scale necessary for the survival of a volume producer, compared to the levels achieved by the U.S. or Japanese producers.
- d) Technological problems. Although European producers have a traditional reputation for sound car technology and design better than that of their American and Japanese counterparts, in recent years this advantage in product technology has begun to be challenged as a result of the massive investment in R & D programmes by the American and Japanese producers. In his study of "Technology and Competitiveness in the automobile industry", Jones⁽⁸²⁾ predicts that the competitive advantage in automobile technology enjoyed by Europe will disappear in the next few years and in many areas the Japanese will become world leaders.
- e) Automation and productivity. At a time when the productivity of European automakers has either declined or increased only marginally, the Japanese and perhaps some of the U.S.

producers showed a significant increase. One reason for such higher productivity is the use of higher technological standards than those of traditional producers. Current Japanese technology enables a car to pass along an assembly line equipped with multi-arm, computer-controlled robotic machines. It seems, therefore, that in the course of time automation will become more or less inevitable as a means of controlling costs and maintaining the effective price competition of European producers.

- f) Market placement. Altshuler⁽⁸³⁾ and Associates argue that European producers are relatively weak in regard to market placement. Although they have retained their lead in the small car segment and even more so in the medium and large car segments, in the Golf, Escort, Kadett light-vehicle segment, however, the European product lead is gone; and this is precisely where the Japanese producers have scored their greatest market success.
- g) Government Controls. Although government intervention in the European car industry falls short of the restrictions enforced by the Japanese and U.S. Governments, it nevertheless has had some impact on costs and production.

It is widely accepted that in order to retain its competitiveness in world car markets, European industry has to undertake further restructuring to rationalise its production processes. Cooperation ranging from R & D sharing, joint production and marketing has become necessary. Further concentration in order to achieve economies of scale seem inevitable, and further government concern to preserve the industry also seems to be necessity.

The Competitiveness of American Manufacturers

The American market is the largest and richest market in the world. It has been and remains the most important world region of the car industry. Up to the late 1970s, production volumes were much greater than in any other region, and for more than half a century

the large U.S. firms played a major role in the world car industry. The American manufacturers gave to the world not only the techniques for mass production of a complex piece of machinery, but also for the mass marketing that was a necessary concomitant and for the managerial organisation required to control the giant enterprises that were to emerge.⁽⁸⁴⁾ From the early years of the industry, the American producers occupied the first place in world car production. However, this position was challenged by Japanese producers in 1980. In 1983, American plants produced around 6.8 million units, a total representing just over one fifth of the world car production. On the export side, it has been shown that the trading role of the U.S. car industry shifted in the postwar period from being a major exporter to a major importer. In 1929, America exported about 78 per cent of world car exports. Exports in 1982 reached only about 3.6 per cent of total world exports, a position which improved slightly in 1983 when U.S. exports reached 5.2 per cent of total world exports.

This dramatic change in the U.S. car industry position in world trade is seen as resulting from two main causes: First; U.S. exports have been replaced by local production by U.S. Corporations in other parts of the world. Second; the U.S. market has become a large importer of cars. Imported cars have increased from 0.3 per cent of total new U.S. registrations in 1950 to 14.7 per cent in 1970 and 28.6 per cent in 1982.⁽⁸⁵⁾

In assessing the current competitive position of the American auto industry, it could be said that in general, the industry has been facing serious problems over the last ten years or so. In depth analysis shows that the American auto industry has lost its domination of the world car industry as a result of many interrelated factors, the most relevant of which are the following:

- a) Product Cost and Quality. The results of some recent studies have demonstrated the American cost disadvantage compared to other major competitors. A careful study by Abernathy and Associates⁽⁸⁶⁾ calculated the Japanese production cost advantage at around 1600 dollars. When tariff and

transportation costs were deducted, the landed cost advantage of an imported Japanese car was still 1200 dollars. The study by the National Research Council produced similar findings.⁽⁸⁷⁾ In 1956, output per man in the U.S. auto industry was five times as high as that of the Japanese figure. In 1973 the output was only twice, while parity being reached in 1980.⁽⁸⁸⁾ In the early 1980s, the productivity of American producers was surpassed by their counterparts, who proved to have achieved higher productivity level which in some cases reached about twice as high as that of the most productive American producers. Even more telling are the comparative rates of productivity growth. While U.S. labour productivity in the industry increased by only 3 to 4 per cent a year in the 1970s, European manufacturers were improving their productivity at a rate of 5 to 6 per cent, while productivity in the Japanese industry increased on average 8 to 9 per cent a year.⁽⁸⁹⁾

With regard to product quality, it has also been shown that although the U.S. producers have recently made improvements in quality performance, other competitors, especially the Japanese, have achieved a noticeable edge in assembly quality. Foreign imports also seem to have higher reliability than domestic products, and, more important, there is evidence which suggests that American consumers are more loyal to imported cars than domestic ones.⁽⁹⁰⁾

- b) Inflexible product and production strategies. It is argued that product and production strategies of American car producers still have the mass-production orientation adopted by Ford in the early stages of the industry's evolution. Standard parts, a single design, and an inflexible production system were at the core of Ford's conception. Although companies like GM used product variety and market positioning to break Ford's domination and establish industry leadership, the underlying concept remained the same. The policy was still to build a limited number of basic chassis and engine packages.⁽⁹¹⁾ This orientation shaped the response of the

American industry to the market changes brought about by the oil crisis. The shift in consumer demand and the pressure of government regulation directed American manufacturers towards the market for smaller cars. This type of car was already being produced in Europe and Japan, giving the producers in these countries entry into the U.S. market. The market share of small cars sold in the U.S. increased from 49 per cent in 1978 to over 63 per cent in 1980. Since domestic producers were not prepared to meet this sudden demand shift, sales of European and Japanese cars rose dramatically. In addition, unlike most of the U.S. producers, foreign producers, especially the Japanese and Germans, offered a broad product line with multiple model types and engine choices and distinctive styling features, closer to the preferred American characteristics. Mazda, for example, entered the U.S. market in 1971 and in a short time it was offering twelve models in three product/market groups.⁽⁹²⁾

- c) New product development. In dealing with regulatory programmes relating to, for example, energy conservation, occupant safety, and emissions control, the acceleration of new product development is seen as inevitable. In this regard, American producers proved slow in adjusting to these conditions. In the same time, some European and Japanese producers were appearing in strength on the American market because they have succeeded in offering a car with engine designed for greater efficiency in combustion and the reduction of pollutant emissions.
- d) The American market generally is seen as the easiest market for foreign producers to enter because of the organisation of the American retail distribution system.⁽⁹³⁾ Unlike the Japanese and European retail systems which permit either the ownership of the retail outlets by the final assembler or the use of exclusive dealing agreements, in the U.S. the Court decisions outlawed exclusive dealing clauses in franchises. Accordingly it has become easier for foreign producers to enter the U.S. market through established dealers who wish to expand and cannot obtain additional franchises from domestic

producers or who are experiencing difficulty in maintaining sales volumes with their existing lines. For example, it is reported that Isuzu and Mitsubishi were able to establish dealer networks in the U.S. mostly by "dualing" with Ford, GM, and Chrysler dealers who were worried about declining sales of domestic producers. This situation gave them quick access to the U.S. market at the expense of American firms and without the need for major new investment.

- e) Another group of factors, including lack of the financial support needed to get new models into production, less effective monitoring of market trends, poor labour-management relations, government regulatory standards, aggressive foreign competition, slow market growth, and the complacency of American producers, are cited as factors contributing to the deterioration of the American car industry's position in world markets. However, it has been pointed out that the American manufacturers still have two main advantages over other competitors.⁽⁹⁴⁾ First, the American producers dominate the very large car segment which most of the world's producers do not serve. Secondly, the location of American owned production facilities around the world, producing a broad range of products, could help in facing market slumps and import penetration pressures.
- On balance, it seems that the current picture of the American car industry is somewhat bleak and its prospects for re-establishing competitive balance are uncertain.

To sum up, the foregoing analysis shows that there is a competitive imbalance between the major producing countries in favour of Japanese producers, thereby putting more pressure on American and European producers to restructure their industries in order to regain their competitive position.

Recent trends in the World Car Industry

Competition in the world car industry has undergone fundamental changes in recent years. The events of the 1970s posed a challenge

to a mature industry that was accustomed to competing on the basis of economies of scale, styling, and efficient dealer networks.

Market fluctuations in the price of oil, coupled with increased government intervention, have created the opportunity, indeed the necessity, of securing competitive advantage through innovation. The emergence of new competitors who emphasised superior manufacturing performance, combined with slower growth in demand, especially in developed markets, has intensified competitive pressures which, in turn, lead to a desperate search for ways to sustain or improve market position. With these and other developments in mind, it could be said that in recent years the major car producers have been engaged in a life and death battle.

The major trends in the world car industry may be outlined under the following headings:

- 1) Globalisation. Since about 1970, the barriers between the national markets of all the major developed countries, except Japan, have begun to crumble. The market for cars, to use Jones's expression, became "globalised". It is, therefore, no longer appropriate to analyse national markets and national producers. Because of this situation, many studies have taken the European car industry as the basis for the study of any national car industry and Japanese links with European producers are seen in terms of an entree into Europe as a whole, not into a particular domestic market.⁽⁹⁵⁾ The impetus behind the development of a relatively homogeneous world market includes the shift in car-purchasing preferences towards small-size cars, a trend which is encouraged by the manufacturers' need to sell mass-produced and uniform products. Convergence is also encouraged by the commonly experienced pressures of safety measures, pollution control, automated production technology and energy conservation. In response to these unexpected developments, car producers were forced to formulate a strategy for the manufacture of compact

cars on a large scale. The American big three adopted the concept of "world car" as a consequence of these developments. These cars of a single design that will be manufactured and sold worldwide using completely interchangeable components. The world car represents the ultimate in scale economies of design, component production and assembly and servicing, and will thus provide significant productivity and cost advantages.⁽⁹⁶⁾ Examples of these are the Ford Escort and the GM Chevette and Cavalier, all of which are produced in many countries on several Continents.

Similarly, some European manufacturers, regarding concept of the U.S. world car design to constitute a major competitive threat, began to follow this trend. After spending more than FF 2 billion of R & D activities, Renault has already taken a giant step towards a world car with its Rq model which is built at a fully automated plant which houses some 650 robots.⁽⁹⁷⁾ Also Volkswagen decided to invest in production facilities in the U.S, while the other step in its globalisation strategy involved production in Brazil from which it could export to other developing countries. Japanese car producers have also sensed the change. Though they were reluctant to establish full-scale car production abroad, political pressure is forcing them to become truly multinational. Japanese producers have begun establishing production operations or joint ventures in a number of countries including the U.S, Canada, the U.K, Italy, and Spain.

To sum up, the effects of the oil crises, the impact of government regulations and the changing buying habits in respect of buying similar cars, raise new possibilities of integrating car production worldwide and making globalisation a major determinant of who will survive in the world car industry in the near future.

- 2) International Co-operation. The second most important change taking place in the car industry today is the move toward international co-operation. Such an approach had occurred against a backdrop of two major oil crises and a global recession which has witnessed a significant slump in car demand. It is also a manifestation of the attempt to avoid the dangers inherent in the recent emergence of trade protectionism and of the struggle to coexist and survive amidst the turbulence of fierce worldwide competition in the small car field.⁽⁹⁸⁾ The recent agreement between two of the world's auto giants, GM and Toyota, to engage in a joint production venture is a clear reflection of this general situation. Similar co-operative agreements have been entered into by Nissan and Ford and Mitsubishi and Chrysler.

Under these agreements not only are the Japanese partners supplying engines, transaxles and other components, they are also being strongly urged to produce vehicles under licence and to engage in joint development of new vehicles. On the American side, American producers, bearing in mind their ambitious plans concerning the world car began to think that they might have to rely on cooperation with foreign competitors, especially the Japanese, to bring the plan to fruition. In addition, examining the production costs and facilities required for the manufacture of subcompact cars inside the U.S., apparently convinced them that they had failed to respond quickly enough. Accordingly, making effective use of the strength of other producers was seen as a means of easing the way, by riding on their coat tails so to speak. For the Japanese producers, such an approach could provide the benefit of enabling them to supply new models or components. In addition, it could help them to avoid or at least soften the impact of protectionism.

Cooperation which ensures the survival of competitors is by no means limited to close links between Japanese and American

Companies. European automakers have also been faced with a stagnant market and they have been persuaded to enter into various types of co-operative agreements. For example, BL is making the Honda Ballade under licence in Britain and selling it, with some modifications, as the Triumph Acclaim. The French Renault and Peugeot have banded together with Sweden's Volvo in investing in joint development and production of an engine for common use. Also, Renault has joined Italy's Fiat in the joint production of gearboxes. Nissan and Alfa Romeo have agreed to produce jointly a small car in Italy which will mainly be sold through the Alfa networks in Europe. BL and Renault have an agreement to exchange licences for parts while VW and Renault have a joint gearbox venture in France to produce two automatic gearboxes.

These and other links aim at securing mutual advantages in various ways, including economising on R & D costs by combining development efforts and cutting costs through the use of standard components.

International co-operation is not only the result of stagnation in the sales of new cars, but it also reflects changes in the overall situation created by technological innovations and evolution in the structure of production.⁽⁹⁹⁾ The oil crises put pressure on the producers to emphasise energy efficiency, low cost, product quality and good design, all of which reinforce the development of new car models and new technology.

Also, despite the convergence of global demand in the small-size sector, there is nevertheless great divergence in design type, specifications and other areas arising from different regional and national needs and demands. To keep pace with these demands, automakers are being faced with high investment requirements in R & D, something which is difficult for any single producer. So, a natural corollary is the movement towards sharing of research responsibility among different firms.

Accordingly, it appears that opportunities for international co-operation will continue to expand. Some claim that a broader co-operative trade will emerge in other areas of strength and weaknesses, such as exchanging manufacturing know-how in return for market access and/or broadened distribution systems. Toyota's managing director gives support to this view by stating, "For the automakers to survive stiff international competition in the future it will be vital for them to form even more new tie-ups. Such relationships may cross national borders and involve two or more nations. They will thus take place on all levels: national, regional and worldwide".⁽¹⁰⁰⁾

- 3) Technological Trends. From the introduction of Ford's Model T in 1908 to the early 1970s, when the first oil crisis took place, innovation in the auto industry was conditioned by and reinforced a convergence in products and processes. The transient and the maturity prospectives assume a stability in technology, that is, a relatively standardised technology that involves minor changes and that is competitively neutral. In other words, product technology has been moving at a steady, not very rapid incremental pace and producer's designs have been following a similar trend.

Accordingly, the product has become more and more like a commodity, in which competition focuses primarily on price, styling and the quality of service and the distribution network.⁽¹⁰¹⁾ However, growing evidence suggests that by the end of the 1970s the role of technology in competition has been changing. Using data before 1977 and after 1979, one study provided evidence that technology was an important aspect of competition in the 1979-1980 market.⁽¹⁰²⁾ This emerging role of technology as a competitive weapon in the car industry in recent years is seen as a result of three conditions:⁽¹⁰³⁾

First; a dramatic change in the automobile operating environment that demands new design approaches if the familiar product is to continue to be available. Major changes in the operating environment were introduced by laws relating to safety, lower emission levels and improved fuel economy in any given package of vehicle attributes. Some of these developments have affected the technological strategies of many car producers. For example, the implementation of new safety standards led to certain changes in the design of the product. Further changes to the product were also required to meet more stringent air pollution standards. The two energy crises in the 1970s led to considerable increases in car costs and prices which in turn caused many manufacturers and consumers to adjust their behaviour. The reaction of most producers was to introduce a more fuel-efficient car. None of the above problems could be dealt with by using existing technologies so that automakers were forced to introduce revolutionary technological changes.

The second stimulus to innovation was the intense competition in the car market place. In a mature market like the car, where there are many firms competing while there is a slowing rate of demand growth, innovation is vital to the manufacturer. For some, innovation is seen as a condition for survival, for others as a way for further strengthening their hold on market niches in the fierce struggle for sales. By injecting new technology into the product, a producer can hope to offer a car that is relatively distinctive. Also, in its production, a car producer hopes to introduce new manufacturing systems that reduce costs while improving quality and increasing flexibility, thus enhancing its competitive position. Similarly, new technologies can offer new capabilities such as entertainment, high performance, communication etc., which might provide an obvious competitive advantage over competitors. Therefore competition acts as an

important stimulus to the industry's technical evolution, which will continue to be quite rapid while conditions in the current environment continue to prevail.

The third stimulus to innovations is the development outwith the car industry of new technologies which can be applied to its operations. Even in the absence of environmental changes or intense competition, when a distinctive development of new technology such as the microprocessor comes along, its adoption by the industry seems to be irresistible.

Technological change in the car industry is taking place in two main areas: a) the area of product innovation where the main stimulus comes from the urgent need to reduce vehicle fuel consumption and to improve safety, comfort and performance, and b) the process innovation area, where the primary motivation is to reduce manufacturing costs. Here, technological innovation takes the form of using flexible manufacturing systems and industrial robots.

With regard to the future trends in technological development, it is recognised that, as competitive pressures in an era of slower growth continue to intensify, as the price of oil continues to rise or to remain high, and as government legislation becomes increasingly common, the car industry will continue to experience a period of more rapid technological change and innovation, which will, therefore, become a vital component in the producers' competitive strategy.

- 4) The emerging role of developing countries Many researchers and experts in the car business predict that cars might become the textile of tomorrow and constitute the next area of extensive growth that will take place in the developing countries at the expense of the established producers in Europe and North America. The diffusion of the industry to developing countries had already taken place by the 1970s.

The third world accounted for approximately 6 per cent of world auto production in 1982, with Brazil accounting for half of this total, followed by Mexico and Argentina.⁽¹⁰⁴⁾ Another group of countries, including South Korea, South Africa, India, the Philippines, Taiwan and Malaysia, are taking part in third world car production. Among these countries, only four - Brazil, Argentina, South Korea and India - have achieved full production, while others are on their way to building an auto industry with an increasing level of local content. Despite the small share that developing countries now hold, the industry is of significance to many of them as employers, producers and exporters. Developing countries are now satisfying some 60 per cent of their domestic demand which has risen from 20 per cent in 1960 to 40 per cent in 1970. Exports, however, have not been significant and have been principally directed towards other developing countries.⁽¹⁰⁵⁾

The conventional wisdom of developing countries derives its theoretical basis from the PLC theory which suggests that, because the auto industry is now approaching maturity with competition being based largely on price, and because production techniques are potentially transferable, auto production ought to be shifting to less developed countries where wages are low. In Jones's and Womack's⁽¹⁰⁶⁾ view, this argument hinges on two main observations. First, given the limited opportunities in developed countries for expanding market share or volume, 70 per cent of sales being for replacement purposes, the multinational auto companies must shift to these more rapidly growing markets. Second, labour cost differences between developed and developing nations are probably large enough to offset any productivity differences between them. This difference in labour costs is widely expected to cause a transfer of the labour intensive parts of the production processes to developing, low wage countries as a general consequence of the competitive forces operating in the world economy.

However, there is common agreement that, while the developing world may experience higher rates of growth and had the advantage of low cost destination than the industrialised one, the latter will continue for the foreseeable future to provide the bulk of demand for new cars. The following reasons are mentioned frequently:⁽¹⁰⁷⁾

- a) The recent acceleration in the speed of production innovation means that the industry has been forced back to an earlier stage of the cycle when close co-ordination between the R & D, production engineering, management and marketing functions is required. This makes the relocation of the production of new products to affiliates placed in low-wage, low-skill countries very difficult and expensive.
- b) The great importance of scale economies in the industry necessitates major new investments which just reach a certain minimum size before competitive advantage can be achieved. The need for such large investments favour location in developed countries because of the existence of diverse and technologically advanced supplier industries and the existence of well-developed infrastructure advantages which outweigh the potentially higher cost of investing in many developing countries.
- c) The increasing capital intensity of assembly operations could help to reduce costs and thus counteract the high cost of labour in the industrialised countries.
- d) Car industry unions, industry associations and governments will be under great pressure to take action against too rapid a shift of facilities overseas.

Similarly, Jones and Womack⁽¹⁰⁸⁾ argue that a considerable transfer of the industry to less developed countries is not possible now and is unlikely to occur in the near future for two reasons, the first being the rise of Japan as a major car producer. Even with the low hourly wage rates in countries like South Korea, as low as one seventh of the Japanese rate, a comparable vehicle cannot be produced at the same cost as a

Japanese car, partly as a result of the use by the Japanese of completely new standards of organisational efficiency.

Secondly, a new wave of technological and organisational innovation which reflects the lack of industry maturity and presents the developing countries with new challenges that might be beyond their capabilities.

As a result, it is concluded that although the prospects for demand in developing countries are good and they hold the advantage of being low-cost destinations, current developments in the car industry suggest that the developing countries will not be a significant threat to producers in developed countries, at least in the near future, and the bulk of the increase in world demand will still be met through the production facilities of developed countries.

This does not mean, however, that production will continue to be based in the developed world. It is possible, according to the Product Life Cycle theory, that maturity of the industry and the search for lower cost locations may encourage the settlement of production facilities in the developing world, as a means of serving the markets of developed countries by exports from these low-cost destinations.

- 5) Government intervention in the car industry. The car industry has recently become a fertile field for government intervention. Its product's size, shape, performance, and consequently price are no longer determined by market forces alone but also by government initiatives. In attempting to trace the main features of government involvement in the industry and its impact on the overall position of the industry, one could specify four major types of government action:
- a) Actions intended to develop the potential for technological advancement.
 - b) Actions prompted by the crisis in the industry and designed to save or improve the existing industrial structure.

- c) Actions aimed at regulating competition and industrial concentration.
- d) Actions designed to affect trade flows.

First, with regard to the role of government concerning technological innovation in the car industry, it has been pointed out that government actions take two forms:⁽¹⁰⁹⁾ "direct technology push", which refers to technology creation by the government, typically composed of R & D programmes. The other form is what has been called "indirect technology pull" which refers to government regulations, procurements, or other market modification actions that affect product characteristics. With reference to the government role in "pushing technology", it is pointed out that governments in most of the producing countries participate in one way or another in both product and process R & D, although this role is seen as small and of little competitive significance.⁽¹¹⁰⁾

On the other hand, government can affect the technology and innovation process in the car industry through regulatory actions. Indeed, the effect of government intervention in this area is one of the most controversial issues. The primary purpose of government regulations is to set minimum levels of performance relating to safety, fuel economy, and levels of emission that must be met by all cars in the market place. On the positive side, intense government regulations have succeeded in forcing producers to introduce new technologies or impose existing ones to meet the regulation requirements. For example, emission control standards have forced engine designers to rethink the fundamental technology of the internal combustion engine as well as the design trade-offs that had been conventionally made in engines, and a substantial amount of work on alternative engine technologies was also stimulated. In the same vein, safety standards have caused body designers to include crash integrity as an integral feature of the design of frame and body structures, while fuel economy standards have resulted in a complete

rethinking of the basic design parameters of cars, from special layout and driven-train configuration to the materials used in fabrication techniques.⁽¹¹¹⁾ Therefore, regulatory programmes are stimulating a level of product innovation that has not been seen since the early years of the industry. However, on the negative side, it is claimed that government regulations could impede technological innovation for the following reasons:⁽¹¹²⁾

- . The tightening web of product regulations constrains choices of alternative technologies, creating a barrier to the free entry of radical new product technologies resulting from the entry of new firms.
- . Intense regulatory requirements force companies to divert discretionary resources into programmes to improve existing technologies, in effect impeding the introduction of the latest technology within the industry.
- . Seeking change through direct regulation of automotive producers rather than by more indirect route of consumer-based incentives, could greatly distort the incentives for innovation as the goals of the manufacturer and the consumer become incongruent.
- . Conflicting regulatory objectives eliminate some technology options.

In addition, prescribed standards are often treated as maximum standards by major producers. In such circumstances, the standards tend to be regarded as the highest that can be achieved and this is used as an excuse to avoid further innovation relating to that aspect of the vehicle once the standards are met.⁽¹¹³⁾ Finally, in most cases, regulation has become a costly burden to business, a burden which must ultimately be passed on to the consumer through higher prices. GM, for example, has estimated that between 1974 and 1979, it spent 8.1 billion dollars to comply, or prepare to comply, with regulations imposed by all levels of government, an amount which could otherwise have been used to employ more than 24,000 extra employees per year.⁽¹¹⁴⁾

To sum up, government regulation, which encouraging more rapid progress through incremental innovation, can also inhibit radical innovation by increasing barriers to the development of new technologies, by entrenchment, and by retaining existing technologies without improvement.

The second aspect of government involvement in the car industry relates to the efforts devoted to facilitating structural adjustment. In this area, it has been shown, that government influence on existing industrial structure has increased markedly in most countries in the last few decades, particularly in terms of the aid it provides to ailing firms, the expansion of public sectors and the support and overall guidance it provides. In the U.S, faced with worldwide economic recession and high import penetration, the government decided to relax the regulatory constraints which had been a heavy drain on the industry's investment capability and competitiveness. At the same time, the government guaranteed a substantial loan to save Chrysler from bankruptcy and enable the company to work on a plan to recover its competitiveness. In France, because of the importance of the car industry for French exports, the industry has always been of central concern in industrial policy terms. In 1974, the French government came to rescue Michelin's automobile holdings with loans of FF1.5 billion. Furthermore, the French government encouraged Renault, which is wholly government owned, to acquire Berliet and Peugeot to acquire Citroen. In the next few years it remains to be seen whether the French government will encourage a merger between Peugeot and Renault to create one national automobile empire, most probably to meet the challenges of the 1980s. In Germany, although government involvement in the industry is minimal, in some cases she has taken action to rescue firms in trouble. Moreover, part of Volkswagen is in government hands. In the U.K., a series of mergers and amalgamations have taken place since 1954, sometimes with government help, in a bid to improve the competitive position of groups in the industry, by achieving

economies of scale. In Japan, the role of government is, in general, to provide a suitably favourable environment which enhances free trade and competitiveness.

The third dimension of government involvement in the car industry relates to actions designed to regulate competition and industrial concentration. In most producing countries of the free world, anti-trust laws are passed to ensure free competition and consumer welfare. However, the degree of flexibility and complexity of these laws may differ from one country to another with a different resulting impact on the industry's structure and competitiveness. In the U.S., for instance, the system seems to assume a highly legalistic character which causes real problems to most of the American Companies.

In Europe, the maintenance of a balanced, competitive oligopoly implies the necessity of preventing aggressive reinforcements of dominant positions, which would remove from the market the balancing force which is indispensable to the free play of effective competition. In Japan, although anti-trust laws are similar in principle to those of the U.S., a series of exemptions have been gradually introduced as in the case of reduced demand or rationalisation of cartels in a period of economic recession. (115)

It is noteworthy that in measures affecting the car industry's structure, both Europeans and the Japanese seem to pay more attention than the Americans to the outlook for the world market as a whole, the need to be competitive internationally, and the industry's increasing international character.

Finally, the government can affect the potential of its car industry through actions and practices in the area of trade. In recent years, as the world economy has slowed down, policies or practices have been developed by governments which tend to restrict trade flows. It is probably true to say that

the emergence of Japan as a major producer and exporter has threatened the industry's position in many developed countries, which led governments in these countries to impose import restrictions on Japanese products to help the recovery of their industries. By 1981, there were some form of formal or informal arrangements to restrain or control Japanese imports in all the major car-producing nations of North America and Western Europe.

In the same vein, the concept of "local content" in the host country has spread in developing and developed countries alike, thereby restricting free trade movement and putting pressure on foreign producers to the advantage of the national ones. Furthermore, many developing countries put restrictions on car imports to help to develop a national auto industry. Finally, governments sometimes use taxes as well as subsidies to influence consumers' automobile purchasing decisions.

To sum up, increased government intervention in many aspects of the car industry is now established. The car industry can no longer be analysed, managed or regulated in terms of the competitive forces within the traditional national markets. The industry and its competitive domain now extend worldwide and increasingly its developments in national markets are being shaped by various external pressures and by the actions of governments in major producing countries.

SECTION TWOThe U.K. Car IndustryBackground and Present Position

Car production was established on a relatively modest commercial scale in the U.K. by the turn of the century. By 1913, output reached about 29,000 cars, most of this production coming from Ford's Trafford factory, with a contribution by Morris and Austin's British firms. In the decade after World War I, the industry expanded rapidly, car output increased from 29,000 in 1913 to 182,000 in 1929 and concentration on the production of large luxury vehicles in the prewar era changed in favour of a preponderance of small mass-produced cars.⁽¹¹⁶⁾

The industry grew substantially in the interwar period, output nearly doubling between 1929 and 1937, from 182,000 units to 341,000 units. The second war witnessed heavy investment in the industry, enabling the larger firms to re-equip on a massive scale and vastly increase productive capacity, so that in the post-war period they were well prepared to supply an apparently limited world-wide demand for new cars.⁽¹¹⁷⁾ In the 1950s, car output rose appreciably, from a total of 522,515 in 1950 to 1,352,728 by 1960, due to a substantial increase in capacity. However, by then the West German industry was beginning to compete in overseas markets and was followed by French and Italian producers at the end of the decade. Britain's overseas marketing position was successfully challenged by this competition.

Difficulties arose in the home market, due partly to successive governments introducing tight credit control and limitations on hire purchase and using the industry and its markets as an economic regulator. These factors, coupled with increasing vulnerability in export markets, due partly to over dependence on a few traditional markets, poor marketing and after-sales service and a strong pound all affected the competitive position of the industry from the late 1960s onwards.

During the past decade, the British car industry, among established car producers, has shown the worst performance. In terms of production, whereas foreign car industries showed almost continuous growth, the U.K. industry stagnated between 1964 and 1972, and then went into a sharp decline. Furthermore, in a decade when new registrations in Britain increased by a rather impressive 59.4 per cent, the share of domestic producers of new cars sold fell from 85.7 per cent in 1970 to 42.3 per cent in 1982⁽¹¹⁸⁾, which is the lowest share achieved by a domestic producer in the E.E.C.

Despite these adverse trends, attempts by the car industry to reverse the long process of decline have gone a long way towards rectifying the situation, particularly by achieving claimed productivity improvements of up to 120 per cent at BL and substantial, though proportionately fewer, gains at Vauxhall, Talbot and Ford⁽¹¹⁹⁾. Production in 1983 reached 1,044,597 up from 887,679 in 1982.

Jones⁽¹²⁰⁾ identifies three distinct phases in the post-war history of the U.K. car industry. The first phase was one of rapid expansion which lasted until 1972-73. This period witnessed production capacity based on the rapid growth experienced in the 1960s. In addition, the merger of almost all the U.K. owned car producers into BL took place during this period. The second phase of recession and recovery in demand lasted until 1979. During this period, the production of cars fell by about 900,000, partly as a result of the Japanese invasion of the British market. The third phase, one of retrenchment and adaptation, is still underway. Since 1979, U.K. car production has stabilised around 950,000 and the import share has also remained at around 56 per cent, some 20 per cent being represented by imports from the European plants of U.K. producers.

As mentioned earlier, in the last few years the industry has been making its way towards recovery and the 1983 output represents a major step in that direction.

Significance of the car industry for the U.K. economy

Since the Second World War, the motor industry in general has been a highly important, leading sector in the British economy.

Armstrong⁽¹²¹⁾, in an earlier study, used input-output analysis to estimate the importance of the industry to the British economy. The direct contribution of the industry accounted for about five per cent of industrial production between 1954 and 1966, about nine per cent of growth in industrial production during the same period and about 15 per cent of the uneven character of growth in industrial production. The indirect importance of the industry was of about the same magnitude, its requirements from other industries amounting to 3.9 per cent of industrial production in 1954 and 5.5 per cent in 1966.⁽¹²²⁾

Similarly, a 1968 report put the industry's share of all industrial production at 5.1 per cent, with direct responsibility for an additional 3.2 per cent and indirect responsibility for another 2.2 per cent, giving a total of 10.5 per cent.

The Central Policy Review Staff⁽¹²³⁾, writing in 1975 about the future of the British car industry, considered that the industry was still responsible for about 10.6 per cent of the industrial output. However, slower than average growth in the U.K. motor industry implied a smaller contribution to the overall growth in industrial production in recent years than in earlier years. The 1979 census of production confirms that the motor industry achieved only 5.3 per cent of the total output of all industries.

As an employer, the motor industry in general is also of central significance to the British economy. Between 1960 and 1972 the motor industry employment increased by 17 per cent compared with a 12 per cent fall for manufacturing industry as a whole⁽¹²⁴⁾. But from 1972 to 1978, employment fell by about 3 per cent, although this was less than the fall in manufacturing employment as a whole. From 1979 onwards, the employment position rapidly deteriorated as

a result of the 1979 recession which hit Britain with unique speed and ferocity. This trend of falling employment is still continuing as the limited growth brings limited employment opportunities. In 1982, U.K. employees of the big four assembler numbered only about 177,000 compared with 307,000 in 1974⁽¹²⁵⁾. However, in a recent report commissioned by SMMT and carried out by planning and Economic Consultants, it was estimated that for every person directly employed by Car manufacturers there are 3.6 indirectly dependent for their living on the industry before taking account of jobs in the distribution and servicing sector.

Finally, at least until recently, the British car industry, as an export-oriented industry has made a substantial contribution to the country's balance of payments position. In 1960, the car industry achieved a positive trade balance of nearly £206 million, £226 million in 1965, £243 million in 1970 and £64 million in 1974. However, the industry's contribution to the balance of payments has constituted an overall deficit from 1974 until the present time. In 1982, the trade deficit in the car industry reached about two billion pounds⁽¹²⁶⁾.

In short, the products made by the British car industry are a significant feature of the British economy and of society, and are likely to remain so for the foreseeable future, despite the adverse movements which have affected its traditional position in the British economy.

The U.K. car manufacturers

The U.K. car industry comprises four major manufacturers, three of them Ford, Vauxhall and Chrysler/Talbot - being subsidiaries of foreign multinational corporations while the other, British Leyland, is the only British owned company. There are in addition a number of smaller producers, some of whom are significant, notably Lotus and Rolls-Royce.

The behaviour and comparative performance of each of the major producing companies is worth examining in some detail.

Table 5/1 demonstrates that all four major U.K. manufacturers have suffered some measure of decline in output since 1968, although some of these figures achieved a slight recovery during the last two years. It has been shown that the British firms, using a volume of 750,000 cars a year as the benchmark, are all producing an output with which any independent company will find it difficult to compete in volume car markets⁽¹²⁷⁾.

TABLE 5/1
U.K. Car Production and Company Shares

thousands

	British Leyland		Ford		Chrysler/Talbot		Vauxhall		Other	
	Units	%	Units	%	Units	%	Units	%	Units	%
1968	818.3	45.0	553.7	30.4	189.1	10.4	244.8	13.5	10.0	0.7
1973	875.8	50.1	453.4	25.9	265.4	15.2	138.4	7.9	14.3	0.9
1978	611.6	50.0	342.4	26.5	196.5	16.1	84.0	6.9	6.4	0.5
1979	503.8	47.1	398.7	37.2	103.0	9.6	58.8	5.5	6.2	0.6
1980	395.8	42.8	342.8	37.2	125.3	13.5	55.0	6.0	4.8	0.5
1981	413.4	43.4	342.1	35.8	117.4	12.3	69.9	7.3	11.6	1.2
1982	405.1	45.6	306.6	34.5	56.2	6.4	112.7	12.7	7.0	0.8
1983	473.3	45.3	318.7	30.5	120.5	11.5	126.5	12.2	5.5	0.5

Source: Derived from SMMT data, various issues.

Of the three multinationals operating in the U.K, Ford has shown a far more progressive approach to the problem of rationalising its policy position in the U.K. as well as in the other European locations⁽¹²⁸⁾. The company has significantly increased its share at the expense of Vauxhall and Talbot. Despite increased foreign competition, Ford has increased its market share from 23 per cent in 1973 to approximately 29 per cent in 1983. In addition, Ford was the only profitable automaker during the period 1970 to 1979, its production share increasing from 27.4 to 37.2 per cent in 1979 although its actual production declined by 11.1 per cent during

this period. Backed by its powerful European operations, Ford was able to boost its sales in the British market by 70 per cent during 1970-79, thereby becoming a leading firm. However, Ford's share in British car production has declined from 37.2 per cent in 1980 to 30.5 per cent in 1983. Similarly, it has been reported that the share of Ford's British made cars in Ford's sales in Britain declined from 99.8 per cent in 1975 to 51.1 per cent in 1979, and this share is still declining, which means that imported Ford cars accounted for almost 50 per cent of Ford's sales in Britain⁽¹²⁹⁾. A key component of Ford's U.K. strategy is the wide selection available within each model range, providing a span from the basic-luxurious to the economy-sporting.

British Vauxhall is seen as the weak link in General Motors' network in Europe. Vauxhall's production declined by no less than 77.5 per cent during the period 1968-1980, and its market share of cars dropped from 13.5 per cent to 6 per cent in the same period. In an attempt to rationalise its policy in Europe, the company has integrated many features of its German and British controlled operations and model lines. In 1983, the company production share reached 12.2 per cent from just 6 per cent in 1980, while between 1981 and 1983, Vauxhall almost doubled its market share from 8.6 per cent to 16.2 per cent.

Chrysler, the third multinational firm working in the British market, tried to make each of its European operations viable on an independent basis, but faced with financial problems, its market share dropped from 11 per cent in 1973 to approximately seven per cent in 1979. The main reasons for the decline of Chrysler's U.K. operation, which are discussed by Young and Hood⁽¹³⁰⁾, are to some extent similar to these that apply to BL. The Chrysler Corporation sold its European operations to P.S.A. Peugeot-Citroen in 1978. The take over by Peugeot-Citroen has produced considerable model overlap in the total model range offered by the combine. However, the firm achieved a considerable increase in production in 1983, reaching 120,500 compared with just 56,200 in 1982, and achieving 11.5 per cent of total U.K. production, a marked increase over the 1982 figure of 6.4 per cent.

With regard to BL, the only non-multinational firm working in Britain, it could generally be said that despite all its troubles, the firm has maintained its share of about half of the total U.K. output of cars. During the period 1968-1983, BL's production declined by 42.2 per cent, but it remained the largest British automaker with 45.3 per cent of total production in 1983. However in 1983, the company came in second place behind Ford for new registrations with only 18.57 per cent compared with 38.4 per cent in 1970, which was the highest share at that time. In fact, BL cannot be regarded as an MNE in the same sense as Ford and GM. Although it does have many manufacturing bases outside the U.K, BL is unable to enjoy the full market advantages of an MNE, which can make up market shortages by importing, low cost manufacturing in high productivity countries. For example, in recent years MNE's were able to bolster their poor performance with captive imports from European subsidiaries. Such imports in 1982 reached about 230,000 cars for Ford, 79,000 for Vauxhall and 25,000 for Talbot, compared to practically none for BL⁽¹³¹⁾. Some argue that BL is no longer a major producer as it is excluded from the league of the six major E.E.C. automakers and has therefore to be classed with Daimler Benz, BMW, and Alfa Romeo⁽¹³²⁾.

The performance of the major car producers in Britain can best be shown in terms of the ratio of pre-tax profits and sales. During the period 1975-79, Ford was highly profitable with an average 9.5 per cent; Vauxhall showed a marginal one per cent; BL a loss of 1.6 per cent and Talbot with a loss of 3.2 per cent⁽¹³³⁾. None of the British companies except Ford was able to finance capital expenditures from retained profits plus depreciation.

Apart from the four major producers, there exists a group of specialist producers. They include mainly sports car makers such as T & R, Aston Martin, Lotus and AC Cars, producers of luxurious cars such as Rolls-Royce, Panther and Bristol and Reliant. The small scale of their operations is indicated by the fact that their combined output amounted to 5,555 units in 1983 with just 0.5 per cent of the total British output.

The competitive position of the British car industry

Until the mid 1950s, Great Britain was the commanding force in the European automobile industry. In 1955, with an output approaching 900,000 cars, Britain was the worlds second largest producer and the world's leading exporter. In 1983, it ranks eighth in production and sixth as an exporter, while over half its domestic market has been captured by foreign exporters.

Table 5/2 illustrates the development of the British car industry's production, exports and imports for the period 1960-1983.

TABLE 5/2

British car industry production, exports and imports 1960-1983

Year	Production	Exports	Imports
1960	1,352,728	569,889	57,309
1961	1,003,967	370,744	22,759
1962	1,249,426	544,924	28,610
1963	1,607,939	615,827	48,163
1964	1,867,640	679,383	65,725
1965	1,722,045	627,567	55,558
1966	1,603,679	556,044	66,793
1967	1,552,013	502,044	92,731
1968	1,815,936	676,571	102,276
1969	1,717,073	771,634	101,914
1970	1,640,966	690,339	157,956
1971	1,741,940	721,094	281,037
1972	1,921,311	627,479	450,314
1973	1,747,321	598,816	504,619
1974	1,534,119	564,790	375,421
1975	1,267,695	516,219	448,749
1976	1,333,449	495,796	533,901
1977	1,327,820	474,826	698,464
1978	1,222,949	466,382	800,772
1979	1,070,452	410,118	1,060,645
1980	923,744	359,145	863,080
1981	954,650	349,359	805,327
1982	887,679	313,025	934,141
1983	1,044,597	273,616	1,075,834

Source: SMMT, The Motor Industry of Great Britain 1984, op. cit.

It can be seen from Table 5/2 that the industry's total production has steadily declined over the last two decades from 1,352,778 units in 1960 to just 887,679 in 1982, while some progress was achieved in 1983.

On a world basis, British car production has declined from 11 per cent in 1960 to just 3.5 per cent in 1983. As a result, the British car industry has declined from being the second largest producer in 1955 and the third largest producer in 1960 to the eighth largest in 1983, having been surpassed by the U.S.A, Germany, France, Italy, Japan, U.S.S.R. and recently, by Spain.

During the same period, there has been a very marked increase in the share of imports in the domestic market, from 3 per cent in 1961 to 57.7 per cent in 1982. Tariff reductions and the competitive weakness of the British manufacturers around 1970 helped foreign manufacturers to increase their share of the U.K. market. Consequently Volkswagen, which has been the only major established importer in the mass market in the early 1960s, was joined by the end of the decade by Renault and Fiat, and in the post-1972 period by Japanese producers. In addition, U.K. entry into the EEC gave a boost to the multinational production and marketing activities of U.S. firms so that by 1982 the largest importer was Ford.

Although all major markets, except Japan, have become more open, it is clear that the British deterioration is of a unique order of magnitude. In 1982, imports accounted for 4.08 per cent of new registrations in Italy, 30.6 per cent in France, 27.2 per cent in Germany and just 1.2 in Japan.⁽¹³⁴⁾ Therefore an import penetration ratio accounting for more than 57.7 per cent of new registrations in Britain is by far the highest ratio in the major car manufacturing countries.

It is argued that this surge of imports was a reflection of the inability of U.K. producers to supply enough vehicles of the right

type, the lack of investment that left the industry with uncompetitive facilities and an ageing model range, in addition to the presence of highly competitive imports.⁽¹³⁵⁾

This position would be less significant if exports had expanded equally but this did not happen. It is well documented that the British car industry has failed to obtain a compensating increase in exports. The U.K. car industry export performance has deteriorated since the late 1960s. From a maximum of 771,634 cars exported in 1969, the total exports fell to 273,616 in 1983. The U.K.'s share of world car exports fell from 35 per cent in 1955 to just 3.1 per cent in 1983, as a result of the growing strength of German, French, Italian and Japanese manufacturers.

The British producers have failed to maintain their position in the major growth markets of Western Europe and the U.S.A. Although car imports into the U.S. increased from 700,000 in 1967 to 2.8 million in 1982, U.K. exports to this key market declined from 71,000 to only 14,000 in the same period, while Japanese exports grew from 66,000 to 1.7 million units.⁽¹³⁶⁾ Japanese car producers have not only eroded the British share of the North American market, but have also achieved a significant and growing import penetration into the British market itself. In the same vein, the British car industry's share of new car registrations in Western Europe fell from 4.2 to 3.5 per cent between 1966 and 1982. In addition, the British car industry has lost its market share of markets where it was traditionally strong, such as Australia, New Zealand and South Africa as a result of the activities of local producers and the increased competition from other European and Japanese producers.

The industry's poor performance is best reflected in its contribution to the balance of payments. The industry has shifted from being a prime export earned with a surplus reaching around £243 million in 1970 to becoming instead a trade liability. Since 1975, the industry has gone increasingly into deficit, approaching two billion pounds in 1982 and is still in a deficit situation.⁽¹³⁷⁾ Overall, by 1975 the U.K. car industry had for the

most part become unprofitable, outdated and uncompetitive, so that its ability to contribute to economic growth and the balance of payments was seriously restricted.

Using market share and financial status as indicators, it is clear that the British car industry is in a weak position in relation to its competitors. This in turn, leads us to ask: What are the main causes of the industry's lack of competitiveness?

In fact, there are a number of explanations that have been offered to account for the loss of market position by British car producers. A description of the major causes which are seen as responsible for such deterioration is presented below.

(1) Product Policy. With regard to product policy, it is argued that the U.K. car industry suffers major difficulties in three areas encompassing product range, product quality and new product development.

With regard to product range, it is commonly agreed that the U.K. car producers make too many models in insufficiently large quantities despite the negative effects of this approach on cost and price competitiveness. Faced with aggressive competition in the domestic market, the British companies tended to produce a complete model range, carrying far too heavy a cost penalty in terms of costs associated with a particular model in such areas as advertising, capital investment, model replacement etc. without reaping the benefits of scale economies.⁽¹³⁸⁾ At the end of the 1970s, BL was producing a vast range of models, including nine basic models plus four sports cars, compared with Ford's four basic models and one sport coupe. Although British Leyland was the fifth largest car producer in the world in 1968, it was not in practice an economic operation, in that it produced twice as many models as GM but produced only one-fifth of its output.⁽¹³⁹⁾ In Jones's view⁽¹⁴⁰⁾, this policy of trying to maintain too wide a product range led to a dilution of engineering resources, ensured a slow replacement cycle and allowed less attention to be paid to

incremental improvements during the life of each model. Similarly, the CPRS⁽¹⁴¹⁾ report found evidence to suggest that the U.K. car industry suffers major problems as far a product range is concerned. Four sources of competitive weakness were identified: an unbalanced range, producing models which give less value for money than foreign ones; outdated models, and the erosion of price advantage since early 1973. Other studies by Bhaskar⁽¹⁴²⁾ and the Commission of the European Communities⁽¹⁴³⁾ lend support to the above criticism, namely that producing too many models is a major cause underlying the industry's poor performance.

The second major weakness identified by several studies in relation to product policy is the question of product quality and reliability. It is generally asserted that British built cars have a reputation for poor quality and unreliability. There is considerable evidence to suggest that the performance of the U.K. producers in this respect compares unfavourably with that of their French, German, Swedish, and Japanese counterparts. In July 1967, "Which?" magazine reported an average of 27 defects on the British cars it tested, and in its April, 1969, issue reported that the quality of Volvo cars was superior to all the equivalent British offerings. Similarly, the CPRS report asserts that the poor reputation of British cars will lead to customer dissatisfaction and to the long term loss of market share. In addition, the effects of the poor quality of British produced cars have been particularly serious in affecting the attitude of dealers towards handling them.⁽¹⁴⁴⁾ Even for a company like Ford, there is evidence that reflects a quality gap between the U.K. and German produced Ford cars. A comparatively low level of reliability is another factor often identified as important in explaining the poor performance of British producers. The results of a major study by Leech and Cubbin⁽¹⁴⁵⁾ on import penetration in the U.K. car market reveal that imported cars appear to be considerably more reliable than British cars. The average number of days off the road, as a measure of reliability, for British cars was 2.9 while it was only 1.4 for imported cars. In January, 1984, "Which?" magazine found no British car placed among the most reliable cars in the British

market. As the CPRS report comments, "the poor reputation of British cars will have to be corrected as a matter of urgency, because a reputation for poor quality and workmanship materially influences consumer decision, especially abroad."⁽¹⁴⁶⁾

The last weak feature of the product policy pursued by British manufacturers is the inadequate attention given to the product development process. Most of the British based companies, except Ford, are blamed for paying little attention to this process, especially in the important light and medium segments of the market which account for nearly two-thirds of total sales. By 1978 BL, for example, was producing more than twelve out-dated models and had nothing competitive to offer in the light and medium segments of the market.⁽¹⁴⁷⁾ Newness of model design, on the other hand, is seen by various studies as one major factor behind high import penetration in the British car market.⁽¹⁴⁸⁾ BL has followed a policy of long product cycles of around ten years, partly because of the technical nature of the product and partly because of the lack of funds for replacement purposes. Chrysler U.K, overtaken by Talbot, was forced to use long product cycles mainly because of the latter factor and the inability to offer advanced technology as an offsetting factor. By contrast, Vauxhall and Ford have used a five-year cycle for their European products, which reflects a strong engineering capability to introduce and incorporate improvements. An examination of the evidence relating to the innovative activities of the motor industry in Britain as measured by R & D expenditures and patenting behaviour, illustrates why British companies have been subject to disadvantage in the area of product development.

Table 5/3 shows the poor record of UK automotive R & D compared to other major producing countries.

TABLE 5/3
R & D expenditures in the motor industry
 U.S. \$ Million

	U.S.A.	JAPAN	GERMANY	FRANCE	U.K.
1967	1151	234	419	201	205
1969	1621	325	626	244	210
1971	1631	476	751	313	199
1973	2209	674	621	273	193
1975	1789	654	623	361	192
1977	2173	812	751	443	193
1979	2501	1143	842	464	239
R & D Value added %	6.2	5.9	5.9	5.4	3.9
No. of R & D Scientists and engineering	20600	9800	5200	2200	4000
Total R & D employment	98000	34300	22700	14300	13000

Source: D T Jones, Technology and the U.K. Automobile Industry,
 op.cit, p.22.

The data relating to automotive patenting reveals a similar situation; the collapse of the UK and BL patenting after the mid 1970s and the rapid improvement by Japanese and German producers. BL's lack of design engineers implied that the advantage which it had had in the engineering field several years earlier when the Mini was introduced, had long disappeared. In addition, it has been shown that the company's heavy debt burden makes any opportunity to reduce capital expenditure on new models seem attractive.⁽¹⁴⁹⁾ British producers in the last few years, however, have taken steps to solve their poor performance in the product area. Providing better warranty conditions, ensuring better supplier quality, introducing improved quality programmes and launching new models are at present common practices in the product policy of British firms.

(2) Distribution networks. Easy access to dealers seeking a particular model is regarded as an important factor in determining the level of sales and market share. In the home market, the British car manufacturers' distribution system proved to be competitive with those of imported cars. However, the attitude towards rationalising dealer networks in the early 1970s, especially by BL and Vauxhall, raises the question of whether this reduction in the number of outlets is in any way responsible for their worsening trade performance. Some argue that successful attempts by some foreign producers, especially the Japanese, to enter the UK market was in part because British producers discarded a large number of dealers who subsequently obtained import franchises. During the period 1977-78 alone, BL shed approximately 23 per cent of its dealers, Ford and Chrysler shed 10 per cent and Vauxhall dispensed with around 21 per cent. The CPRS⁽¹⁵⁰⁾ study estimated that about 35 per cent of dealers who lost a franchise from a British manufacturer obtained import franchises. Accordingly, dealer network rationalisation by UK manufacturers has helped foreign manufacturers to build up distribution networks which now account for nearly 50 per cent of all retail outlets. In comparing the quality of workshop facilities of dealers selling imported cars with those dealing in domestic ones, it has been shown that pre-delivery inspection, after-sales service and explanation of the benefits and technical features of the product are significant advantages available to salesmen of imported cars.

In the foreign markets, while the three multinational companies manufacturing in Britain have global distribution systems and good coverage throughout Europe and North America, BL's reputation in Europe is described as poor. In North America, the company made great efforts to improve its distribution network but it still compares unfavourably with other European producers selling to the U.S. market. The poor reputation of BL's volume products, the erratic or non-existent supply and the increased competition from other producers, especially the Japanese, are the factors that are

normally mentioned as being behind the dealers' reluctance to carry BL's products and which have contributed in large measure to the company's loss of international market share.⁽¹⁵¹⁾

(3) Cost Competitiveness. The decline of the British car industry has frequently been blamed on an uncompetitive cost structure. A host of factors are seen as the causes of this phenomenon. These include:

a) Poor productivity. Productivity in British car plants is considerably lower than that of other countries. Output per man figures are not favourable to the U.K. industry. For instance in 1978, the Japanese made 16.3 vehicles per employee, the Germans 8.6, the French 6.6 and the Italians 6.2, while the productivity of the British employee was only 4.7.⁽¹⁵²⁾ Of course, differences in product mix and bought-in content might reduce the validity of the above comparison, but value-added figures per man produce a similar result. In 1974, the value added per worker of BL was £2,129 compared to £5,875 for Opel, £4,885 for Ford Germany, £4,767 for VW, £4,133 for Renault, and £2,259 for Fiat.⁽¹⁵³⁾

In addition, it has been shown that British workers worked less efficiently with less capital per man. In 1974, fixed assets per man totalled £5,602 for Ford U.S., £4,662 for Volvo, £4,346 for GM of U.S., £3,632 for VW, £3,612 for Opel, while it was only £920 for BL, £1,356 for Vauxhall and £2,657 for Ford U.K.⁽¹⁵⁴⁾ These unfavourable British results are reinforced by direct enquiries which illustrated productivity in terms of the number of hours needed to assemble given items with nearly identical facilities. In this respect, the CPRS study, found evidence to suggest that "on average the man hours required in Britain to assemble the same, or a similar, car are almost double those on the Continent."⁽¹⁵⁵⁾ British manufacturers had long been aware of their low productivity relative to their counterparts in Europe. A joint Union-management Council of Leyland Cars reporting in 1978 warned that "unless our productivity levels improve quickly and by a

large amount, our ability to compete with European and other foreign manufacturers will continue to deteriorate". The factors causing poor productivity can be identified as including overmanning, interruptions to the smooth flow of production and under-investment in plant and capital equipment.

- b) Diseconomies of Scale. Another factor contributing to the high production costs in British Car plants is the inability to exploit the potential of economies of scale. The smaller size of UK car plants relative to overseas ones is seen as a source of high production costs.

A detailed study of Jones and Prais⁽¹⁵⁶⁾ based on census statistics put the British medium plant size at 2300 employees in 1970, the German equivalent being over three times greater at 7,600 employees. The German productivity advantage, calculated by the authors as 43 per cent in 1976, increased the German plant size advantage by nearly sixfold in terms of output. In assembly alone, however, German advantage was only double in terms of employment. Similarly, the CPRs study attributed two-thirds of the British manufacturers' eleven per cent cost penalty in 1975 to the scale factor⁽¹⁵⁷⁾. Of this, one-third was due to low model volumes, one-third to low plant sizes, and one-third to excessive overmanning.

More recently, Owen⁽¹⁵⁸⁾, in his study of the effects of scale economies on competitiveness and trade patterns within the European Community, came to the conclusion that the lack of efficient scale level, as a major determinant of unit costs, was responsible for the poor trade performance of British Car producers in the European market. At the same time, the study indicates that the cost disadvantage of British producers, resulting partly from the inability to benefit from large scale production, has increased the attractiveness of making aggressive moves into the British market.

- c) Production technology. It is also pointed out that the technology of Car production in British Plants still lags behind that of their counterparts. Until recently, a large

portion of plants and machinery, especially in BL, was regarded as old, outdated and inefficient⁽¹⁵⁹⁾. Overmanning in some facilities, inflexible manufacturing technologies, and a high ratio of inventories are other weaknesses to be mentioned.

Steady loss of market share at home and abroad put the majority of British firms under pressure to rationalise their production systems and maintain a high level of production technology and efficiency. There are indications that this process has already begun. Now in the 1980s most of the UK production capacity is relatively modern and the use of robots gives these plants a greater degree of flexibility to switch models in response to demand and reduces the costs of production and the introduction of new models and variants.

- d) High operating costs. In the UK car industry, too many models are produced by too many manufacturers in too small quantities. This fragmented structure of the industry increases the costs of overheads incurred on a plant by plant basis, e.g. rent, rates, power, heat and light, communications and transport etc., and leads to a considerable duplication of effort.

In the light of the above discussion, it is deduced that the lack of cost competitiveness in the British Car industry is a result of lower productivity, diseconomies of scale, inefficiency in production systems and high operating costs. These factors, and others, make the British Car market one of the highest-price markets in the world. A recent study reveals that on average car prices in Ireland are 82 per cent of those in the UK. In Germany and France 70 and 72 per cent respectively, in Benelux 66 per cent and in Denmark 55 per cent of British prices⁽¹⁶⁰⁾. Accordingly, it is suggested that if the British Car industry is to restore its competitive position it must increase efficiency and reduce unit cost sufficiently to reverse the recent trends of increased relative prices.

4) Other marketing factors. We have already referred to some marketing policies such as product and distribution policies. There are, however, some additional practices in the marketing field which are regarded as factors contributing to the industry's poor performance. These factors include:

a) Advertising activities: between 1970 and 1981 total advertising by car firms increased from £19 million to £138 million⁽¹⁶¹⁾.

However, this increase hides considerable fluctuations in expenditure by different firms. Importers took a larger share as they tried to break into the UK market. Advertising expenditure by certain foreign manufacturers increased dramatically at a time when UK producers could not meet demand. In this regard, Johnson⁽¹⁶²⁾ pointed out that during the period 1968-1980, the advertising-sales ratio was much higher for the foreign car manufacturers. In 1980, importers were spending nearly twice as much on advertising per car as their British counterparts. It has also been shown that up to 1974 the advertising-sales ratio for British Cars hardly changed over the period, indicating little reaction by the British manufacturers who did not increase proportionately the amount they spent on advertising to compete with the foreign manufacturers. Although there was a steady increase in advertising expenditure by British manufacturers from 1976 onwards, the advertising effort by the foreign manufacturers increased dramatically at the same time. Bhaskar⁽¹⁶³⁾ argues that the loss in advertising market share may have been caused by the lack of new models or the lack of cars to sell.

b) Product availability or delivery dates is another marketing factor which is popularly advanced as a reason for the relative decline in sales of British produced models. The CPRS⁽¹⁶⁴⁾ study found evidence to support the argument that long delivery delays affecting British Cars constitute an important competitive weakness and are one of the reasons for switching to imports. In a survey of a sample of 16,000 buyers of new cars, almost 30 per cent of people considering

buying British Cars decided not to do so because of unacceptable delivery dates. In some cases, British manufacturers were unable to match the delivery performance of leading importers in the British market. It was also demonstrated that one of the main problems with BL's efforts abroad has been the Company's failure to satisfy delivery promises.

Other factors in the marketing package such as warranty conditions, credit terms and after-sales services have been cited as contributing to the industry's poor performance.

5) Labour-management relations. The decline of the British Car industry has also been blamed on poor labour-management relations. It is generally indicated that while the UK car industry, compared with its major rivals, suffer less from absenteeism and labour turnover, industrial disputes are a very serious problem. The British manufacturing industry as a whole loses more working days resulting from such disputes than its continental rivals. Moreover, the car industry has a far worse record than the other manufacturing sectors in Britain. In 1974, man days lost per 1,000 workers averaged 650 for the manufacturing industry in general, while the total was 3,550 for the motor industry alone. In 1977 the gap has widened, dropping to 450 days lost in the manufacturing industry as a whole, while increasing dramatically to 5,798 days in the motor industry⁽¹⁶⁵⁾.

The CPRs study concluded that the problem was industry wide, that disputes seemed to occur in larger plants more frequently than in smaller ones and that wages were the most important cause of industrial disputes⁽¹⁶⁶⁾. In this concern Table 5.4 shows the trend of the strike activity and number of working days lost over the period 1974-83.

Although working days lost between 1980 and 1983 were lower than in the 1970s, there is an indication that the number of strikes and working days lost per thousand workers remains much higher in the car industry than the national average.

Table 5.4: Strike activity in the British Car Industry
1974-83

Year	Number of strikes	Number of working days lost (000s)	No. of working days lost per 000 workers
1974	223	1,752	3,534
1975	150	824	1,814
1976	191	785	1,751
1977	212	2,745	5,611
1978	194	3,362	7,416
1979	165	3,064	6,700
1980	92	436	1,027
1981	136	749	2,158
1982	143	551	1,795
1983	90	545	1,760

Source: David Marsden et al, The Car Industry: labour relations and industrial adjustments, London: Tavistock Publications, 1985, p.122.

Poor labour relations have affected the industry's competitiveness in many ways:

- a) They have affected the cost structure through reluctance to introduce new technology and labour-saving systems. This happened at Austin in 1948 and recently in BL.
- b) Considerable resources and efforts were wasted in dealing with labour relation problems which might have been better utilised in other areas. In this regard it has been pointed out that labour relation problems have distracted management's attention from the problem of improving the industry's competitive position. The results of an interview with a

sample of British managers reveal that they claim to spend almost half their time dealing with labour relations, compared to the 5-10 per cent quoted by Plant managers in Belgium and Germany⁽¹⁶⁷⁾.

- c) Poor product quality, in part attributable to poor industrial relations, was one reason given by Ford, Vauxhall and Chrysler for discontinuing exports from Britain to the U.S.A. in the 1970s and instead source from other countries like Germany and Japan. Also, it is documented that poor labour relations have partly contributed to facilitating the flow of imports to the British market. As it is put "so long as strikes interrupt production and delay delivery of British Cars, imported cars will fill the gap"⁽¹⁶⁸⁾. Of course, loss of export opportunities coupled with the increased import penetration has affected the balance of payments position.
- d) It is also reported that poor labour relations in British plants has affected the investment decisions by British firms. For example, multinational firms, because of poor labour relations have decided that new investment and new models would be made elsewhere, a reaction which is clearly demonstrated in Ford's investment strategy in recent years. Similarly, BL closed down Speke because of poor labour relations, transferred production of the TR7 to Cranley and cancelled some investment plans⁽¹⁶⁹⁾.
- e) Finally, poor work practices have affected employment stability and hence productivity. BL, for example, has lost more than 300,000 vehicles, or 4 per cent of its planned output, through industrial disputes in a single year.

To sum up, as early as the end of the 1940's, labour relations in the UK car industry had become increasingly unsatisfactory. Poor labour relations meant higher costs, discouraging innovation and development of new models, slowing the industry's progress and, accordingly, reducing the industry's competitiveness. However, it is reported that the size of the recent productivity gains achieved in the British Car industry and the speed with which they have been

obtained reflect, in part, the presence of more favourable working conditions compared to those which existed previously.

6) Government policy. It has been argued that British government policy towards the car industry since the early 1960s is another cause of the current unsatisfactory state of the industry. On this issue, Bhaskar⁽¹⁷⁰⁾ asserts that "It has been successive and inconsistent government action which is primarily to blame for the poor state of the industry as a whole". In his view, treating the industry's product as a luxury item, conducting the demand management of the economy, especially the demand for consumer durables and its affect on car demand and employment problems, besides the fact that inconsistent government intervention has created long lead times and high break-even points which make it difficult for the industry to react to external changes, all represent negative aspects of government action which affected the industry performance.

Dunnett⁽¹⁷¹⁾ also comes very close to blaming only the government, but feels that "although government contributed to the decline of the UK car industry, in the long run such a decline was likely in any case". Wilks⁽¹⁷²⁾ expressed a similar view when he indicated that government policies have at times imposed additional burdens on the motor industry and government has failed in the more important task of providing leadership and introducing reform. In his view, "the main indictment is that government as a system has lacked awareness, has pursued policies which almost accidentally have harmed the industry and has operated irresponsibility where a real responsibility for the national interest existed".

Economic regulations provide an example of such negative actions by government. Changes in sales taxes and hire purchase regulations have severely affected the level of activity in the car market. Over a period of about 20 years, there were more than 20 changes in hire-purchase regulations and 14 changes in the level of purchase tax⁽¹⁷³⁾. In the same vein, the use of the industry as an economic

regulator has caused fluctuations in car demand. The effects of fluctuations include harming capacity utilisation and making unit production costs higher than need be, while destroying forward planning.

Rhys⁽¹⁷⁴⁾ claims that the effects of government activities on the state of the market constituted a major factor in the harm done to the industry's profitability during the last two decades and hampered its ability to invest in new products and facilities, and to meet overseas competition.

Therefore it could be concluded that government actions have had some negative influences on the industry's performance and competitiveness both in the domestic market and abroad.

Prospects for the UK car industry. Projections relating to the British car market in the 1980s present a rather gloomy scenario for domestic producers. Estimates indicate only a slight increase in new registrations. In addition, domestic producers have to be prepared for continuous pressure from Japanese and European competitors on both the domestic and world markets. There is, however, some cautious optimism and perhaps an opportunity for recovery may be presented if the problems identified previously are dealt with.

Summary and Conclusions

The main objective of this chapter was to study the dynamics of competition in the car industry, with particular reference to the competitive status of the UK car industry. To that end, the chapter was divided into two sections; the first section was devoted to an overview of the car industry in general. It began by defining the industry and assessing its significance. The main sources of competitiveness in the car industry and the competitive strategies of the major car producers were then discussed. Finally, attention was drawn briefly to the recent trends in the environment of the car industry and their effects on present and future competitive balance. Our conclusions in this section include the following:

- a) Price, reflected in cost competitiveness, is not the only factor to be considered in maintaining competitive position within the market. Considerations relating to product range, superior quality, and effective marketing, play a more central role in determining the competitive status by any car producer.
- b) There is a competitive imbalance between the major car producers in favour of the Japanese producers as their production, marketing and management systems confer a considerable competitive advantage.
- c) The new developments in the car market, including an increased competitive global market, the revolution in technology, international co-operation and intensified government intervention are likely to shape the competitive balance in the future.

The second section was devoted to studying the competitive position of the UK car industry. A review of the industry's background and economic significance was undertaken first. Thereafter, a brief account of the major UK producers was provided. At a more detailed level, the competitive position of the UK car industry was examined, highlighting the major factors which played a role in affecting this position. The section closed with brief comments on the prospects for the industry.

The conclusion to which we are drawn is that the British Car industry has several competitive weaknesses. Five factors in particular have contributed to the industry's poor performance:

- (1) An inefficient product policy, reflected in the introduction of inappropriate product mix, old and outdated products, poor quality and unreliable models.
- (2) Uncompetitive cost structure, which is a result of low productivity, difficulty in achieving maximum potential economies of scale, inefficient production systems, and high operating costs.

- (3) The lack of effectiveness in marketing policy, reflected in poor distribution networks especially abroad, poor delivery record, and modest promotion efforts.
- (4) Unsatisfactory industrial relations.
- (5) The destabilising effects of government policy.

In the next Chapter we shall discuss the plan of the field study.

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CHAPTER SIX

DESIGN OF THE FIELD RESEARCH

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Introduction:

The objective of this chapter is to describe the steps taken and the methods used to collect the data for the study.

The design of the field research passed through four successive stages, these were:

- (1) Statement of research problems and objectives.
- (2) Formulation of research hypotheses.
- (3) Identification of the sample.
- (4) Development of the questionnaire.

In the following pages, the aspects related to each of these stages, together with the methodological framework will be discussed.

(1) Statement of research problems and objectives

In the previous chapters we reviewed a series of issues associated with the Concept of Competitiveness. Specifically, the objective was to identify the major factors affecting competitiveness in international trade and to see how the neglect of these factors had led to the poor performance of one of the most established British industries, namely the Car industry.

The following are some of the most important observations and problems which have arisen from our literature review:

First; it is worth making the point that, in spite of its importance to the economy as a whole and to every firm working in a competitive environment, the subject of competitiveness had received little attention from researchers in marketing. Much of the writing about competitiveness in the marketing literature is regarded as anecdotal and rarely involves international comparisons. Although some attempts have been made to cover

certain areas such as how should the firm position itself among its rivals, how can its competitive position be enhanced through differentiating virtually anything which can win customers from competitors and the like, yet a number of important analytical questions is still outstanding: What are the major factors that can contribute to competitive success both in home and foreign markets? What is the potential role of marketing among these factors? How can the poor performance of a certain producer or economy be interpreted in the light of these factors? and how could competitive imbalance between certain competing firms or economies be narrowed? So, these aspects of competitiveness may present a rewarding area of study.

Second; There is general concern over the competitiveness of British industry arising from the general feeling that it is in danger of losing the race. Several factors have combined to bring about this feeling:

- a. The decline of a number of traditional industries which, in the past, provided the mainstay of economic prosperity. The motor industry, textiles, electrical machinery, and the steel industry are a few to mention.
- b. The emergence of newly industrializing and certain developing countries as direct competitors for a wide range of products not only in third market but also in the British market itself.
- c. The deteriorating trade position. It is generally indicated that Britain has gone from being a net exporter to a net importer in several important product categories, the car industry is an obvious example.

All these changes have resulted in accelerating the need for diagnosing the specific competitive problems facing British industry and suggesting a more effective route to competitive success.

Third; a number of common threads have emerged pointing to the failure of the UK industry in general to compete both in home and foreign markets, the following problems have repeatedly been cited in our literature review:

- a. Failure to introduce products which are technologically ahead of competitors.
- b. Inferior product quality compared to other competitors.
- c. Paying greater emphasis to price competitiveness while devoting insufficient effort to increasing competitiveness in non-price terms.
- d. Adopting and pursuing a poor competitive marketing strategy which is reflected in:
 - Pursuing short-term sales objectives and the neglect of long term marketing strategy.
 - Slowness to adopt a market-oriented approach.
 - Spreading export efforts too widely over different geographical areas.
 - Insufficient contact with customers to convince them to buy British goods.
- e. The ineffective use of labour to improve the productivity record.

Fourth; with regard to the U.K. car industry, our literature review suggested six main problems that have contributed to the industry's poor performance:

- (1) Unsuitable product policy especially in terms of product quality and reliability.
- (2) Price disadvantage which is seen as a result of uncompetitive cost structure.
- (3) Poor marketing strategy. It has been found that the image of British car producers is poor regarding factors like delivery dates, after-sale services, distribution policy and promotion activities.
- (4) Aggressive import competition. Products from Western Europe and Japan proved to have a clear competitive advantage in the British market. Of the major competitive elements favouring foreign cars, reliability, newness of model design, and price, have frequently shown to be significant.

- (5) Poor labour-management relations.
- (6) Unfavourable government policies and practices.

Having stated the research area, we shall now summarize our major research objectives as follows:

- (1) To study those competitive elements which are important in the car business. Since the understanding of these elements could help in improving the competitive position of the UK car producers.
- (2) To compare and contrast the key elements of the strategies adopted and pursued by domestic producers and their competitors in the British market. In other words, to see to what extent British car producers have succeeded in incorporating the major competitive elements in their competitive strategies compared to foreign competitors.
- (3) To identify buyers' current perceptions and attitudes towards British versus foreign produced cars and the effects these attitudes and perceptions might have on the relative competitive position. In other words, to explore the relationship between the country product image and the performance in the market place.

(2) Formulation of the research hypotheses

Before stating the research hypotheses it should be mentioned at the outset that the scope of these hypotheses is limited to those which are amenable to measurement and testing in the field work. And, given the potential of measurement, these hypotheses are presented in such a manner that reflects the major factors suggested to have an effect on the competitive position of the UK car producers.

Taking these observations into consideration, the hypotheses that will be under test in this thesis are as follows:

Hypothesis (1):

The decline of the British car industry is a function of the poor marketing strategy adopted and pursued by British firms. Product

quality, price, distribution, promotion, delivery dates and after-sales service are major areas of competitive disadvantage compared to foreign competitors in the British market.

Hypothesis (2):

The poor performance of the British car producers is also influenced by the negative attitudes and perceptions the buyers have toward their products.

Hypothesis (3):

Due to the known characteristics of consumer and organization buying behaviour, buyers in the latter sector are more loyal to British car producers than those in the former one, accordingly British cars will experience less deterioration in this sector.

(3) Identification of the Sample

With the formulation of the hypotheses completed, the next task was to identify the sample among which the survey has been conducted. Choosing a sample of buyers was seen to be of value in carrying out such study about competitiveness. This has been justified in terms of the following:

- a. Competitiveness by its nature means the ability to serve customers better than other competitors. In this respect Murray⁽¹⁾ defines competitiveness as "all those qualities and characteristics that enable one manufacturer to surpass his rivals in attracting and retaining customers". In the same vein, Mowat⁽²⁾ refers to competitiveness as "selling a product or service which gives an advantage to the customer compared to other products or services being offered in the same market". That means, for certain producers, or for the producers of a certain country to be competitive in the market place it is important that the products they produce be those that are demanded by the potential buyer. So, it seems natural that exploring buyers' views towards competing products in the market place should be the main focus of any study of competitiveness.
- b. In many places in our literature review we refer to some dimensions of competitiveness that are non-quantifiable, and so in judging changes in competitiveness one must fall back on

proxy measures based on how consumers perceive the value of various offerings in the market place. In other words, the measure of competitiveness based on buyers' views seem, on the whole, to give us a good deal more information.

- c. It is often said that satisfying customers' needs lies at the core of success in business endeavour. So, it can be argued that by investigating customers' attitudes, image, and satisfaction with different car makes and models, it would be possible to obtain a better idea about the way the various car producers are competing in the market, and whether or not they have committed themselves to satisfying their changing customers' needs and wants.
- d. While the poor performance of the British car industry has aroused public concern, challenged business practices, and stimulated government action, relatively little is known about consumers' view on this subject. So, the exploration of these views might be of value in exploring this problem.
- e. Finally, there is difficulty in obtaining data from the majority of car producers in Britain, especially with regard to product and pricing policies. As such, evaluating these policies, and the others, as they perceived by buyers represent an alternative approach to the study of competitiveness.

Having accepted the importance of studying the buyer, and in order to achieve the objectives of the study as well as to examine the aforementioned hypotheses, the field work was divided into two parts, namely, a consumers survey, and a companies survey.

For the first group the objective of the survey was to obtain consumer information on the following topics:

- Characteristics of the car in use.
- Reasons for purchasing particular car make/model.
- Owners' satisfaction with product quality and reliability.
- Attitudes towards different car dealers.

- Sources of information prior to purchasing of the present car.
- Car advertising and media exposure.
- Brand loyalty and brand switching.
- Images of cars based on countries of origin.
- Attitudes towards the marketing activities of British car producers.
- The demographic profiles of owners.

For the second group of buyers, the objective of the survey was, generally, to obtain information about the way the organizations' buying decisions are made, and to see to what extent this differs from the way the private customer formulates his decision, as well as exploring the effect of this difference, if any, on the relative competitive position of British Car manufacturers in both markets.

Accordingly, the Companies' survey was designed to gather information concerning the following:

- Car makes and models in use, the method of acquisition, and the average number of acquired cars.
- Reasons for acquiring Company Cars.
- Factors affecting the choice among competing car makes and models.
- Employee choice of allocated car.
- Level of satisfaction with the reliability of cars in use.
- Sales methods used by major car producers and dealers.
- Quality of dealers services from the Companies' point of view.
- Companies' policies with respect to British versus foreign cars.
- Brand loyalty and brand switching.
- Perception and image associated with the brand name of different car makes.
- Attitudes towards the marketing efforts carried out by British Car manufacturers.
- Characteristics of surveyed companies.

In carrying out our survey, we followed Baker's composite model of buyer behaviour⁽³⁾. The model gives stress to the notion that; in most competitive markets there is often little to choose objectively between alternative offerings, and the buyer will have to make deliberate recourse to subjective value judgements to assist in distinguishing between the various items available. In other words, in any given buying decision it is not the facts themselves which are important but the buyer's perception of these facts. Porter⁽⁴⁾, in his more recent book "Competitive advantages" gives support to this point by indicating that buyer's perception of a firm and its products can be as important as the reality of what the firm offers in determining the level of performance in the market place. In his words "buyers will not pay for value that they do not perceive, no matter how real it may be".

So, as far as competitiveness is concerned it could be said that the model does perform adequately the function of demonstrating that competitiveness involves a great deal more than straight forward response to purely objective differences.

Sample design:

(1) Customer Survey: The survey population was defined as all car holders living in Glasgow and surrounding areas. The reasons for limiting the study to this area were to save time and cost as well as to enhance efficiency in the administration of the survey. A total sample size of 1,000 was thought adequate for the nature and scope of the study.

In the absence of a readily available sample frame of car owners and their distribution over the different districts or zones of Glasgow, it was decided to use a combination of a stratified and a cluster technique - the two stage variety.

According to Churchill⁽⁵⁾ cluster sampling technique involves:

- (1) Dividing the present population into mutually exclusive and exhaustive subsets.
- (2) A random sample of the subsets being selected.

From Glasgow District maps of socio-economic area, 15 districts were selected reflecting different social and economic classes.

Having decided on an appropriate sampling procedure, we chose to deliver the questionnaire door-to-door. Assistance in this was provided by a postgraduate student who was briefed on the sampling procedure and the aims of the research.

The questionnaires were dropped at the houses of those who admitted owning a car, and who were also willing to participate in the study. Each willing participant was given a brief explanation of the purpose of the study, and left on his own to complete the questionnaire, and return same with the provided stamped addressed envelope. Lovelock et al⁽⁶⁾ recommended personal delivery and collection of self administered questionnaires as being particularly appropriate for surveys involving personal information and long questionnaires such as the type of our study. Although the questionnaires in our case were to be returned by post rather than being personally collected, the advantages claimed for this method of questionnaire delivery and collection could still be said to apply. Also, this method increased the possibility of obtaining a high rate of response as the customer might feel obliged to answer the questionnaire as he/she promised.

(2) Company Survey: The sampling frame used in selecting companies for this study has been the Kompass 1985. A questionnaire was mailed to 300 Scottish Companies selected on a systematic random basis. Although this type of sampling has some disadvantages, it is widely used in the UK and is regarded as the most practical approximation to random sampling⁽⁷⁾.

The questionnaire, itself, requested respondents to indicate the way in which car buying decisions are made, and return it in the provided stamped addressed envelope.

3. Development of the questionnaires: This part is concerned with the questionnaires developed for data collection. Four aspects are commented on: Sources of ideas for questions; the type of questions, the type of scales, and rationale for each question.

Sources of ideas for questions were based mainly on a detailed search of the available literature regarding factors affecting competitiveness in the market place and the main features of successful competitive strategy in the car business. Suggestions made by the researcher's supervisor and other staff members in the department.

With regard to the type of questions, a combination of open-ended and closed type of questions was used in order to gain the advantage of using both types.

The main type of questions used in constructing these questionnaires was the closed one. However, the advantage of obtaining further information was not lost because a space for additional views was provided where relevant to be completed by the respondent, which, in fact, allowed more information both in amount and in depth. In addition to this, some open ended questions were used to give the respondents the opportunity to express their feelings and/or views on specific issues.

Concerning the issue of scaling, there is some difference of opinion among researchers regarding the advantages of odd versus even-numbered scales. It was pointed out that an even-numbered scale such as four or six point, has the advantage of forcing the respondents to either agree or disagree to some extent with a particular issue. An odd numbered scale, on the other hand, allows for an ambivalent or indifferent response⁽⁸⁾. The scale chosen for the questionnaires was mainly a five point odd-numbered scale with the interval being the numbers 5 through 1. However, sometimes a seven-point scale was used.

Two types of questionnaires were used, which are reproduced in Appendices A and B, to conduct the field study as follows:

1. Customer Questionnaire

The questionnaire used in the customer survey encompasses 20 items which were designed to explore the way people acquire their cars and assess their attitudes and perceptions toward the type of cars they have and the producers of these cars.

The rationale for each question can be summarised as follows:

Question 1 intended to specify the characteristics of the acquired car according to make, model, registration year, length of acquisition, type of ownership, and whether the car was bought new or second hand. The main aim behind asking this question was to obtain factual answers that could be used in comparing and contrasting the marketing activities undertaken by British and foreign car producers and the influence these activities might have in shaping their competitive positions. Also, obtaining an answer to such questions was used as a base for the assessment of the customers' satisfaction with these activities and their likely behaviour in the future.

Question 2 intended to explore the relative importance of nineteen factors in taking the decision of acquiring a certain car make or model. It is generally acknowledged that the more the factor is highly ranked as affecting car purchase decision, the more crucial it will be considered as a criterion in differentiating between success and failure in the car business.

Questions 3, 4, 5, 6 and 7 examined product quality and reliability. Questions 3, 4 and 5 aimed at examining three measures of car reliability including times off the road, breakdowns, and failing to start. Question 6 intended to explore customers' views on the conditions of their cars on delivery as a measure of product quality. While in question 7 respondents were asked to give a general view about the reliability of their cars.

Questions 8, 9 and 10 deal with the relationship between effective distribution channel and competitive success in the market place. Question 8 attempted to examine the relative importance of ten factors in selecting particular car dealer, Question 9 attempted to explore customers' views on the issue "Competition between dealers", while Question 10 tried to assess customers' satisfaction with the quality of services being offered by competing car dealers.

Question 11 aimed at identifying the relative importance of ten different sources of information in affecting respondents' decisions to choose particular car makes or models. Specifically, this question was designed to assess the extent to which different car makers could influence the British Customer to be in favour of their products through their promotional activities.

Question 12 was devoted to highlighting car advertisements and media exposure. More specifically, the question intended to explore the relationship between advertising and relative competitive performance.

Questions 13 to 16 seek to measure brand loyalty and switching. Question 13 asked respondents whether they are going to buy the same car make/model again? For those who answered negatively, Question 14 requested them to give reasons for not doing so. Question 15 asked the same group of customers to indicate what car makes or models they are going to buy to replace the present ones. To shed more light on the trend of brand loyalty and switching, Question 16 attempted to obtain information about the type of car previously owned by respondents and whether there are any changes in the pattern of brand loyalty or not.

Question 17 attempted to explore how customers perceive British produced cars in relation to foreign produced ones. Respondents were asked to give their views on a semantic seven-point scale about eleven bipolar competitive dimensions including reliability, safety, quality, price .. etc.

Question 18 aimed at exploring customers' attitudes towards the marketing activities pursued and adopted by British car producers. These views were mainly about the adoption of the marketing concept, pricing policy, product quality and reliability, distribution policy, philosophy of the business, advertising credibility, the quality of after-sales service and delivery provided, and the overall efficiency and performance of British cars against foreign ones.

Question 19 asked respondents to write down any comments or ideas they feel would be of help in improving the competitiveness of British car producers.

Finally, Question 20 asked respondents to indicate their sex, marital status, age, and annual income.

2. Company Questionnaire

In this study the questionnaire was divided into two distinct parts, the first part was directed to these companies which acquire cars for the use of their employees, while the second part was directed to those companies which do not acquire cars.

In the first part, the aim, as mentioned earlier, of the questionnaire was to explore the way in which the decision to acquire company cars is taken and whether there are any difference in this respect between companies and private customers.

This part of the questionnaire included 16 questions, the rationale for each question can be described as follows:

Question 1 examined whether or not the company acquire cars for the use of its employees. The answer was used as a key either to continue with the questionnaire or to move to the second part of it.

Question 2 was designed to obtain information about various car models and makes in use, the method of car acquisition, and the average number of cars used by the company. Again, such knowledge was thought to be of help in differentiating between companies' policies toward acquiring various car makes or models as well as in assessing the marketing efforts being made in this sector from the organisations point of view.

Question 3 aimed at identifying the relative importance of six main reasons suggested for acquiring company cars.

Question 4 listed 14 different factors thought to be of importance in choosing between different car makes or models, and asked respondents to indicate the relative importance of each factor. The main purpose of this question was to explore the difference or agreement between the private and company car holders in relation to these factors.

Question 5 asked respondent companies to identify the extent of choice given to their employees in regard to the allocated cars.

Question 6 was devoted to explore the companies' views of the reliability record being achieved by the type of cars comprising their fleets.

Questions 7 and 8 aimed at examining the role played by distribution channels in achieving competitiveness in the market place. Question 7 examined whether or not car dealers made efforts to contact their potential customers, the frequency of these contacts, what were their main selling approaches, and what car dealers tried to contact companies. Question 8 explored companies' level of satisfaction with the services offered by their dealers.

Because the competitive performance of the UK car producers in the company car sector is experiencing a declining trend in recent years, it was decided to ask a series of questions relating to the

policies adopted by British firms concerning the source of supply of their cars and the reasons for the purchase of both British and foreign cars, by these firms.

In this regard, Question 9 attempted to explore companies' policies with respect to British versus foreign cars. Question 10 attempted to find out the reasons for buying British-built cars, while Question 11 was devoted to identify the main reasons for buying foreign-produced cars.

Question 12 examined brand loyalty and switching among companies.

Question 13, as with the case in the private car sector, was designed to examine the image and perception of British cars against foreign cars from the companies' point of view.

Question 14 attempted to explore companies' attitudes toward the marketing activities carried out by British car producers. The different areas addressed to respondents related mainly to marketing orientation, product quality, pricing policy, distribution efforts, advertising credibility, and philosophy of the business.

Question 15 asked respondents to indicate any ideas or comments they see of value in retrieving and maintaining the traditional competitiveness of British car producers in the company car market.

Finally, Question 16 was intended to classify companies according to the nature of business as well as their size.

In the second part of the questionnaire, only three questions were asked. The main objective of these questions was to explore the main reasons for not acquiring cars as well as measuring the degree of efforts made by different car producers to attract this segment of the market.

In this regard, Question 1 attempted to address whether these companies ever considered acquiring cars for the use of their employees. For those answering yes, the second part of the question aimed at obtaining information about the time that acquiring cars has been considered, while Part C of the question aimed at exploring the brands seriously considered.

The last part of the question asked respondent companies to give reasons for not considering acquiring cars for the use of their employees.

Question 2 aimed at exploring the efforts made by different car manufacturers and dealers to contact these companies and attract them as clients. Concerning this issue, Part A of the question examined whether any car dealer contacted these companies or not, Part B asked respondents to specify the date of contact if there was any, Part C examined the selling approaches used by dealers, while Part D asked respondents to name car dealers who tried to contact them.

In Question 3 respondent companies were asked to specify the nature of their business as well as the number of employees employed.

Pilot test and response rate

The customer questionnaire in the first design was subjected to a pilot as well as an interviewer-administered test with a sample of car owners.

The purpose of conducting such a test was threefold:

1. To ascertain respondents' reaction to the questionnaire in terms of layout, form, type and length of the questionnaire.
2. To test the accuracy and relevance of the terminology used.
3. To gain insight into the ease or complexity of questionnaire comprehension, and foreseeable interpretation by the recipient in its self-completion form.

The questionnaire was subjected to a pilot test on a small sample of 40 respondents, including 15 university staff and 25 employees in Glasgows' Mitchell Library. The selection of this sample was for reasons relating to its convenience and because it contains a cross-section of people reflecting different social classes. Almost 100% response was obtained, and the resultant answers enabled the researcher to amend the questionnaire, especially in regard to phrasing and questionnaire format.

With regard to the response rate, in the customer study, the questionnaire, along with a personal letter from the researcher to seek respondents' help, were distributed in March 1986. It took almost three weeks for the researcher and his colleague to distribute the 1,000 questionnaires in the fifteen specified areas mentioned earlier.

In this respect Table 5.1 gives details about distributed questionnaire and response rate.

Table 6.1: Response rate of Customer Survey

Description	Number	Percentage %
1. Distributed questionnaires	1000	100
2. Total response	607	60.7
3. Usable questionnaires	412	41.2
4. Questionnaires completed but excluded because the car is owned by others (i.e. company, friends or relatives, etc.)	163	16.3
5. Incompleted, blank questionnaires, returned.	32	3.2

Despite the nature of the study and the argument that people have a negative response toward questions dealing with personal property, the relatively high total response rate (41.2%) was due to the procedures followed in distributing the questionnaires.

With regard to the company study, a covering letter signed by the researcher stating the objectives of the study and requesting the participation of the firms in that study, together with a copy of the questionnaire, were sent to the 300 selected companies in April 1986. A detailed description of their response is given in Table 6.2 below.

Table 6.2: Response rate of the Company Study

Description	Number	Percentage %
1. Distributed questionnaires	300	100
2. Completed questionnaires returned.	108	36
3. Number of firms responding to the first section of the questionnaire.	97	32.3
4. Number of firms responding to the second section.	11	3.7
5. Incompleted (blank questionnaires returned)	7	2.3

In the following two chapters, the findings of the customer survey as well as the company study will be presented, coupled with the statistical methods used in analysing the response obtained.

References:

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- (3) M.J. Baker, Marketing Strategy and Management, Macmillan, 1985, pp.130-138.
- (4) M.E. Porter, Competitive Advantage: Creating and Sustaining Superior Performance, The Free Press, 1985, pp.290-291.
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- (6) Christopher H. Lovelock et al, "An evaluation of the effectiveness of drop-off questionnaire", Journal of Marketing Research, Vol.13, November 1976, pp.358-364.
- (7) Peter M. Chisnall, Marketing Research: Analysis and Measurement, Second Edition, McGraw-Hill Book Company, 1981, p.70.
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CHAPTER SEVEN

THE FINDINGS OF THE CUSTOMER SURVEY

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THE FINDINGS OF THE CUSTOMER SURVEY

Introduction:

In seeking reasons for the declining competitiveness of British car producers, it would seem obvious that the opinions of the customer should be obtained. It is he, after all, who has to weigh all the relevant factors, such as price, quality, reliability, etc. against one another when making a decision concerning which car to buy from a wide range of car makes and models available at varying prices and levels of performance.

It is worth mentioning that only a few published studies have attempted to determine how consumers view the marketing activities of British car producers, their image and expectations, their wants and needs, their likes and dislikes, despite the fact that customer's view is a key factor in the prosperity and survival of the industry. It is hoped that by obtaining the answers to questions about factors influencing car buying decisions, product quality and reliability, distribution channels, advertising efforts, brand loyalty, perceptions of and attitudes towards competing car makes and models, as well as customers' attitudes toward the marketing activities of British car manufacturers, it might be possible to identify factors explaining the performance gap between British and foreign car producers.

Statistical techniques used in analysing the data derived from the field research are organised as follows:

- The presentation of the basic distributional characteristics of the variables through frequencies and percentages.
- Comparison of means for ranked questions.
- The use of cross-tabulation techniques to determine whether there was a significant relationship between the dependent variables on the one hand, and each of the independent variables on the other.

- In addition to the above, the analysis will be reinforced by the general comments of respondents on the subject under investigation.

Accordingly, this chapter will present the findings of the customer survey using these techniques.

The issue under investigation in this chapter will be presented as follows:

- (1) The demographic profiles of car owners and the characteristics of car ownership.
- (2) Factors affecting car purchase decisions.
- (3) Product quality and reliability.
- (4) Distribution channels and competitive performance.
- (5) Sources of information which influenced the customer to buy his current car.
- (6) Promotional activities and performance in the car market.
- (7) Brand loyalty and competitive performance.
- (8) Customers' perceptions of British versus foreign-built cars.
- (9) Customers' attitudes towards the marketing activities of British car manufacturers.
- (10) Suggestions to improve and maintain the competitive position of the British car industry.

Main Conclusions

- (1) The demographic profiles of car owners and characteristics of car ownership

1.1 Demographic profiles of car owners

The aim of this sub-section is to examine the association between socio-economic and demographic aspects and the purchasing behaviour characteristics of car buyers. Also, obtaining greater insights concerning the sample's socio-economic characteristics will be of help in assessing the effectiveness of the marketing strategies adopted and pursued by competing car producers in the British market, as well as being of value in segmenting the car market according to such variables.

In this regard, Table 7.1 shows the sample respondents classified by sex, marital status, age, and annual income, and the "match" between the sample demographic variables and figures derived from the census of the population of the Glasgow area for 1981.

The table demonstrates that the major segment in the sample of customers was male, married, aged between 26 and 55 years, with an annual income between £6,000 and £15,999. From this table, it also appears that although the sample can be considered, to some extent, as representative in terms of some age groups, there are discrepancies between the distribution of the sample and that derived from the census regarding the other demographic variables. These differences can be attributed to the criteria used in selecting the sample i.e. customers who have cars.

1.2 Characteristics of car ownership

Respondents were asked to state whether or not they own the car, the car's make, model, year of registration, for how long they owned the car, and whether the car was bought new or second hand. It was hoped that by obtaining such information, it would be possible to compare and contrast the marketing activities undertaken by both British and foreign car producers and the influence these might have on their relative market position. In addition, the answers to such questions could be used as a basis for assessing customers' satisfaction with such marketing activities as well as providing some indication of respondents' future behaviour.

In response to the question whether or not the respondent owns the car he uses, 98 respondents indicated that the car belongs to their companies, while another 65 reported that the car belongs to either a hire company or one of his/her relatives or friends. Consequently, as these respondents had not made the buying decision, and as a separate questionnaire was sent to a sample of companies, the above 163 questionnaires were excluded from the analysis. In other words, we took steps to ensure that all the

Table 7.1 Classification of the sample by demographic characteristics

Classification	No	%	Census 1981 %
<u>Sex</u>			
Male	289	70.1	47
Female	123	29.9	53
Total	412	100	100
<u>Marital Status</u>			
Single	116	28.2	44.8
Married	277	67.2	43.5
Others	19	4.6	11.5
Total	412	100	100
<u>Age</u>			
- under 25	52	12.6	17
- 26 - 35	107	26.0	17
- 36 - 45	102	24.8	13.5
- 46 - 55	73	17.7	15.5
- 56 - 65	54	13.1	16
- 66 and over	24	5.8	21
Total	412	100	100
<u>Annual Income</u>			
Under £6,000	57	13.8	N/A
£6,000 - £10,999	157	38.1	
£11,000 - £15,999	130	31.6	
£16,000 - £20,999	35	8.5	
£21,000 - £25,999	13	3.2	
£26,000 and over	20	4.8	
Total	412	100	

412 respondents in our sample own the cars under investigation.

For the purpose of analysis and discussion, the 412 cars in the sample were grouped into two distinctive categories:

British-produced cars and foreign-produced cars. In this connection, Table 7.2 shows the distribution of the cars according to their country of origin and the manufacturer.

The data in Table 7.2 shows that the majority of respondents (55.1%) own British-produced cars, while the remainder (44.9%) own foreign-built ones.

With regard to individual makes, the table illustrates that Ford takes the lion's share of cars in the sample with 21.4 percent, followed by BL, Vauxhall, Datsun, VW/Audi, Renault and Talbot, with 18.0, 10.4, 6.1, 6.1, 6.1 and 5.3 percent respectively.

Concerning the model distribution among the sample, information given by respondents indicated that Ford Escort, Ford Fiesta, Austin Metro, and Vauxhall Cavalier respectively were the most common models owned by respondents in the sample.

It is interesting to note that, with few exceptions, the proportion of respondents giving information about each make and model reflects the share of the British market held by that make, a fact that might justify extrapolating our findings to the car-owning population as a whole.

For further information about car ownership, respondents were asked to provide the year of their car's registration. One reason for this was to facilitate the process of comparison. It is generally accepted that the owner's satisfaction in terms of the various aspects of his car e.g. reliability, value for money, ease of maintenance ... etc., will depend largely on the age of the car. The more recent the car is, the more the owner is likely to be satisfied concerning these attributes. For this reason all cars

Table 7.2 Distribution of cars in the sample by manufacturer

Manufacturer	No	%
A. <u>British Manufacturers</u>		
- B.L.	74	18.0
- Ford	88	21.4
- Vauxhall	43	10.4
- Talbot	<u>22</u>	<u>5.3</u>
Total British	<u>227</u>	<u>55.1</u>
B. <u>Foreign Manufacturers</u>		
1. <u>Japanese</u>		
- Datsun	25	6.1
- Toyota	7	1.6
- Honda	6	1.5
- Daihatsu	5	1.2
- Mazda	<u>4</u>	<u>1.0</u>
Total	<u>47</u>	<u>11.4</u>
2. <u>German</u>		
- VW/Audi	25	6.1
- BMW	16	3.9
- Mercedes	<u>5</u>	<u>1.2</u>
Total	<u>46</u>	<u>11.2</u>
3. <u>French</u>		
- Renault	25	6.1
- Citroen	12	2.9
- Peugeot	<u>6</u>	<u>1.4</u>
Total	<u>43</u>	<u>10.4</u>
4. <u>Italian</u>		
Fiat	15	3.7
Alfa	4	1.0
Lancia	<u>2</u>	<u>0.4</u>
Total	<u>21</u>	<u>5.1</u>
5. <u>Swedish</u>		
Saab	7	1.7
Volvo	<u>5</u>	<u>1.2</u>
Total	<u>12</u>	<u>2.9</u>
6. <u>Others</u>		
Lada	11	2.7
Skoda	2	0.5
Hyundai	2	0.5
Yugo	<u>1</u>	<u>0.2</u>
	<u>16</u>	<u>3.9</u>
Grand Total	<u>412</u>	<u>100.0</u>

registered in 1986 were excluded from the study because at the time of the survey they had been on the road for too short a period. In other words, the experience gained with cars registered in 1986 is still limited and there is the possibility that the owners might be biased in their judgement. Table 7.3 classifies the cars in the sample according to the year of registration.

Table 7.3 Sample breakdown by registration year

Year of registration	No	%
1985	109	26.5
1984	68	16.5
1983	67	16.3
1982	48	11.7
1981	30	7.3
1980	24	5.8
1979	20	4.9
1978	17	4.1
1977	10	2.4
Not reported	<u>19</u>	<u>4.6</u>
Total	412	100
	—	—

From the above table, it appears that the majority of the cars under investigation (84.1 percent) were registered during the period 1980-1985.

In order to obtain more detailed information concerning the level of their experience with the car, respondents were asked (Q1B): "How long have you had this car?." The replies showed that 134 respondents (32.5%) had owned their cars for less than one year, 207 (50.2%) for one year and under three years, 45 (10.9%) for three years and under five years, while 26 respondents (6.3 percent) had owned their cars for five years or more. This

response indicates that the majority of respondents (67.4 percent) reported that they had owned their cars for a period ranging from one year to more than five years, a period which is seen as sufficient to enable an informed judgement to be made concerning the car.

Finally, with respect to the form of car acquisition, respondents were asked to specify whether the car was bought new or second-hand. Fortunately, the majority, 264 (64.1 percent), indicated that they had bought their cars new, while the remaining 148 (35.9 percent), reported that they bought second-hand CARS. Of course, it is the demand for new cars which represents the main concern of any car manufacturer, and it is this which to a large extent affects his competitive position in the marketplace. Moreover, there are some aspects of competition which are restricted only to new cars such as delivery date, pre-delivery inspection, conditions on delivery, newness of model design, quality of after-sale service and the like. So, in addressing the question of competitiveness in the car business, demand for new cars is the type of demand that really matters.

(2) Factors affecting car purchase decisions

All respondents were asked to consider a list of nineteen attributes that represent the main features of a car that could be of interest to a potential car buyer. Using a five-point scale ranging from "very important" to "not important at all", each respondent was asked to select the number that best describes his/her opinion of the factor under investigation. Respondents were also given the opportunity to add any features which they considered to be important. These factors are ranked in order according to their mean value in Table 7.4. The higher the mean, the more important the factor was perceived by respondents as a determinant of purchase.

Table 7.4: Factors affecting Car Purchase

Level of importance Factors	Very important 5		4		3		2		1		Total		Mean Value
	n	%	n	%	n	%	n	%	n	%	n	%	
(1) Reliability	336	81.6	70	17.0	4	1.0	2	0.5	0	0	412	100	4.80
(2) Price	222	53.9	129	31.3	54	31.1	3	0.7	4	1.0	412	100	4.36
(3) Safety	229	55.6	103	25.0	65	15.8	10	2.4	5	1.2	412	100	4.31
(4) Durability	166	40.4	154	37.5	73	17.8	9	2.2	9	2.2	411	100	4.12
(5) Fuel Economy	162	39.4	154	37.5	75	18.2	16	3.9	4	1.0	411	100	4.11
(6) Comfort	162	39.4	149	36.3	80	19.5	13	3.2	7	1.7	411	100	4.09
(7) Costs/availability of spares	138	33.7	140	34.1	101	24.6	18	4.4	13	3.2	410	100	3.91
(8) Ease of maintenance	138	33.6	143	34.8	88	21.4	21	5.1	21	5.1	411	100	3.87
(9) After-Sale Service	166	40.5	91	22.2	85	20.7	25	6.1	43	10.4	410	100	3.76
(10) Roominess	74	18.0	155	37.7	132	32.1	36	8.8	14	3.4	411	100	3.58
(11) Insurance Grouping	99	24.1	88	21.4	139	33.8	42	10.2	43	10.5	411	100	3.38
(12) Guarantee terms	80	19.5	112	27.3	126	30.6	43	10.5	50	12.2	411	100	3.31
(13) Load/capacity	47	11.5	97	23.7	136	33.3	69	16.9	66	14.7	409	100	3.01
(14) Delivery date	78	18.9	72	17.6	93	22.7	69	16.8	98	23.9	410	100	2.91
(15) Style/image	51	12.5	82	20.0	130	31.8	67	16.4	79	19.3	409	100	2.90
(16) Newness of model design	35	8.5	91	22.1	126	30.7	71	17.3	88	21.4	411	100	2.79
(17) Hatchback/Estate	52	12.7	46	11.2	120	29.3	71	17.4	120	29.3	409	100	2.61
(18) Colour	27	6.8	55	13.8	93	23.4	105	26.4	118	29.6	398	100	2.42
(19) Prestige/Status	26	6.3	48	11.7	98	23.8	73	17.8	166	40.4	411	100	2.26

From the information provided in the table, several observations can be made, as follows:

(1) The great majority of car owners (98.6 percent) regarded reliability as the most important factor to be considered when buying a car. This result supports the conclusion derived from our literature review that car reliability is a major factor affecting car purchasing behaviour and therefore a major requirement for success in the car market.*

(2) The majority of respondents also placed great emphasis on price, safety, durability, fuel economy, and comfort as factors affecting their decision to choose among competing car brands.

(3) On the other hand, factors like style/image, newness of model design, hatchback/estate, colour, and prestige/status were regarded as less important in influencing car buying decisions as the negative scores (Columns 1, 2) of the scale outweighed the positive ones (Columns 4, 5).

However one might stress that it would be necessary to undertake a detailed market analysis which would provide a reliable source for identifying and assessing the potential segments which would be likely to give more consideration to such aspects when deciding to buy a car.

(4) What may be considered a surprising feature of Table 7.4 is that respondents placed relatively low emphasis on factors like after-sale service and guarantee terms alongside delivery date which is regarded as a less important attribute influencing the buying decision. One possible explanation of this apparent anomaly is that more than 35 percent of our respondents acquire used cars. In such cases, some of these factors such as delivery date appear to be completely irrelevant, also since some of these cars might no longer be under guarantee or after-sale service contract, this lessens the relative importance of these aspects from the buyer's point of view. Another hypothesis might be that persons less concerned with these factors are more interested in a second hand car as it represents better value for money while those with higher perceived risk buy new cars, i.e. need not only be an "income effect".

* See Chapter 5.

(5) The order of the factors mentioned in Table 7.4 differs to a large extent from that listed in the original questionnaire which lessens the possibility of any order bias.

Additional factors cited by some respondents as affecting their purchase decision include in order of importance: rust resistance, number of extras, potential speed, visibility, depreciation, suitability for use by other drivers in the family, and internal design.

Taking into account the findings relating to all the factors affecting car buying decisions, one can conclude that reliability and relative price emerge as the most important factors. Respondents were also interested in safety, durability, fuel economy, comfort, availability of spares, ease of maintenance and a good quality of after-sale service.

2.1 The relationship between the important factors affecting car buying decision and demographic differences

The major factors affecting car purchase decisions, and the perceived importance of these factors having been investigated, the question then arose: is there any relationship between demographic aspects and these factors that shape the buying decision? To find an answer to that question and in order to obtain a greater understanding of these factors, a cross-tabulation analysis was made to determine the relationship, if any, between the dependent variables, i.e. factors considered of importance for the car purchase, and the independent variables, i.e. sex, marital status, age, and income groups, using the X^2 test of significance as the statistical measure of goodness-of-fit between them. The significant relationship, if any, will be presented at 95% and 99% levels of confidence.

It is argued that exploring this area is of critical importance to British car manufacturers, as it is likely that the importance of the above-mentioned factors will differ from one group of car owners

to another, thus reflecting the attractiveness of the product range offered by the manufacturer and, of course, his competitive position in these segments. It is also hoped that such analysis will shed light on the marketing gaps left by British car producers, which might have been exploited by foreign producers in order to introduce themselves into the British market.

To this end, the following is an illustration of these relationships in more detail.

2.1.1. The relationship between reliability and demographic differences

The findings of Table 7.5 show that very clear relationships exist between both marital status and age groups, and reliability as a major factor affecting car buying decision. The other demographic dimensions (i.e. sex and income groups) were statistically independent and are not reported.

The findings of Table 7.5 also show that although all marital status and age groups generally considered reliability as an important factor affecting car buying decision, respondents of the married and the old age categories attached a greater degree of importance to the reliability factor.

2.1.2. The relationship between price and demographic differences

Table 7.6. shows clear relationships between the importance of price as a factor affecting car purchase and income groups only, while other demographic dimensions (i.e. sex, marital status and age groups) did not display this relationship.

It can also be seen that, contrary to the views expressed by the higher income group, respondents of the low income group (under £6,000) were the most concerned with price. This is an expected finding which does not require any particular comment.

Table 7.5 Reliability analysis by demographic differences

Demographic differences		Very Important 5	4	3	2	Not Important at all 1	Total Response of each group	Level of signif- cance
<u>A. Marital Status</u>								*
1. Single	No	86	27	3	0	0	116	
	%	74.1	23.3	2.6	0	0	100	
2. Married	No	237	37	1	2	0	277	
	%	85.5	13.4	0.4	0.7	0	100	
3. Others	No	13	6	0	0	0	19	
	%	68.4	31.6	0	0	0	100	
Total response of the level of importance		336	70	4	2	0	412	
<u>B. Age Groups</u>								**
1. Under 25	No	38	13	1	0	0	52	
	%	73.1	25.0	1.9	0	0	100	
2. 26 - 35	No	79	28	0	0	0	107	
	%	73.8	26.2	0	0	0	100	
3. 36 - 45	No	83	17	2	0	0	102	
	%	81.4	16.7	2.0	0	0	100	
4. 46 - 55	No	69	3	1	0	0	73	
	%	94.5	4.1	4.1	0	0	100	
5. 56 - 65	No	47	7	0	0	0	54	
	%	87.0	13.0	0	0	0	100	
6. 66 and over	No	20	2	0	2	0	24	
	%	83.3	8.3	0	8.3	0	100	
Total response of the level of importance		336	70	4	2			

(1) To be read, 86 (74.1%) of single respondents (total 116) (100%) considered reliability as a very important factor in car buying decision.

** Significant relationship at 99% level of confidence.

* Significant relationship at the 95% level of confidence.

Table 7.6 The relationship between price and demographic differences

Demographic differences		Very Important 5	4	3	2	Not Important at all 1	Total Response of each group	Level of signif- cance
<u>A. Income groups</u>								**
1. Under £6,000	No	44	9	3	1	0	57	
	%	77.2	15.8	5.3	1.8	0	100	
2. £6,000 - £10,999	No	92	50	13	1	1	157	
	%	58.6	31.8	8.3	0.6	0.6	100	
3. £11,000 - £15,999	No	70	38	22	0	0	130	
	%	53.8	29.2	16.9	0	0	100	
4. £16,000 - £20,999	No	11	20	4	0	0	35	
	%	31.4	57.1	11.4	0	0	100	
5. £21,000 - £25,999	No	2	5	5	0	1	13	
	%	15.4	38.5	38.5	0	7.7	100	
6. £26,000 and over	No	3	7	7	1	2	20	
	%	15.0	35.0	35.0	5.0	10.0	100	
Total response of each level of importance		222	129	54	3	4		

(1) To be read, 44 (77.2%) of respondents whose annual income was under £6,000 (Total 57 = 100%) considered price as a crucial factor in car purchasing decision.

** Significant relationship at 99% level of confidence.

2.1.3. The relationship between safety factors and demographic differences

With the exception of income groups, Table 7.7 shows a very significant relationship between the safety factor and all other demographic differences. The table also shows that the female group is more concerned with the safety factor than the male one. Other demographic groups had nearly similar views except the oldest age group that was the least concerned with safety considerations, although they might need it much more than any other younger groups.

Table 7.7 The relationship between safety factors and demographic differences

Demographic differences	Very Important 5	4	3	2	Not Important at all 1	Total Response of each group	Level of signif- cance	
A. Sex								
1. Male	No	153	69	53	9	5	289	*
	%	52.9	23.9	18.3	3.1	1.7	100	
2. Female	No	76	34	12	1	0	123	
	%	61.9	27.6	9.8	0.8	0	100	
Total response of each level of importance		229	103	65	10	5		
B. Marital Status								
1. Single	No	53	30	26	2	5	116	**
	%	45.7	25.9	22.4	1.7	4.3	100	
2. Married	No	165	67	37	8	0	277	
	%	59.6	24.2	13.4	2.9	0	100	
3. Others	No	11	6	2	0	0	19	
	%	57.9	31.6	10.5	0	0	100	
Total response of each level of importance		229	103	65	10	5		
C. Age Groups								
1. Under 25	No	2.6	9	15	1	1	52	**
	%	50.0	17.3	28.8	1.9	1.9	100	
2. 26 - 35	No	44	43	16	4	0	107	
	%	41.1	40.2	15.0	3.7	0	100	
3. 36 - 45	No	58	30	13	1	0	102	
	%	56.9	29.4	12.7	1.0	0	100	
4. 46 - 55	No	51	9	10	1	2	73	
	%	69.9	12.3	13.7	1.4	2.7	100	
5. 56 - 65	No	37	9	6	2	0	54	
	%	68.5	16.7	11.1	3.7	0	100	
6. 66 and over	No	13	3	5	1	2	24	
	%	54.2	12.5	20.8	4.2	8.3	100	
Total response of each level of importance		229	103	65	10	5		

(1) To be read, 153 (52.9%) of the male group (total 289 (100%) considered safety as a very important factor influencing car buying decision.

** Significant relationship at the 99% level of confidence.

* Significant relationship at the 95% level of confidence.

2.1.4. The relationship between durability and demographic differences

Apart from marital status, all the demographic dimensions (i.e. sex, age, and income groups) appeared not to be statistically related to durability as an important consideration in car buying decision. Within the marital status groups, our results show that the respondents belonging to the "single" group were the least concerned with the factor under investigation.

2.1.5. The relationship between the importance of fuel economy and demographic differences

With the exception of marital status, Table 7.8 shows very significant relationships between fuel economy, as an important factor affecting car buying decision, and all other demographic dimensions. The data in the table also suggested that females are more concerned about fuel economy than males, the younger respondents consider it to be less important than the other age groups, and the richest group (£26,000 and over) are the most concerned category among the different income groups with regard to fuel economy consideration. One possible explanation of this is that, because of their higher income, they are able to consider a wider range of models than other income groups and, as a result, fuel economy appears to influence the choice process.

2.1.6. The relationship between the importance of "Comfort" and demographic differences

Apart from income groups, Table 7.9 shows significant relationships between "Comfort" as an important factor affecting car purchase decisions and all other demographic dimensions. The table also shows that the male group was more concerned about the comfort dimension than the female one. With regard to the marital status groups, the married category expressed more concern about the comfort aspect. Needless to say, comfort and convenience represent a major requirement in a saloon or a family car.

The findings in Table 7.9 also illustrate that the importance of the factor in question increased gradually through the different age

Table 7.8 The importance of fuel economy by demographic differences

Demographic differences	Very Important	4	3	2	Not Important at all	Total Response of each group	Level of significance
	5				1		
<u>A. Sex</u>							*
1. Male	No	99	118	56	12	3	288
	%	34.4	41.0	19.4	4.2	1.0	100
2. Female	No	63	36	19	4	1	123
	%	51.2	29.3	15.4	3.3	0.8	100
Total response of each level of importance		162	154	75	16	4	
<u>B. Age Groups</u>							**
1. Under 25	No	17	14	17	4	0	52
	%	32.7	26.9	32.7	7.7	0	100
2. 26 - 35	No	36	44	25	2	0	107
	%	33.6	41.1	23.4	1.9	0	100
3. 36 - 45	No	38	38	21	3	2	102
	%	37.3	37.3	20.6	2.9	2.0	100
4. 46 - 55	No	30	31	7	4	0	72
	%	41.7	43.1	9.7	5.6	0	100
5. 56 - 65	No	25	23	4	1	1	54
	%	46.3	42.6	7.4	1.9	1.9	100
6. 66 and over	No	16	4	1	2	1	24
	%	66.7	16.7	4.2	8.3	4.2	100
Total response of each level of importance		162	154	75	16	4	
<u>C. Income Groups</u>							**
1. Under £6,000	No	33	12	19	2	0	57
	%	57.9	21.2	17.5	3.5	0	100
2. £6,000 - £10,999	No	71	54	24	7	0	156
	%	45.5	34.6	15.4	4.5	0	100
3. £11,000 - £15,999	No	44	51	26	6	3	130
	%	33.8	39.2	20.0	4.6	2.3	100
4. £16,000 - £20,999	No	8	17	10	0	0	35
	%	22.9	48.6	28.6	0	0	100
5. £21,000 - £25,999	No	1	8	2	1	1	13
	%	7.7	61.5	15.4	7.7	7.7	100
6. Over £26,000	No	5	12	3	0	0	20
	%	25.0	60.0	15.0	0	0	100
Total response of each level of importance		162	154	75	16	4	

(1) To be read, 99 (34.4%) of male respondents (total 288 (100%) considered fuel economy as very important factor influencing their decision to buy certain car make or model.

** Significant relationship at the 99% level of confidence.

* Significant relationship at the 95% level of confidence.

Table 7.9 The importance of comfort by demographic differences

Demographic differences		Very Important 5	4	3	2	Not Important at all 1	Total Response of each group	Level of signif- cance
<u>A. Sex</u>								*
1. Male	No	124	94	56	7	7	288	
	%	43.1	23.6	19.4	2.4	2.4	100	
2. Female	No	38	55	24	6	0	123	
	%	30.9	44.7	19.5	4.9	0	100	
Total response of each level of importance		162	149	80	13	7		
<u>B. Marital Status</u>								**
1. Single	No	32	40	33	6	5	116	
	%	27.6	34.5	28.4	5.2	4.3	100	
2. Married	No	120	105	42	7	2	276	
	%	43.5	38	15.2	2.5	0.7	100	
3. Others	No	10	4	5	0	0	19	
	%	52.6	21.1	26.3	0	0	100	
Total response of each level of importance		162	149	80	13	7		
<u>C. Age Groups</u>								**
1. Under 25	No	14	7	15	4	2	52	
	%	26.9	32.7	28.8	7.7	3.8	100	
2. 26 - 35	No	33	41	31	1	1	107	
	%	30.8	38.8	29.0	0.9	0.9	100	
3. 36 - 45	No	34	47	17	4	0	102	
	%	33.3	46.1	16.7	3.9	0	100	
4. 46 - 55	No	42	22	4	2	2	72	
	%	58.3	30.6	5.6	2.8	2.8	100	
5. 56 - 65	No	29	15	7	2	1	54	
	%	53.7	27.8	13.0	3.7	1.9	100	
6. 66 and over	No	10	7	6	0	1	24	
	%	41.7	29.2	25.0	0	4.2	100	
Total response of each level of importance		162	149	80	13	7		

groups, reaching a top of almost 90 percent very important or important with the 46-55 age category, then decreasing slightly with the older age groups.

2.1.7 The relationship between Cost/Availability of spares and demographic differences

In comparing perceived importance of cost/availability of spares by demographic variables, only sex was found to be significant. The analysis also showed that the male group is less concerned with the factor under investigation than the female one.

2.1.8 The relationship between "Ease of Maintenance" and demographic differences

Apart from marital status groups, the data in Table 7.10 illustrates clear relationships between "Ease of Maintenance" as an important factor affecting car purchasing behaviour and other demographic variables. The table also shows that the female group is more concerned about the factor in question than the male one. With regard to age groups, the 26-35 age group appears to be less concerned about the ease of maintenance dimension than the other ones. Further, a significant proportion of low income respondents (under £6,000) stated the importance of "ease of maintenance" as a factor influencing their buying decisions. Taking into consideration the relatively high cost of maintenance and the limited annual income of this group, it can be easily understood why its members consider seriously the ease of maintenance dimension.

2.1.9. The relationship between "after-sale" service and demographic differences

Apart from age groups, all other demographic dimensions (i.e. sex, marital status and, income groups), appeared not to be statistically related to the after-sale service variable as an important factor influencing car buying decisions. The results of a cross-tabulation analysis illustrated that the respondents belonging to the oldest age group (66+) were the most concerned with the factor in question.

Table 7.10 The importance of "ease of maintenance" by demographic variables

Demographic differences		Very Important 5	4	3	2	Not Important at all 1	Total Response of each group	Level of signif- cance
<u>A. Sex groups</u>								**
1. Male	No	84	98	78	17	11	288	
	%	29.2	34.0	27.1	5.9	3.8	100	
2. Female	No	54	42	23	1	2	122	
	%	44.3	34.4	18.9	0.8	1.6	100	
Total response of each level of importance		138	140	101	18	13		
<u>B. Income groups</u>								**
1. Under £6,000	No	30	17	6	1	2	56	
	%	53.6	30.4	10.7	1.8	3.6	100	
2. £6,000 - £10,999	No	63	42	44	3	4	156	
	%	40.4	26.9	28.2	1.9	2.6	100	
3. £11,000 - £15,999	No	32	46	38	9	5	130	
	%	24.6	35.4	29.2	6.9	3.8	100	
4. £16,000 - £20,999	No	4	19	8	3	1	35	
	%	11.4	54.3	22.9	8.6	2.9	100	
5. £21,000 - £25,999	No	3	7	2	0	1	13	
	%	23.1	53.8	15.4	0	7.7	100	
6. £62,000 and over	No	6	9	3	2	0	20	
	%	30.0	45.0	15.0	10.0	0	100	
Total response of each level of importance		138	140	101	18	13		
<u>C. Age groups</u>								**
1. Under 25	No	18	16	13	4	1	52	
	%	34.6	30.8	25.0	7.7	1.9	100	
2. 26 - 35	No	31	33	37	1	5	107	
	%	29.0	30.8	34.6	0.9	4.7	100	
3. 36 - 45	No	28	34	27	10	2	101	
	%	27.7	33.7	26.7	9.9	2.0	100	
4. 46 - 55	No	29	28	11	0	4	72	
	%	40.3	38.9	15.3	0	5.6	100	
5. 66 - 65	No	22	21	10	1	0	54	
	%	40.7	38.9	18.5	1.9	0	100	
6. Over 66	No	10	8	3	2	1	24	
	%	41.7	33.3	12.5	8.3	4.2	100	
Total response of each level of importance		138	140	101	18	13		

(1) To be read, 84 (29.2%) of male respondents (total 288) (100%) considered "ease of maintenance" as a very important factor influencing car purchase decision.

** Significant relationship at the 99% level of confidence.

2.1.10. The relationship between "Roominess" and demographic differences

The data in Table 7.11 below indicates a very significant relationship between "roominess", as an important factor affecting car purchase decisions and the marital status and age groups only, while other demographic differences (i.e. sex, and income groups) appeared not to be related. The data also shows that the married group is the most concerned about roominess. These findings support the results about "comfort" discussed earlier, where the married group assigned more importance to that dimension compared to other groups. In fact, "comfort" and "roominess" are two sides of the same coin, and it might only be as expected that families would be the most interested in relation to these aspects of the car. With regard to age groups, Table 7.11 shows that the middle age group (46-55) was the most concerned group with the "roominess" dimension.

2.1.11. The relationship between "Insurance Grouping" and demographic differences

Sex and marital status groups appeared to be statistically independent of "insurance grouping" as a factor affecting the respondents' decisions to buy a certain car make or model. With regard to age, older groups (56-65, 66 and over) appeared to be the most concerned about the factor under investigation. In relation to income groups, surprisingly, respondents of the richest group (£26,000 and over) appeared to be more concerned with the factor in question than those in other income groups. Again, one possible explanation of this deviation from normal expectations is that such owners, because of their higher income, are able to consider a wider range of models than owners in other groups, and may therefore consider insurance grouping as a dimension of comparison between these models. An alternative explanation is that insurance grouping may act as an indication of reliability and safety which were perceived as important dimensions to be considered in choosing among competing car brands, especially for this group of buyers.

Table 7.11 The relationship between "Roominess" and demographic differences

Demographic differences		Very Important 5	4	3	2	Not Important at all 1	Total Response of each group	Level of signif- cance
<u>A. Marital Status</u>								**
1. Single	No	7	41	48	12	8	116	
	%	6.0	35.3	41.4	10.3	6.9	100	
2. Married	No	61	111	75	23	6	276	
	%	22.1	40.2	27.2	8.3	2.2	100	
3. Others	No	6	3	9	1	0	19	
	%	31.6	15.8	47.4	5.3	0	100	
Total response of each level of importance		74	155	132	36	14		
<u>B. Age groups</u>								**
1. Under 25	No	4	19	21	6	2	52	
	%	7.7	36.5	40.4	11.5	3.8	100	
2. 26 - 35	No	10	37	48	11	1	107	
	%	9.3	34.6	44.9	10.3	0.9	100	
3. 36 - 45	No	26	36	35	4	1	102	
	%	25.5	35.3	34.3	3.9	1.0	100	
4. 46 - 55	No	16	37	7	5	7	72	
	%	22.2	51.4	9.7	6.9	9.7	100	
5. 56 - 65	No	14	19	12	7	2	54	
	%	25.9	35.2	22.2	13.0	3.7	100	
6. 66 +	No	4	7	9	3	1	24	
	%	16.7	29.2	37.5	12.5	4.2	100	
Total response of each level of importance		74	155	132	36	14		

(1) To be read, 7 (6.0%) of single respondents (total 166 (100%)) considered "Roominess" as a very important factor affecting their decisions to buy certain car make or model.

** Significant relationship at the 99% level of confidence.

2.1.12. The relationship between "guarantee terms" and demographic differences

In analysing for differences relating to the importance of "guarantee terms" by demographic variables, only sex and age were found to be significant.

As can be seen from Table 7.12, respondents of the male group attached less importance to "guarantee terms" as a factor affecting car purchasing decisions, than the female group.

Table 7.12 The importance of "guarantee terms" by demographic differences

Demographic differences	Very Important 5	4	3	2	Not Important at all 1	Total Response of each group	Level of signifi- cance
<u>A. Sex groups</u>							**
1. Male	No	48	47	93	37	36	288
	%	16.7	25.7	32.3	12.8	12.5	100
2. Female	No	32	38	33	6	14	123
	%	26.0	30.9	26.8	4.9	11.4	100
Total response of each level of importance		80	112	126	43	50	
<u>B. Age groups</u>							**
1. Under 25	No	6	14	21	9	2	52
	%	11.5	26.9	40.4	17.3	3.8	100
2. 26 - 35	No	17	34	30	13	13	107
	%	15.9	31.8	28.0	12.1	12.1	100
3. 36 - 45	No	16	26	32	10	18	102
	%	15.7	25.5	31.4	9.8	17.6	100
4. 46 - 55	No	16	14	28	4	10	72
	%	22.2	19.4	38.9	5.6	13.9	100
5. 56 - 65	No	21	17	9	6	1	54
	%	38.9	31.5	16.7	11.1	1.9	100
6. Over 66	No	4	7	6	1	6	24
	%	16.7	29.2	25.0	4.2	25.0	100
Total response of each level of importance		80	112	126	43	50	

(1) To be read, 48 (16.7%) of male respondents (total 288 (100%)) considered guarantee terms as a very important factor affecting car purchase decisions.

* Significant relationship at the 95% level of confidence.

** Significant relationship at the 99% level of confidence.

Also, while other age groups expressed relatively similar views concerning the guarantee dimension, the 56-65 age category appeared to be much more concerned with the factor under investigation.

Drawing upon the analysis of all the factors considered to be important in relation to the respondents' decisions to acquire certain car makes or models, it can be said that the analysis revealed many significant and clear relationships between the

importance of these factors and the respondents' demographic differences. All demographic groups attached different levels of importance to most of these factors and expressed different views about them.

(3) Product quality and reliability

Having analysed the major factors that affect the decision to purchase a car, and examined whether there is any relationship between the degree of importance attached to these factors and demographic variables, one may now proceed to illustrate the extent to which various car makers have tried to inject these attributes into their products and see whether the different efforts made by these producers to match the customers' expectations regarding these aspects have any effect on their competitive position in the marketplace. Product quality and reliability is the dimension to begin with.

As mentioned in our review of the literature, a critical element of competition in the car business is the ability to produce a vehicle that the market perceives to be of high quality. Reliability is regarded as a significant element in determining overall quality. Although no car can be expected to perform faultlessly, the car owner should be able to rely on his car not to breakdown completely, nor to spend much time off the road in need of repair. If a car proves to be unreliable on the road, customers will replace it with another manufacturer's vehicle, thereby adversely affecting the reputation and market share of the original producer in the long run.

In this part, therefore, we shall attempt to present and assess evidence about the relative performance of British-produced cars compared to foreign-produced ones in terms of quality and reliability.

3.1 Indicators of car quality and reliability

Perhaps the best indicators of reliability is the likelihood of a car breaking down, being off the road due to mechanical faults or failing to start. Other indicators such as serious rust, paint damage, faulty parts, and persistent problems may also be used as measures of car reliability.

There are, however, a few points to bear in mind before conducting our analysis:-

- a. Our purpose generally is to compare and contrast the reliability of British-produced cars as a whole against that of foreign-produced cars as a group. Obviously, different makes and even different models within a particular manufacturers range can have different reliability records. We think, though, that the respondent's total experience of each make is some guide at least in choosing between domestic or foreign producers. Consequently, for the purpose of analysis, cars available in the sample will be grouped according to their country of origin into two main segments, British and Foreign.
- b. Our questionnaire was related to reliability problems which occurred in the previous six months, not in the life time of each car.
- c. To make sure that the age of the various makes would not bias the results, an attempt was made to compare cars of the same age over six years from 1980 to 1985. In each case, cars registered in the same year were compared. However, in some cases we excluded those years in which there was not a significant number of cars to allow comparisons to be made.

Thereafter, to measure car quality and reliability, four main dimensions were used, namely:

- Number of times off the road due to mechanical faults.
- Number of times the car has broken down.
- Number of times the car failed to start, and
- Condition on delivery.

In the following pages, these dimensions are presented and analysed as follows:

3.1 Number of times off the road

In order to get information about this dimension of reliability, respondents were asked : "Excluding accident damage and routine maintenance, how many times has your car been off the road due to mechanical faults in the last six months?"

Table 7.13 below provides an overall picture of the dimension under investigation in relation to British and Foreign cars.

Table 7.13: Times off the road for a sample of British and Foreign cars

Times off the road		Never	Once	Twice	Three times	Four times	Five times and more	Total response of each group
Class								
(a) <u>British Cars</u>	No	142	49	26	5	1	2	215
	%	66.0	22.8	7.4	2.3	0.5	1.0	100
(b) <u>Foreign Cars</u>	No	131	37	8	2	0	0	178
	%	73.6	20.8	4.5	1.1	0	0	100
Total response of each level		273	86	24	7	1	2	

- (1) To be read, 142 (66%) of respondents holding British produced cars (total 215 = 100%) reported that their cars never broken down during the last six months.

As can be seen from the data in Table 7.13, although the percentage of cars that had never been off the road during the last six months in both segments, i.e. British and Foreign, was relatively high, the percentage for foreign cars was slightly better. In other words foreign cars appeared on the whole, to be more reliable, according to the off-the-road dimension, but the differences are not great.

As the reliability of the car is generally affected by its age, a further analysis of this aspect of reliability that takes into account the age of the car was made. The results of such analysis reinforce the overall pattern that emerged in Table 7.13.

3.2 Number of breakdowns

Respondents were also asked: "in the last six months, how many times has your car broken down when you were on a journey?". Table 7.14 presents the findings relating to this question and indicates that foreign-produced cars again appear to be more reliable, according to this dimension.

Table 7.14 Breakdowns in a sample of British and Foreign-produced cars

Times of breakdown		Never	Once	Twice	Three times	Four times	Five times and more	Total
Class								
(a) <u>British Cars</u>	No	168	37	5	3	0	2	215
	%	78.1	17.2	2.3	1.4	0	1.0	100
(b) <u>Foreign Cars</u>	No	154	14	4	3	0	3	178
	%	86.5	7.9	2.2	1.7	0	1.7	100
Total		322	51	9	7	0	5	

Further analysis taking the age of the car into account confirmed the general picture presented in Table 7.14.

3.3 Failing to start

In order to obtain more information about the reliability dimension, respondents were asked to indicate how many times their cars failed to start at home or elsewhere during the previous six months. Looking at the results relating to this dimension, as shown in Table 7.15, it can be concluded that, as in the case of days off the road and the number of breakdowns, foreign-produced

cars again appeared to be more reliable according to the failing-to-start dimension. The table clearly demonstrates that there is a wide gap between the performance of both groups, especially in relation to the percentage of cars that never fail to start.

Table 7.15: Failing to start by a sample of British and Foreign produced cars

Times of failing to start		Never	Once	Twice	Three times	Four times	Five times and over	Total
Class								
(a) <u>British Cars</u>	No	135	43	28	2	0	4	212
	%	63.7	20.3	13.2	0.9	0	1.9	100
(b) <u>Foreign Cars</u>	No	143	22	8	2	0	3	178
	%	80.3	12.4	4.5	1.1	0	1.7	100
Total		278	65	63	4	0	7	

Once again, further analysis allowing for the age of the car was carried out, the results generally giving support to the overall evidence produced previously to the effect that foreign cars appear to be in better position in respect of reliability dimensions than British-produced ones.

3.4 Overall reliability ratings

To obtain an overall impression concerning car reliability, respondents were asked to select one of five categories of reliability that best describes this dimension in their cars, these categories being: extremely reliable, very reliable, generally reliable, very unreliable, and extremely unreliable. The results are reported in Table 7.16 for both British and foreign-produced cars.

Table 7.16: Overall reliability ratings for a sample of British and Foreign produced cars

Reliability ratings		Extremely reliable	Very reliable	Generally reliable	Very unreliable	Extremely unreliable	Total
Class							
(a) <u>British Cars</u>	No	80	78	64	-	2	224
	%	35.7	34.8	28.6	-	0.9	100
(b) <u>Foreign Cars</u>	No	111	46	26	1	1	185
	%	60.0	24.9	14.1	0.5	0.5	100
Total		191	124	90	1	3	

It is worth mentioning that the respondents' ratings of the perceived reliability of their cars agreed quite well with the facts given about times off the road, breakdowns, and failing to start, where foreign cars stood out as particularly more reliable than British ones. This result suggests that consumer perceptions are, to a large extent, consistent with their experience with the cars they use.

3.5 What about the reliability of individual makes?

As pointed out earlier, there are differences in reliability between different makes and even between different models produced by the same maker. So, when we say that foreign makes are generally more reliable than British ones, it does not mean that all foreign makes are more reliable than all British ones. In some cases, British makes appear to be more reliable than some foreign ones. So, to deal with this issue, and to discover where the British car manufacturers' problems may exist, the analysis was extended to include make by make comparisons. However, to obtain significant results, all foreign makes were grouped together according to country of origin, while British ones were grouped according to manufacturers. Table 7.17 presents the result of this part of the study.

Table 7.17: Ratings of reliability make by make

Reliability ratings		Extremely reliable	Very reliable	Generally reliable	Very unreli- able	Extremely unreli- able	Total
Car Manufacturers							
A) <u>British Manufacturers</u>							
1. B.L.	No	18	23	32	0	1	74
	%	24.3	31.1	43.2	0	1.4	100
2. Ford	No	33	31	23	0	0	87
	%	37.9	35.6	26.4	0	0	100
3. Vauxhall	No	23	15	5	0	0	43
	%	53.5	34.9	11.6	0	0	100
4. Talbot	No	6	9	4	0	1	20
	%	30.0	45.0	20.0	0	5.0	100
Total British		80	78	64	0	2	
B) <u>Foreign Manufacturers</u>							
1. Japanese	No	36	10	1	0	0	47
	%	76.6	21.3	2.1	0	0	100
2. German	No	36	8	2	0	0	46
	%	78.3	17.4	4.3	0	0	100
3. French	No	19	16	7	0	1	43
	%	44.2	37.2	16.3	0	2.3	100
4. Italian	No	7	6	7	1	0	21
	%	33.3	28.6	33.3	4.8	0	100
5. Swedish	No	9	1	2	0	0	12
	%	75.0	8.3	16.7	0	0	100
6. Others	No	4	5	7	0	0	16
	%	25	31.2	43.8	0	0	100

From the table it can be seen that the Japanese and German car producers lead the field for reliability by a long way. British cars, taken as a group, came in fifth place after Japanese, German, Swedish and French cars.

With regard to particular makes, the data in Table 7.17 shows the good progress being made recently by Vauxhall in terms of reliability and Ford and Talbot cars also appear to have achieved some progress in this area. The table also reveals that BL cars still face a reliability problem in spite of the company's recent recovery and the new approach adopted to make marketing and manufacturing operations more efficient.

In brief, the results of the survey show that a considerable number of makes in the British market have a good reliability record and most of these are foreign. However, this does not mean that the British cars present problems. Indeed, of the four British producers, Vauxhall has a good reliability record, Ford and Talbot have been generally above average, while BL cars are the only ones that seem to experience problems with regard to reliability.

3.6 Condition on delivery

Condition on delivery is a measure of product quality, particularly assembly quality. It is a reflection of what is termed "workmanship" or "fits and finishes" in the car business. This covers such features as body finish, squeaks, door alignment, paint quality and so on. It has been shown that potential buyers will be discouraged from purchasing a particular car make or model because of poor fitting doors, uneven paint-work or badly-fitting interior trim.

To measure this dimension, respondents were asked: "If your car was new, how would you describe its condition on delivery"? Ratings were given in five categories: very good, generally good, acceptable condition, generally bad, and very bad. The answers to this question are reported in Table 7.18 for both British and foreign cars.

The data in Table 7.18 suggests that imported cars have a clear advantage with regard to condition on delivery. While 70.3 percent of foreign car owners reported that they received their

cars in very good condition, only 47.9 percent of British car owners made a similar report about the condition of their cars on delivery.

Table 7.18: Condition on delivery for a sample of British and Foreign cars

Class	Ratings	Very Good	Generally good	Acceptable condition	Generally bad	Very bad	Total
(1) <u>British Cars</u>	No	67	50	18	3	2	140
	%	47.9	35.7	12.9	2.1	1.4	100
(2) <u>Foreign Cars</u>	No	90	31	6	0	1	128
	%	70.3	24.2	4.7	0	0.8	100
Total		157	81	24	3	3	

With regard to individual makes, information derived from the answers to that question shows that all Japanese, Swedish, and Italian car owners reported that they received their cars either in a very good or generally good condition. Similarly, a big majority of 96.6 percent of German car owners and almost 90 percent of French car owners reported that they received their cars either in a very good or generally good condition.

On the other hand, 88.4 percent of Vauxhall car owners were happy about the conditions of their cars on delivery, compared to 75 percent of Talbot car owners, 73.5 percent of Ford car owners, and only 55.4 of BL car owners.

Drawing upon the overall findings relating to product quality and reliability, it can be argued that these dimensions account for the performance gap between British and foreign car manufacturers in the British market. Accordingly, it might be reasonable to suggest

that an improvement in product quality and reliability should be an important aspect of any effort directed towards improving the competitive position of UK car producers.

4. Distribution channels and competitive performance

As pointed out in our review of the literature, the dealer network has long been a critical element in achieving competitiveness in the car business. Firms desiring to enter a new market or to improve their position in an existing one have found the establishment of an active dealer network to be vital.

As such, the purpose of this part of the study was to provide an appraisal of the distribution channels used by British and foreign car producers from the viewpoint of the final customer. In particular, three key questions were examined: What are the main factors that influence customers' choice among competing car dealers? how do the dealers compete? and how satisfied were the customers with their chosen dealers? It was hoped that by examining the effectiveness of the distribution channels in satisfying selected criteria, one could reach conclusions about the strengths and weaknesses in dealership performances and the effect these might have on the relative competitive position of the manufacturers they represent.

4.1 The perceived importance of factors influencing choice among competing car dealers

For the purchase of a new car, most customers seem to have an acceptable choice of competing dealerships in reasonably accessible locations. This makes the decision concerning choice a vital one and it exerts pressure on the dealer which induces him to give at least reasonably good deals to potential buyers.

To shed more light on this issue, respondents were asked to indicate how important a number of factors were in influencing their decisions to choose between competing car dealers. A five-point scale was used for each factor, from (5) indicating that

the factor was "very important" to (1) indicating that it was "not important at all". Respondents were also given the opportunity to add any other factors which they considered to be important.

Table 7.19 shows the relative importance of these factors according to the mean value; the higher the mean, the more important the factor was considered by respondents.

Findings in the table clearly demonstrate the following:

- (1) Relative price is the factor which was perceived to be the most important in the dealer selection process, where a great majority of respondents (79.7 percent) regarded this factor as very important or important for this purpose.

The possibility of intra-brand competition is the reason suggested for giving relative price this degree of importance. This possibility induces the dealer to give at least reasonably good deals to potential buyers. In this respect it is indicated that, for this reason, a sizeable proportion of new car buyers do not buy from the nearest of the dealers who handle the same brand.

- (2) Also ranked as being of high importance were quality of after-sale service, vehicle warranty, service and maintenance costs/availability and reasonable parts/costs availability.

These aspects are generally regarded as a crucial part of the sales pitch directed at the customer. An inadequate after-sale service, for example, causes more than a little annoyance and readily creates a bad image and leads to switching brands.

- (3) It was somewhat surprising to find "accessibility" and "acceptable delivery time" to be ranked by respondents lower than expected. Our explanation of the first of these findings is that because potential car purchasers already have

Table 7.19: The perceived importance of factors influencing customer choice between competing dealers

Factors	Very important 5		4		3		2		Not important at all 1		Total		Mean Value
	No	%	No	%	No	%	No	%	No	%	No	%	
	1. Relative price	169	45.8	125	33.9	45	12.2	7	1.9	23	6.2	369	
2. Quality of a after-sale service	154	42.0	109	29.7	45	12.3	19	5.2	40	10.9	367	100	3.866
3. Vehicle warranty	107	29.1	136	37.1	71	19.3	15	4.1	38	10.4	367	100	3.708
4. Service and maintenance costs/availability	101	27.4	135	36.7	79	21.5	14	3.8	39	10.6	368	100	3.666
5. Reasonable parts/costs/availability	87	23.9	146	40.1	73	20.1	20	5.5	38	10.4	364	100	3.615
6. Giving adequate information	84	23.0	139	38.0	65	17.8	19	5.2	59	16.1	366	100	3.464
7. Accessibility	82	22.2	87	23.5	136	36.8	23	6.2	42	11.4	370	100	3.389
8. Acceptable delivery time	69	19.0	99	27.3	82	22.6	41	11.3	72	19.8	363	100	3.143
9. Wide model range	46	12.7	47	13.0	122	33.7	47	13.0	100	27.6	362	100	2.702
10. Credit terms	45	12.7	37	10.5	47	13.3	48	13.6	177	50.0	354	100	2.223

(1) To be read, 169 (45.8% of respondents) (total 369 = 100%) considered relative price a very important factor influencing dealers' choice decision.

transportation and are able to contact many dealers even if they are located in the suburbs, accessibility may be an aspect which is not seriously considered by them when making comparisons between potential car dealers. Nevertheless, inconvenient location is still regarded by some potential car buyers as impeding the process of shopping around and making contact with certain dealer.

With regard to delivery time, it is also recognised that over capacity and production of cars in recent years, the large and wide coverage of dealerships, and the mobility which the product itself offers, largely solves the problem of availability. Most dealers have many models available for immediate delivery, while non-stock models are usually available through inter-dealer trading or through special factory orders that usually arrive at an acceptable time.

- (4) Table 7.19 also shows that a wide model range and credit terms were generally perceived to be of less importance in influencing the decision to choose among competing car dealers.

The perceived low importance of wide model range can be explained by the fact that most dealers are trying hard to offer a variety of models in a wide price range to provide essentially one-stop shopping, thus lowering the importance of wide model range as a competitive weapon. On the other hand, as using credit to supply car acquisition becomes a common practice in the car business, it was natural for respondents not to attach much importance to this aspect when comparing between different car dealers.

Additional factors cited by some respondents as affecting their decisions to choose among competing car dealers include in order of importance: Dealer's reputation, past

satisfaction with the dealer, personal relationships, specialisation in model required, and trade-in allowance.

In summary, car owners perceive relative price, quality of after-sale service, vehicle warranty, service and maintenance costs/availability, and reasonable parts/costs availability as being most important in influencing their decisions to choose among potential car dealers, such factors as wide model range and credit terms of being much less important.

4.2 The relationship between important factors affecting dealer's choice and demographic differences

While the preceding analysis provides an overall perspective of channel choice emphasis, it may mask significant differences of approach adopted by groups of customers within the same sample. Accordingly, it was thought useful to present a cross-tabulation analysis to determine whether any significant relationships exist between dependent variables (choice factors) and independent factors (i.e. sex, marital status, age, and income dimensions) by using the X^2 test of significance at the 95% and 99% levels of confidence. The results are shown in Tables 7.20 to 7.23.

4.2.1 The relationship between the importance of "relative price" and demographic variables

The findings of Table 7.20 show that very clear relationships exist between the different age and income groups and the importance of relative price as a factor affecting choice of dealer, while the other demographic dimensions, i.e. sex and marital status, were statistically independent. The findings also show that the youngest age group tended to place more emphasis on relative price when deciding to choose among potential car dealers, while other age groups viewed it roughly in similar ways.

With regard to income groups, Table 7.20 illustrates that the richer groups (£21,000 - £25,999 and £26,000 and over) were the least concerned about relative price, while other income groups were more concerned, almost to the same extent.

Table 7.20: The importance of relative price by demographic differences

Degree of importance		Very Important				Not Important at all	Total	Level of Significance
Demographic differences		5	4	3	2	1		
<u>A. Age groups</u>								**
1. Under 25	No	22	16	3	1	0	42	
	%	52.4	38.1	7.1	2.4	0	100	
2. 26 - 35	No	45	33	10	3	1	92	
	%	48.9	35.9	10.9	3.3	1.1	100	
3. 36 - 45	No	42	29	10	2	10	93	
	%	45.2	32.2	10.8	2.2	10.8	100	
4. 46 - 55	No	22	29	13	1	5	70	
	%	31.4	41.4	18.6	1.4	7.1	100	
5. 56 - 65	No	26	15	7	0	2	50	
	%	52.0	30.0	14.0	0	4.0	100	
6. 66 and over	No	12	3	2	0	5	22	
	%	54.5	13.6	9.1	0	22.7	100	
Total response of each level of importance		169	125	45	7	23		
<u>B. Income groups</u>								**
1. Under £6,000	No	36	7	4	0	2	49	
	%	73.5	14.3	8.2	0	4.1	100	
2. £6,000-£10,999	No	66	49	9	3	8	135	
	%	48.9	36.3	6.7	2.2	5.9	100	
3. £11,000-£15,999	No	54	35	19	2	9	119	
	%	45.4	29.4	16.0	1.7	7.6	100	
4. £16,000-£20,999	No	11	19	1	1	2	34	
	%	32.4	55.9	2.9	2.9	5.9	100	
5. £21,000-£25,999	No	0	8	2	1	2	13	
	%	0	61.5	15.4	7.7	15.4	100	
6. £25,000 and over	No	2	7	10	0	0	19	
	%	10.5	36.8	52.6	0	0	100	

(1) To be read, 22 (52.4%) of respondents under 25 years (Total 42 = 100%) considered relative price as a very important factor in selecting among dealers.

** Significant relationship at the 99% level of confidence.

4.2.2 The relationship between "quality of after-sale service" and demographic differences

With the exception of age groups, a cross-tabulation analysis shows no significant relationships between the importance of quality of after-sale service and demographic differences. The results also show that the youngest age groups were less concerned about the factor under investigation, while other age groups viewed it nearly in similar ways.

4.2.3 The relationship between the importance of "vehicle warranty" and demographic differences.

Apart from the marital status dimension, all other demographic variables (i.e. sex, age, and income groups) appeared to be statistically related to "vehicle warranty" as an important factor influencing respondents' choice among competing car dealers. As Table 7.21 below indicates, females expressed more interest in the factor under question than the males. The data also shows that among the different age groups, respondents belonging to the youngest age group were the least concerned with the reason in question. With regard to income groups, the richest group (£26,000 and over) appeared to be more concerned with guarantee terms than other income groups, who expressed roughly the same degree of importance.

4.2.4 The importance of "service and maintenance costs/availability" and demographic differences

In comparing the perceived importance of service and maintenance costs/availability by demographic variables, only sex and income groups were found to be significant. Marital status and age groups appeared to be statistically independent of "Service and maintenance costs/availability" as an important consideration affecting the respondents' decision to choose among potential car dealers. The analysis shows that the male group seem to be less concerned about the factor in question than the female one. On the other hand, compared to other income groups, the richest group (£26,000 and over) appeared to be more concerned about the service and maintenance costs/availability factor.

Table 7.21: The importance of vehicle warranty by demographic differences

Level of importance		Very Important				Not Important at all	Total	Level of Significance
Demographic differences		5	4	3	2	1		
A. Sex groups								
**								
1. Male	No	65	92	58	12	31	258	
	%	25.2	35.7	22.5	4.7	12.0	100	
2. Female	No	42	44	13	3	7	109	
	%	38.5	40.4	11.9	2.8	6.4	100	
Total		107	136	71	15	38		
B. Age groups								
**								
1. Under 25	No	10	13	14	3	2	42	
	%	23.8	31.0	33.3	7.1	4.8	100	
2. 26 - 35	No	22	35	26	3	6	92	
	%	23.9	38.0	28.3	3.3	6.5	100	
3. 36 - 45	No	30	35	13	4	11	93	
	%	32.3	37.6	14.0	4.3	11.8	100	
4. 46 - 55	No	17	26	11	3	10	67	
	%	25.4	38.8	16.4	4.5	14.9	100	
5. 56 - 65	No	21	20	6	2	2	51	
	%	41.2	39.2	11.8	3.9	3.9	100	
6. 66 and over	No	7	7	1	0	7	22	
	%	31.8	31.8	4.5	0	31.8	100	
Total		107	136	71	15	38		
C. Income groups								
**								
1. Under £6,000	No	24	10	8	1	6	49	
	%	49.0	20.4	16.3	2.0	12.2	100	
2. £6,000-£10,999	No	44	42	25	7	16	134	
	%	32.8	31.3	18.7	5.2	11.9	100	
3. £11,000-£15,999	No	30	44	28	5	11	118	
	%	25.4	37.3	23.7	4.2	9.3	100	
4. £16,000-£20,999	No	7	18	6	1	2	34	
	%	20.6	52.9	17.6	2.9	5.9	100	
5. £21,000-£25,999	No	0	8	2	1	2	13	
	%	0	61.5	15.4	7.7	15.4	100	
6. £26,000 and over	No	2	14	2	0	1	19	
	%	10.5	73.7	10.5	0	5.3	100	
Total		107	136	71	15	38		

(1) To be read, 10 (23.8%) of respondents whose age under 25 (total 42 = 100%) considered warranty terms as very important factor affecting their decision to choose among potential car dealer.

** Significant relationship at the 99% level of confidence.

4.2.5 The relationship between the importance of "reasonable parts/costs/availability" and demographic differences

With the exception of age groups, all other demographic dimensions (i.e. sex, marital status, and income groups) appeared not to be statistically related to "reasonable parts/costs/availability" as an important consideration in choosing among competing car dealers. The data shows that respondents belonging to the oldest age group (66+) were the least concerned with the factor under investigation.

4.2.6 The relationship between the importance of "giving adequate information about the car" and demographic differences

A cross-tabulation analysis showed that all variables included were statistically independent. There were no significant relationships between the level of importance of this factor and demographic differences.

4.2.7 The relationship between the importance of "accessibility" and demographic differences

The findings of Table 7.22 below show that a very significant relationship exists between the different age and income groups and the importance of "accessibility" as a factor influencing the respondents' decision to choose among potential car dealers, while other demographic variables (i.e, sex, marital status) were statistically independent. The findings in Table 7.22 also show that the oldest age group (66+) was the least concerned with accessibility, while other age groups, except the 56-65 group who expressed more concern, seem to have nearly similar views in regard to the factor under investigation.

Concerning income groups, the data in Table 7.22 indicates that the richest group was the least concerned with the accessibility factor, while other income groups appeared to have nearly similar views except with £21,000-£25,999 income group who expressed more interest in the factor in question.

Table 7.22 The importance of "accessibility" by demographic differences

Level of importance		Very Important				Not Important at all	Total	Level of Significance
Demographic variables		5	4	3	2	1		
<u>A. Age groups</u>								**
1. Under 25	No	7	11	16	3	5	42	
	%	16.7	26.2	38.1	7.1	11.9	100	
2. 26 - 35	No	14	23	40	10	5	92	
	%	15.2	25.0	43.5	10.9	5.4	100	
3. 36 - 45	No	19	24	36	2	12	93	
	%	20.4	25.8	38.7	2.2	12.9	100	
4. 46 - 55	No	13	16	24	4	13	70	
	%	18.6	22.9	34.3	5.7	18.6	100	
5. 56 - 65	No	23	11	13	3	1	51	
	%	45.1	21.6	25.5	5.9	2.0	100	
6. 66 and over	No	6	2	7	1	6	22	
	%	27.3	9.1	31.8	4.5	27.3	100	
Total		82	87	136	23	42		
<u>B. Income groups</u>								**
1. Under £6,000	No	16	8	15	3	7	49	
	%	32.7	16.3	30.6	6.1	14.3	100	
2. £6,000-£10,999	No	34	31	40	12	19	136	
	%	25.0	22.8	29.4	8.8	14.0	100	
3. £11,000-£15,999	No	22	24	54	8	11	119	
	%	18.5	20.2	45.4	6.7	9.2	100	
4. £16,000-£20,999	No	7	11	13	0	3	34	
	%	20.6	32.4	38.2	0	8.8	100	
5. £21,000-£25,999	No	0	11	0	0	2	13	
	%	0	84.6	0	0	15.4	100	
6. £26,000 and over	No	3	2	14	0	0	19	
	%	15.8	10.5	73.7	0	0	100	
Total		82	87	136	23	42		

** Significant relationship at the 99% level of confidence.

Table 7.23: The importance of delivery time by demographic difference

Level of importance		Very Important				Not Important at all	Total	Level of Significance
Demographic variables		5	4	3	2	1		
<u>A. Sex groups</u>								**
1. Male	No	53	67	66	22	47	255	
	%	20.8	26.3	25.9	8.6	18.4	100	
2. Female	No	16	32	16	19	25	108	
	%	14.8	29.6	14.8	17.6	23.1	100	
Total		69	99	82	41	72		
<u>B. Marital status</u>								**
1. Single	No	8	23	26	12	31	100	
	%	8.0	23.0	26.0	12.0	31.0	100	
2. Married	No	59	70	52	27	37	245	
	%	24.1	28.6	21.2	11.0	15.1	100	
3. Others	No	2	6	4	2	4	18	
	%	11.1	33.3	22.2	11.1	22.2	100	
Total		69	99	82	41	72		
<u>C. Age groups</u>								*
1. Under 25	No	5	4	15	11	7	42	
	%	11.9	9.5	35.7	26.2	16.7	100	
2. 26 - 35	No	6	26	28	11	18	89	
	%	6.7	29.2	31.5	12.4	20.2	100	
3. 36 - 45	No	21	28	18	8	17	92	
	%	22.8	30.4	19.6	8.7	18.5	100	
4. 46 - 55	No	21	20	10	2	14	67	
	%	31.3	29.9	14.9	3.0	20.9	100	
5. 56 - 65	No	11	15	8	8	9	51	
	%	21.6	29.4	15.7	15.7	17.6	100	
6. 66 and over	No	5	6	3	1	7	22	
	%	22.7	27.3	13.6	4.5	31.8	100	
Total		69	99	82	41	72		

(1) To be read, 53 (20.8%) of male respondents (total 225 = 100%) considered delivery time a very important factor influencing their decision to choose among potential car dealers.

* Significant relationship at the 95% level of confidence.

** Significant relationship at the 99% level of confidence.

4.2.8 The relationship between the importance of "delivery time" and demographic variables

Apart from the income groups dimension, Table 7.23 (shown above) shows very significant relationships between the importance of "acceptable delivery time" and all other demographic differences. The table also shows that the male group were more concerned about delivery time than the female one, that the single group appeared to be less concerned about this factor than other marital status groups, and that less concern was also expressed by the youngest of the age groups in regard to the delivery time factor.

Using all the findings of this part of the study, it can be said that a number of significant relationships exist between the perceived importance of factors influencing dealership choice and demographic differences, and most of demographic groups attached different levels of importance to the factors addressed to them.

4.3 Bases of competition among car dealers

Respondents were asked to indicate the competitive bases by means of which they think the specific car dealers from whom they bought their cars tried to convince them to accept their offerings. It was thought that by exploring this area one might identify the strong and weak points in these offerings, and whether there is any relationship between these points and market performance. Three bases of competition were suggested including competing on the basis of price advantage, car performance, or emphasising both. Table 7.24 below shows the bases suggested and respondents' views on each one for both groups of dealers handling British produced cars and those handling imported cars.

From the table, it would appear that the majority of dealers handling British produced cars try to emphasise both the price and performance advantages of the cars they sell, while competing on the basis of car performance is the main theme used by dealers of imported cars. These results appear to be consistent with the facts about product quality and reliability discussed earlier, so

Table 7.24: Bases of Competition among car dealers

Bases of competition		Price advantage	Car performance	Both	Total
Class					
(1) British car dealers	No	62	39	102	203
	%	30.6	19.1	50.3	100
(2) Imported car dealers	No	37	71	58	166
	%	22.3	42.8	34.9	100

(1) To be read, 62 (30.6%) of dealers handling British produced cars try to compete on the basis of price advantage.

it was natural for the majority of dealers handling imported cars to stress car performance, which reflects reliability, when trying to persuade potential customers to purchase their offering. On the other hand, the relatively low standard of quality and reliability of British produced cars has pushed the dealers of these cars to combine price and car performance as a means of attracting potential customers.

However, this does not mean that all the dealers of foreign-built cars compete on the basis of car performance, or that all dealers handling British-produced cars compete on the basis of both price and performance dimensions. Therefore a more detailed analysis might produce a different picture. This being the case, Table 7.25 compares the bases of competition among car dealers, make by make.

While the data in Table 7.25 confirm the overall impression that the majority of dealers handling British produced cars compete on the basis of both price and performance advantages, the original impression seems not to be confirmed for those handling imported cars. Dealers handling Japanese, German, and Swedish produced cars seem to place greater emphasis on car performance advantage, while Italian and French car dealers, appear, like those handling British

Table 7.25: Bases of competition among car dealers according to make

Bases of competition		Price advantage	Car performance	Both	Total
Class					
<u>A) Dealers handling British cars</u>					
1. BL dealers	No	21	22	25	68
	%	30.9	32.4	36.8	100
2. Ford	No	31	10	37	78
	%	39.7	12.8	47.4	100
3. Vauxhall	No	7	5	26	38
	%	18.4	13.2	68.4	100
4. Talbot	No	3	2	14	19
	%	15.8	10.5	73.7	100
Total		62	39	102	
<u>B) Dealers handling imported cars</u>					
1. Japanese cars	No	10	21	13	44
	%	22.7	47.7	29.5	100
2. German cars	No	1	26	14	41
	%	2.4	63.4	34.1	100
3. French cars	No	9	11	17	37
	%	24.3	29.7	45.9	100
4. Italian cars	No	4	6	9	19
	%	21.1	31.6	47.9	100
5. Swedish cars	No	0	5	4	9
	%	0	55.6	44.4	100
6. Others	No	13	2	1	16
	%	81.3	12.5	6.2	100
Total		37	71	58	

produced cars, to lay greater emphasis on both price and car performance advantages. On the other hand, the remaining dealers handling other car makes, particularly those handling Eastern European cars, seem to compete largely on the basis of price advantage. It is generally accepted that the performance of Eastern European cars does not match the standard reached by the majority of well established

producers, whether British or foreign. However, they are likely to be acceptable to many British customers whose income is limited or who are changing from the use of second-hand to new cars.

4.4 Customers' satisfaction with dealership aspects

In order to assess the role played by distribution channels in determining the competitive position of both British and foreign car producers, respondents were asked how satisfied are they with their dealers in relation to model range, delivery time, parts/costs availability, quality of after-sale service, provision of adequate information about the car, pre-delivery inspection, guarantee terms, accessibility, and service and maintenance/costs availability, using a five-point scale ranging from "very satisfied" to ... "not satisfied at all".

An overall rating of the level of satisfaction with these aspects is presented first, then we compare and contrast the performance of dealers handling British based cars and those handling imported cars according to these dimensions. Opinions of respondents about these aspects are included and ranked in order according to the mean value in Table 7.26.

From the table, it can be seen that customers appeared to be generally satisfied with their chosen dealers. Delivery time, model range, and the provision of adequate information about the car purchased are the most obvious areas of satisfaction. The high level of satisfaction expressed by respondents regarding delivery time and model range appears to support our previous explanation about the relative importance of these aspects in influencing the decision to select between car dealers.

However, in spite of the customers' general satisfaction with their dealers, there might be a gap between the performance of dealers handling British-built cars and those handling foreign-built ones. Thus, it was thought useful, in relation to competitiveness, once more to compare the performance of the two groups of dealers in respect of the above mentioned dimensions. Table 7.27 presents the result of this comparison.

Table 7.26: Customers' satisfaction with dealership

Dealership Aspects	Level of Satisfaction												Total	Mean Value
	Very satisfied 5		4		3		2		Not satisfied at all 1		Total			
	No	%	No	%	No	%	No	%	No	%	No	%		
(1) Delivery time	151	41.7	121	33.4	60	16.6	15	4.1	15	4.1	362	100	4.044	
(2) Model range	119	33.0	106	29.4	114	31.6	15	4.2	7	1.9	361	100	3.873	
(3) Provision of information about the car	111	31.3	121	34.1	91	25.6	19	5.4	13	3.7	355	100	3.839	
(4) Quality of after-sale service	128	35.3	96	26.4	90	24.8	26	7.2	23	6.3	363	100	3.771	
(5) Pre-delivery inspection	114	31.8	98	27.4	95	26.5	29	8.1	22	6.1	358	100	3.707	
(6) Parts/Costs/Availability	82	22.4	143	39.1	104	28.4	19	5.2	18	4.9	366	100	3.689	
(7) Service and maintenance costs/availability	87	24.1	122	33.8	115	31.9	21	5.8	16	4.4	361	100	3.673	
(8) Guarantee terms	87	24.4	117	32.9	115	32.3	17	4.8	20	5.6	356	100	3.657	
(9) Accessibility	77	21.2	110	30.2	150	41.2	17	4.7	10	2.7	364	100	3.624	
(10) Credit terms	63	22.4	60	22.3	97	36.1	17	6.3	32	11.9	269	100	3.390	

(1) To be read, 151 (41.7%) of respondents (total 362 = 100%) were very satisfied about delivery time.

Table 7.27: Customers' satisfaction with dealers handling British and Foreign produced cars

Level of Satisfaction Dealership aspects	Very satisfied (5)		(4)		(3)		(2)		Not satisfied at all (1)		Total	
	No	%	No	%	No	%	No	%	No	%	No	%
	(1) <u>Model range</u>											
a. British dealers	69	35.0	57	28.9	59	29.9	7	3.6	5	2.5	197	100
b. Foreign dealers	50	30.5	49	29.9	55	33.5	8	4.9	2	1.2	164	100
(2) <u>Delivery time</u>												
a. British dealers	71	36.0	68	34.5	37	18.8	9	4.6	12	6.1	197	100
b. Foreign dealers	80	48.5	53	32.1	23	13.9	6	3.6	3	1.8	165	100
(3) <u>Parts/Costs availability</u>												
a. British dealers	48	24.0	72	36.0	63	31.5	8	4.0	9	4.5	200	100
b. Foreign dealers	34	20.5	71	42.8	41	24.7	11	6.6	9	5.4	166	100
(4) <u>Quality of after-sale service</u>												
a. British dealers	51	26.0	54	27.6	59	30.1	20	10.2	12	6.1	196	100
b. Foreign dealers	77	46.1	42	25.1	31	18.6	6	3.6	11	6.6	167	100
(5) <u>Credit Terms</u>												
a. British dealers	36	23.5	34	22.2	57	37.3	9	5.9	17	11.1	153	100
b. Foreign dealers	27	23.3	26	22.4	40	34.5	8	6.9	15	12.9	116	100
(6) <u>Giving information</u>												
a. British dealers	55	28.2	53	27.2	62	31.8	16	8.2	9	4.6	195	100
b. Foreign dealers	56	35.0	68	42.5	29	18.1	3	1.9	4	2.5	160	100
(7) <u>Pre-delivery inspection</u>												
a. British dealers	51	26.2	46	23.6	59	30.3	24	12.3	15	7.7	195	100
b. Foreign dealers	63	38.7	52	31.9	36	22.1	5	3.1	7	4.3	163	100
(8) <u>Quarantee terms</u>												
a. British dealers	43	22.3	59	30.6	66	34.2	11	5.7	14	7.3	193	100
b. Foreign dealers	44	27.0	58	35.6	49	30.1	6	3.7	6	3.7	163	100
(9) <u>Accessibility</u>												
a. British dealers	47	23.7	69	34.8	65	32.8	12	6.1	5	2.5	198	100
b. Foreign dealers	30	18.1	41	24.7	85	51.2	5	3.0	5	3.0	166	100
(10) <u>Service and maintenance costs/availability</u>												
a. British dealers	55	28.2	60	30.8	62	31.8	8	4.1	10	5.1	195	100
b. Foreign dealers	32	19.3	62	37.3	53	31.9	13	7.8	6	3.6	166	100

From the above table, several observations can be made, as follows:

(1) Pre-delivery inspection, the provision of adequate information about the car and the quality of after-sale service appeared to be areas where dealers handling imported cars have a clear advantage. Only 49.8 percent of customers using dealers handling British-produced cars appeared to be very satisfied or generally satisfied with pre-delivery inspection, compared to 70.6 percent of respondents using dealers handling imported cars. This gap suggests that the customers of dealers handling British-produced cars find such channels to be far from satisfactory in providing them with a defect free car.

Also, explaining the benefits and technical features of the car is a significant advantage attributed to dealers handling foreign-produced cars, where 77.5 percent of customers dealing with them seem to be satisfied about this dimension, while only 55.4 percent of customers using dealers handling British-built cars expressed their satisfaction about the adequacy of information given about their cars. This result also reflects the relatively little time spent by dealers handling British-produced cars in evaluating the customers' wants and needs to fit the particular model purchased to their expectations.

Similarly, only 53.6 percent of respondents using dealers handling British-produced cars expressed their satisfaction with the quality of after-sale service, compared to 71.2 percent of respondents using dealers handling imported cars. This probably reflects the problems British manufacturers have in maintaining an adequate standard of quality. In other words, people who said their cars were very reliable, mainly those who had foreign-produced cars, appear to be more satisfied about servicing, while those who said their cars were less reliable, mainly those who had British-produced cars, expressed less satisfaction about the quality of after-sale service.

(2) Delivery time, parts/costs availability, and guarantee terms are other areas where dealers handling imported cars appear to have a slight advantage over those handling British-built cars. Again, it might be the problem of reliability that gives dealers handling imported cars this slight advantage in regard to costs/parts availability. Cars which face more breakdowns, are longer off the road and cannot get spares easily, also seem to incur greater expense in the purchase of spare parts. To put it another way, although it is generally known that spare parts of most foreign makes are expensive, yet people owning these makes find them so much less likely to go wrong that their overall repair costs are lower. With regard to guarantee terms, it is indicated that some manufacturers, mainly foreign ones, are using extended warranties for promotional and competitive purposes, a factor which is appreciated more by customers who have imported cars.

(3) On the other hand, dealers handling British-produced cars seem to have some advantage over those handling imported cars in areas like accessibility and model range. In general, British car manufacturers have a large number of outlets which cover most parts of the country. Number of dealers representing the four big British-producers is about 3,560, while for almost 21 foreign car producers working in the British market the total is about 4,780.* A comparison reveals that accessibility is an advantage enjoyed by dealers handling British-produced cars. It is also acknowledged that British producers offer a relatively wider model range than foreign ones, which gives more choice opportunities to their customers than those given to customers of foreign producers.

(4) It has proved difficult to obtain much evidence that either British or foreign car dealers provide better credit terms. Information from the customer survey shows no real differences in the level of satisfaction expressed by the customers of the two groups with regard to this dimension.

* Motoring Which? October 1985

To sum up, although, in general, dealers handling British-produced cars appear to be competitive with those handling imported cars, the effectiveness of most of these dealers has been adversely affected by poor performance in areas such as pre-delivery inspection, the provision of adequate information about the car and the quality of after-sale service. This conclusion appears to be in agreement with that of the CPRS⁽¹⁾ study published more than ten years ago, that pre-delivery inspection, after sale service and giving adequate information about the car are areas where dealers handling imported cars have an advantage.

Accordingly, it might be suggested that British car manufacturers should do very much more to improve the performance of their dealers in these areas if they want to restore their competitive edge.

5. Sources of information influencing brand choice

The main purpose of this part of the study is to explore part of the consumer decision process involved in choosing a specific car brand. That is, we wish to examine in some detail the "how" aspect of the car buying decision, after examining, to a certain extent, the "why" dimension. It is also hoped that by exploring this area we can assess to what extent different car producers and dealers, through their personal and impersonal sources of information, have influenced the potential car buyer's decision to choose their offerings. Finally, by exploring this area we can evaluate the level of importance of such sources for both buyers of British and foreign-produced cars.

Respondents were asked to indicate the relative importance of ten different sources of information, while the opportunity to add any other sources was also provided. The study findings revealed the relative importance of these sources as they appear in Table 7.28 in order of the mean value. The higher the mean, the more important the source was considered by respondents.

Table 7.28: The relative importance of source of information influencing brand choice

Level of importance Information Sources	Very important 5		4		3		2		Not important at all 1		Total		Mean Value
	No	%	No	%	No	%	No	%	No	%	No	%	
	1. Previous experience	215	52.3	78	19.0	46	11.2	19	4.6	53	12.9	411	
2. Friends and relatives	70	17.2	118	29.0	55	13.5	42	10.3	122	30.0	407	100	2.931
3. Consumer reports	47	11.6	68	16.7	77	19.0	56	13.8	158	38.9	406	100	2.483
4. Dealers or salesmen	27	6.7	35	8.6	101	24.9	87	21.5	155	38.3	405	100	2.240
5. Car magazines	27	6.6	40	9.8	96	23.4	61	14.9	186	45.4	410	100	2.173
6. Garagemen and mechanics	32	7.9	39	9.6	68	16.7	89	21.9	179	44.0	407	100	2.155
7. Press advertisements	16	3.9	49	12.1	88	21.7	68	16.7	185	45.6	406	100	2.121
8. Advertising brochures	16	4.0	43	10.6	88	21.7	74	18.3	184	45.4	405	100	2.084
9. Car shows	11	2.8	23	5.8	45	11.3	46	11.6	272	68.5	397	100	1.627
10. Service station men	3	0.7	9	2.2	38	9.4	87	21.5	268	66.2	405	100	1.499

The findings of Table 7.28 above illustrate the following:

(a) Previous experience is the prime source of information about the car purchased, where 71.3 percent of respondents considered this source to be essential or important. In this regard it should be pointed out that both positive and negative reinforcement regarding previous purchase will increase the buyer's experience and cause him to rely more on his own judgement and less on other sources of information.

Recommendations by friends and relatives were also considered to be an important source of information about the car purchased, where a relatively large number of respondents (46.2%) reported that this source encouraged them to buy the sort of car they own. One can interpret such result in terms of friends or relatives acting as a substitute for the consumer's own experience in the particular product, and hence lowering his perceived risk. This result also indicates the importance and effectiveness of word-of-mouth communication in affecting the brand choice decision.

(2) Apart from previous experience and recommendations by friends and relatives, consumer reports, recommendations of dealers or salesmen, car magazines, recommendations of garagemen or mechanics, press advertisements, and advertising brochures, might be expected to have some impact and influence the choice of car. However, it is somewhat surprising to see how promotional activities carried out by car producers, dealers or garagemen have little effect in this regard and are seen as of negligible importance.

5.1. The relative importance of sources of information among British and foreign car buyers

The purpose here is to see whether a difference exists between buyers of domestic and foreign cars in their information-seeking behaviour, and the effect this difference might have on the development of an appropriate competitive marketing strategy.

Table 7.29 show the results of this attempt.

Table 7.29: The relative importance of some source of information as expressed by a sample of British and foreign car buyers

Level of importance Information Sources	Very important 5		4		3		2		Not important at all 1		Total		Rank
	No	%	No	%	No	%	No	%	No	%	No	%	
	Previous experience	108	47.6	51	27.5	23	10.1	15	6.6	30	13.2	227	
F	107	58.1	27	14.7	23	12.5	4	2.2	23	12.5	184	100	1
B	36	16.1	56	25.0	39	17.4	27	12.1	66	29.5	224	100	2
F	34	18.6	62	33.9	16	8.7	15	8.2	56	30.6	183	100	2
B	12	5.4	28	12.5	45	20.1	42	18.7	97	43.3	224	100	3
F	35	19.2	40	22.0	32	17.6	14	7.7	61	33.5	182	100	3
B	16	7.1	23	10.3	58	25.9	34	15.2	93	41.5	224	100	4
F	11	6.1	12	6.6	43	23.8	53	29.3	62	34.3	181	100	8
B	12	5.3	27	12.0	42	18.7	46	20.4	98	43.6	225	100	5
F	20	11.0	12	6.6	26	14.3	43	23.6	81	44.5	182	100	5
B	9	4.0	27	12.0	41	18.2	35	15.6	113	50.2	225	100	6
F	7	3.9	22	12.2	47	26.0	33	18.2	72	39.8	181	100	6
B	7	3.1	28	12.5	42	18.7	39	17.4	108	48.2	224	100	7
F	9	5.0	15	8.3	46	25.4	35	19.3	76	42.0	181	100	7
B	14	6.2	19	8.4	48	21.1	30	13.2	116	51.1	227	100	8
F	13	7.1	21	11.5	48	26.2	31	16.9	70	38.3	183	100	4
B	6	2.8	13	6.0	25	11.6	27	12.5	145	67.1	216	100	9
F	5	2.8	10	5.5	20	11.0	19	10.5	127	70.2	181	100	9
B	3	1.3	7	3.1	22	9.8	47	21.0	145	64.7	224	100	10
F	0	0	2	1.1	16	8.8	40	22.1	123	68.0	181	100	10

The findings in Table 7.29 indicate that there is a high level of agreement between the views expressed by both British and foreign car buyers concerning the relative importance of information sources and the overall pattern expressed by the whole sample as it appeared in Table 7.28. However, there are two points worthy of particular comment here:

(1) Although consumer reports occupied third place as an important source of information about cars purchased in both groups, yet the relative importance of this source seems to be much higher among buyers of foreign-produced cars than those owning British-produced cars (41.2 percent very important or important in the first group, compared to only 17.9 percent in the second group). This reflects the relative unfamiliarity of the first group (i.e. owners of foreign cars) with imported cars, the thing that led them to pay more attention to what they think is a neutral and reliable source of information (i.e. consumer reports).

(2) Of the information sources, car magazines appeared to be a significant source of information for foreign car buyers, contrary to the views expressed by buyers of British-built cars. The reverse is true with regard to the role of dealers and salesmen, where this source appeared to be of greater relative importance to British car buyers than buyers of foreign-built cars.

One possible explanation of this finding might be that, foreign car manufacturers, because of their relative lack of the number of points of purchase and the fact that they are generally new to the market, they tend to undertake considerably more press advertising, especially in T.V. and car magazines, than domestic manufacturers. This stress on press advertising will naturally lead to more exposure by potential car buyer and accordingly give greater importance to this source of information. In other words, sellers of foreign cars might deliberately undertake intensive press advertising in order to compensate for their relative weakness in regard to points of purchase.

However, in this case the significance of such result may stem from the influence of two distinct sets of circumstances. On the one hand, if foreign car manufacturers use car magazines for advertising to a greater extent than British ones and potential purchasers of new cars refer to advertisements when making a choice, the result is likely to be affected by the media used by the two groups of manufacturers. If this is the case, the result does not indicate a change in the media usage patterns.

On the other hand, it is possible that car magazines are for certain segments of car purchasers the principal source of the information they seek. If these segments elect to buy foreign cars, it may be that they are seldom, if ever, exposed to counter appeals by British car makers. Should this be the case, the neglect of car magazines in the advertising strategy employed by British car manufacturers seems to be a costly policy to pursue. The validity of the above interpretations could be tested by a research study on information seeking behaviour among car buyers. The results already obtained indicate that research along these lines would be useful.

To sum up, knowledge of customers' information-seeking behaviour is essential for British car producers as a means of providing them with an understanding of buyer behaviour and helping them to plan marketing communications and retail distribution strategies. So, it may be suggested that an adequate number of effective promotional programmes should be undertaken by them and their dealers to create a favourable image and the desire to buy their cars.

6. Promotional activities and performance in the car market

Competition in the car market is already severe. Slow growth in demand coupled with over-capacity and extensive product choices make promotional activities a crucial weapon in the battle for market share. This involves persuading the customer that a particular make of car can meet his or her requirements and that the image of the car manufacturer is right.

Accordingly, the purpose of this sub-chapter is to examine the use of promotion, especially advertising, as a major element in the marketing mix employed by car makers.

To that end, an attempt will be made first to examine the degree to which respondents have been exposed to car manufacturers' advertisements and to identify what car makes and models have been seen advertised. Then, the different advertising media used by major car producers in the British market and the relative importance of the media used from the British and foreign cars buyer's point of view will be investigated.

6.1 Exposure to advertising

Respondents were asked to indicate whether or not they had been exposed to any advertising about cars before buying their current cars. The answers to this question indicate that 66.3 percent of respondents had seen or heard advertisements about cars before making the decision to buy the one they owned, a finding which demonstrates that advertising as a source of information might have played a role in influencing the respondent's decision to buy their chosen car brand.

6.2 Car makes and models seen advertised

As a second step, and in order to assess the efforts made by different car makers in this area, respondents were asked to write down what car makes and models they had seen or heard advertised. Table 7.30 lists these makes and models in order of frequency of mention.

From Table 7.30, it can be seen that:

- a) All major car producers advertise their models, but to significantly different extents.
- b) British car producers, except Talbot, seem to be the most active in this area, as they occupied the first ten places according to the frequency of mention. However, one must be careful not to take these findings as sufficient indication of the effectiveness

Table 7.30: Car makes and models seen advertised

Serial	Make	Model	No*	Percentage %
1	Ford	Escort	201	73.6
2	Ford	Fiesta	193	70.8
3	Ford	Sierra	166	60.8
4	Austin	Maestro	166	60.8
5	Austin	Metro	165	60.4
6	Vauxhall	Cavalier	164	60.1
7	Vauxhall	Nova	159	58.2
8	Austin	Montego	128	46.9
9	Vauxhall	Astra	127	46.5
10	Ford	Cortina	126	46.2
11	Volkswagen	Various	120	44
12	Renault	Various	108	39.6
13	Volvo	Various	102	37.4
14	Austin	Rover	100	36.6
15	Peugeot	Various	99	36.3
16	Nissan	Various	98	35.9
17	Fiat	Various	97	35.5
18	Jaguar	Various	95	34.8
19	BMW	Various	86	31.5
20	Mazda	Various	84	30.8
21	Toyota	Various	82	30
22	Honda	Various	81	29.7
23	Saab	Various	80	29.3
24	Citroen	Various	79	28.9
25	Mercedes	Various	77	28.2
26	Alfa Romeo	Various	76	27.8
27	Mitsubishi	Colt	70	25.6
28	Lada	Various	17	6.2

* Number of total valid responses = 273 (100%)

N.B. Responses in this table total more than 100% due to the respondent's mentioning more than one model.

of advertising activities carried out by British car producers compared to foreign ones. For example, if we were to take into consideration the advertising-sales ratio, which is a measure of the amount of advertising expenditure per car sold, a different conclusion might emerge. In this regard, a recent study by Johnson⁽²⁾ revealed that importers are already spending a higher percentage of total motor car advertising than the percentage represented by their market share. In 1980, for instance, advertising expenditure per car sold reached £73.2 for foreign car producers, while it accounted for only £37.9 for their British counterparts. Also, the more recent data published in MEAL, August 1986 about advertising expenditure in the car industry, shows that in the first half of 1986, foreign car producers spent almost 61 percent of total advertising expenditure in that period compared to only 39 percent for British counterparts.

Also it should be stressed that promotional activities carried out by major car producers in the British market are not limited to advertising; other methods of sales promotion such as price cutting or discounts and incentives to dealers are widely used. In this regard, it is reported that a record of 1.8 million cars sold in Britain in 1985 was achieved against a background of fierce price competition and the provision of incentives to dealers.

To sum up, although British car producers, except Talbot, seem to be more active in conducting advertising and sales promotion activities it was somewhat difficult to obtain much evidence concerning whether these activities have succeeded in getting potential buyers into showrooms where sales are made.

6.3 Advertising media used

This part of investigation attempts to examine the methods of advertising used by various car manufacturers and to explore media

exposure habits. Five advertising media were suggested in the questionnaire to respondents who were also given an opportunity to add any other alternatives that apply.

Table 7.31 shows the ranking of various advertising media in order of frequency of mention.

Table 7.31: Advertising media used by car manufacturers

Advertising medium	No*	Percentage % (1)	Ranking
- Newspapers	228	83.5	1
- T.V.	220	80.6	2
- Car magazines	162	59.3	3
- Bill boards	89	32.6	4
- Direct mail	41	15.0	5
- Radio	12	4.4	6
- Car shows	7	2.6	7
- Colour Supplements	5	1.8	8

* Number of total valid response = 273 (100%)

(1) Total response of this table is more than 100% due to the respondent's choice of more than one medium.

The findings in Table 7.31 illustrate that car advertisements in newspapers are the ones frequently seen or read by respondents. T.V. advertisements are also ranked highly by a great majority of respondents exposed to advertising generally. In fact, an interesting development with regard to marketing cars is the increased use of television by car manufacturers as an advertising medium, which is reflected in the growing proportion of budgets that is spent on this medium.

Table 7.31 also indicates that car magazines, bill boards and direct mail, taken together, may have contributed to shaping the respondent's image of the type of car advertised. On the other hand, other advertising media such as radio, car shows, and colour supplements were considered of less importance in this respect.

6.3.1 Advertising media as perceived by British and foreign car buyers

In looking for any possible advertising gaps left uncovered by U.K. car producers that might be exploited by foreign competitors to strengthen their market position, further analysis is needed to gauge the relative stress on various advertising media used by both groups in order to determine whether any difference noted could help to provide some clues towards explaining reasons for the performance gap between them. In this regard, Table 7.32 presents the ratings assigned to different advertising media by both British and foreign car buyers, according to the frequency of mention.

Table 7.32: Ratings of advertising media: British versus foreign car buyers

Advertising Media	British car buyers			Foreign car buyers		
	No	%	Rank	No	%	Rank
- Newspapers	149	88.7	1	79	75.2	2
- T.V.	124	73.8	2	96	91.4	1
- Car magazines	91	54.2	3	71	67.6	3
- Bill boards	46	27.4	4	43	40.0	4
- Direct mail	18	10.7	5	23	21.9	5
- Radio	9	5.4	6	3	2.9	6
- Car shows	4	2.4	7	3	2.9	6
- Colour supplements	2	1.2	8	3	2.9	6

- (1) Number of total valid response = 168 (100%) for British car buyers, and 105 = (100%) for foreign car buyers.
- (2) Total percentage of responses exceeds 100 due to respondent's choice of more than one modium.

Perhaps the most interesting feature of Table 7.32 is that while newspapers appeared to be the advertising media most frequently mentioned by buyers of British-produced cars, television was ranked first by buyers of imported cars. The high percentage of television advertising exposure is also an interesting result. Johnson's study⁽³⁾ presented evidence to support the view that foreign manufacturers took the lead very effectively in the use of television for promotional purposes. Published data by MEAL in August 1986, shows that foreign car producers are spending more on television advertising both in absolute and relative terms compared to British producers (£25,328,000 compared to £16,219,000).

The significance of this result could be interpreted in the same way as the significance of car magazines as a source of information was interpreted earlier. In other words, this result may either simply indicate the media usage pattern of foreign and domestic car makers or show that television is the form of advertising most studied by as well as the main source of information for this segment of the market (i.e. foreign car buyers). If the latter possibility is true, it means that the neglect of television advertising by British car makers could be cited as a reason behind the relatively poor image of their products. However, the more recent published data show that British manufacturers are using television more and more, so that the percentage of total television expenditure was approximately the same as the percentage of the market.

Drawing upon the findings in this part of the study it might be said that the competitive nature of the car industry requires a great amount of marketing effort to enable the industry to overcome its present troubles. Part of this effort should be based on awareness of the actions taken by foreign competitors with regard not only to product features, but also to the way they try to create a favourable image or to shape the public's taste through their promotional efforts.

7. Brand loyalty and competitive performance

Perhaps the most significant test of competitive performance and customer satisfaction is loyalty, i.e. the willingness of the buyer to purchase the same car again. In the car business, brand loyalty is an elusive quality. It begins with the customer's preference for a certain car make or model on the basis of objective reasons, but when a branded product like the car has been around for a long time and is heavily advertised, it can attract emotional support: it can become a part of a person's self image. In other words, brand loyalty reflects the degree of customer satisfaction with the product's features as well as the effectiveness of the marketing efforts directed towards the market place.

In this sub-chapter, an attempt is made to examine the level of brand loyalty among our respondents. As a first step, respondents were asked whether they would buy the same make or model again? If the answer was no, they were asked to give their reasons, after which they were asked to state what car make or model they would be most likely to buy.

Finally, and in order to gain more understanding about brand switching, each respondent whose car was a replacement for another make was asked to identify the type of car previously purchased.

7.1 Intention to buy the same brand again

As mentioned above, respondents were asked to indicate whether they would buy the same make again. The responses are shown in Table 7.33.

Table 7.33: Intention to buy the same make again

Category label	N	%
Yes	227	55.8
No	110	27.0
D/Know	<u>70</u>	<u>17.1</u>
Total	407	100.0

From the table above it can be seen that a small majority, 55.8 percent, intend to buy the same car make again, which reflects satisfaction with the car in use. However, a considerable number of car owners are either not satisfied with their current cars and intend not to buy a similar one again, or are not sure about their satisfaction with their recent cars, and accordingly they do not know whether or not they will buy the same make again. Of Course the last segment of car owners may not have had the car long enough to enable a decision to be made or they are not sure whether they chose the right car or not. In other words, the last group of car owners might be regarded as "dissonant consumers", a notion that reflects the psychological discomfort, or the doubt that a person faces concerning whether he made the correct choice.

However, in order to identify which car brands have greater customer loyalty, the sample was divided into two sub-samples representing British and foreign car owners. In this regard, Table 7.34 provides some interesting results.

From the data presented in Table 7.34 several comments can be drawn as follows:

- (1) Generally speaking, the percentage of owners willing to buy the same make again is much higher in the import group sample than in the British one (66.7 percent versus 46.9 percent), which reflects a higher degree of satisfaction among foreign car buyers compared to those holding British-built cars.
- (2) The degree of brand loyalty varies among the owners of different makes, whether British or foreign. For example, while a simple majority of Ford car owners seem to be loyal to their car brands, and thus are willing to buy it again, a relatively small number of BL and Talbot car owners expressed the same intention concerning the type of cars they owned. On the other hand, among the foreign make categories, the owners of Japanese produced cars seem to be the group most loyal to the type of make they use

Table 7.34: Brand loyalty among British and foreign car buyers

Intention to by Car maker	Yes		No		D/Know		Total	
	No	%	No	%	No	%	No	%
A. <u>British makes</u>								
1. BL	31	43.1	27	37.5	14	19.4	72	100
2. Ford	47	53.4	26	29.5	15	17.0	88	100
3. Vauxhall	19	45.2	14	33.3	9	21.4	42	100
4. Talbot	8	36.4	7	31.8	7	31.8	22	100
Total British	105	46.9	74	33.0	45	20.1	224	
B. <u>Foreign makes</u>								
1. Japanese	37	78.7	7	14.9	3	6.4	47	100
2. German	35	77.8	6	13.3	4	8.9	45	100
3. French	29	69.0	3	7.1	10	23.8	42	100
4. Italian	9	42.9	9	42.9	3	14.3	21	100
5. Swedish	9	75.0	0	0	3	25.0	12	100
6. Others	3	18.8	11	68.8	2	12.5	16	100
Total Foreign	122	66.7	36	19.7	25	13.7	183	

(78.7 percent), followed by the owners of German, Swedish and French car makes respectively. At the same time, the owners of Italian and other foreign makes, mainly Russian, seem generally to be less satisfied with the make of cars they use, and accordingly a considerable percentage of them are not willing to buy the same makes again. This comparison, once again, reveals formidable competitive advantage possessed by the Japanese.

(3) Data in Table 7.34 also indicates that product quality and reliability constitute a major factor in the decision to buy again, and that it is because of this factor that foreign car owners to a much greater extent than British car owners are likely to buy the same make again.

7.2 Reasons for not buying the same make

In order to shed more light on the main areas of customers' dissatisfaction with the types of cars they own, respondents who reported that they were not going to buy the same make again were asked to give the reasons underlying this decision. It was hoped that by exploring this area, an indirect answer might be given to the main question in the study which is: Why are British car manufacturers lagging behind?

In this regard, data in Table 7.35 reveals the major reasons for not buying the same make again as indicated by buyers in both groups (i.e. British and foreign) according to their frequency of mention.

It is clear from the table that the two major reasons discouraging customers in both groups from buying the same make again are wanting a type of car not produced by the manufacturer of the present car and dissatisfaction with car reliability. However, it is worth mentioning that these two reasons have been more frequently mentioned in the British car owners group than in the foreign one. This finding indicates to a certain extent that the product range of the majority of car producers, especially the British, does not provide adequate market coverage. The table also shows that the standard of car reliability and performance is a major reason behind brand switching and is an area where the degree of dissatisfaction seems to be higher among British car owners group than among foreign ones.

It is also clear from the findings of Table 7.35 that poor after-sale service, difficulty in getting spares, high running costs and high costs of maintenance and repair are other factors making owners of British-produced cars reluctant to buy the same make again, while high costs of maintenance and repair, difficulty in getting spares and high running costs respectively are other factors affecting the willingness of foreign car owners sub-group to buy the type of car they own again.

Table 7.35: Reasons for not buying the same make again

Reasons	British car buyers			Foreign car buyers		
	(1) No	%(2)	Rank	No	%	Rank
- wanting a type of car not produced by the manufacturer of the present car	55	74.3	1	16	44.4	1
- difficulty in getting spares	14	18.9	4	9	25.0	4
- less value for money	9	12.2	7	6	16.7	6
- dissatisfaction with its reliability	29	39.1	2	11	30.5	2
- high running costs	12	16.2	5	8	22.2	5
- high costs of maintenance and repair	12	16.2	5	10	27.8	3
- poor after-sale service	16	21.6	3	4	11.1	7
- high insurance rating	4	5.4	9	6	16.7	6
- no longer available	11	14.9	6	4	11.1	7
- rust problems	5	6.8	8	0	0	0
- liking change	3	4.1	10	2	5.6	8
- needing special requirements	2	2.7	11	0	0	0

(1) Number of total valid responses = 74 (100%) for British car buyers and 36 = (100%) for foreign car buyers.

(2) Responses in this table total more than 100% due to the respondent's choice of more than one reason.

This result seems to be consistent with the results previously obtained concerning the performance of both groups along these dimensions.

The last group of reasons, including less value for money, high insurance rating, non-availability, rust problems, liking change and needing special requirements seem to have some impact on the degree of satisfaction with the type of car owned and the willingness to buy the same type again, but these reasons seem to occur less frequently and with only marginal difference in ranking between the two groups of buyers.

7.3 Choice of replacement car by dissatisfied customers

To complete our investigation concerning those not wanting to buy the same make again, we asked them about the direction of their next purchase i.e. what one make or model of car they would be most likely to buy as a result of their dissatisfaction with their current cars. The results are recorded in Table 7.36 below.

For the data in Table 7.36 it appears that the majority of customers dissatisfied with their current cars will buy foreign makes. However, it is worth mentioning that it is not necessarily always the case that an owner of a British-built car will buy a foreign one or vice versa. For example, there are indications that some car owners will change from Ford to Vauxhall cars or vice versa. The same is true for owners of foreign-built cars.

It is also clear from the data in Table 7.36 that while Ford will account for the majority of car owners shifting to the use of British-built cars, both German and Japanese producers represent a real threat in this area.

7.4 The type of car previously owned

Finally, in order to make a longitudinal assessment of brand switching and loyalty, respondents were asked whether the car they owned was their first car or a replacement one. The answers of 370 (89.8 percent) respondents reporting that their cars were replacement ones are shown in Table 7.37 below according to the type of car previously owned.

As can be seen, the dominant country of manufacture was Britain, which clearly indicates the market share of British car producers, mainly B1, fell as a result of the foreign competition which offered a better product.

Table 7.36: Intention to buy among dissatisfied customers

Make	No (1)	%
1. BL	14	8.7
2. Ford	42	26.1
3. Vauxhall	15	9.3
4. Talbot	<u>3</u>	<u>1.9</u>
<u>Total British</u>	74	46.1
	—	—
1. Japanese	24	14.9
2. German	49	30.4
3. French	7	4.3
4. Italian	1	0.6
5. Swedish	<u>6</u>	<u>3.7</u>
<u>Total Foreign</u>	87	53.9
	—	—

(1) Responses total more than 110 as some of respondents in the third category (D/Know) responded to the question.

Table 7.37: Previous car ownership

Manufacturer of previous car	No	%
- BL	103	27.8
- Ford	86	23.2
- Vauxhall	43	11.6
- Talbot/Chrysler	<u>6</u>	<u>1.6</u>
Total British	238	64.2
- Japanese	<u>36</u>	<u>9.7</u>
- German	33	8.9
- French	31	8.4
- Italian	17	4.6
- Swedish	10	2.7
- Others	<u>5</u>	<u>1.4</u>
Total Foreign	132	35.7
Grand Total	370	100

From the overall analysis of brand loyalty, one can conclude that the reputation for poor reliability that British cars have developed over the years is still affecting their attractiveness to and acceptance by customers. At any rate, British cars enjoy much less customer loyalty than foreign cars, especially Japanese and German cars.

Accordingly, it might be suggested that in order to increase customer satisfaction, and consequently loyalty, British car producers must not only improve the quality and reliability of their cars, but also create the right image by communicating the positive aspects of their products as well as dispelling any negative feelings the customer might have about them or their products.

8. Consumers' perceptions of British versus foreign built cars

The question of how British and foreign cars are perceived by customers is now examined. The importance of consumer perceptions and attitudes towards products in determining purchasing behaviour is well established. Products, such as cars, which move across national and international boundaries are subject to such influences. Some people argue that the Japanese and European advantage in respect of product quality and reliability is not "real" in an objective sense but is only a perceived advantage. This kind of argument is extended by claiming that through advertising and persuasive publicity, foreign car producers have created an image of quality and reliability that colours consumer perception.

Accordingly, the purpose of this part of the investigation is to identify consumers' current perceptions of British versus imported cars and to obtain an aggregate score indicating the degree of "favourableness" extended towards each group. Thereafter, the results will be compared with earlier conclusions concerning the relative performance of British and foreign cars producers along the different competitive dimensions.

To this end, respondents were asked to evaluate British versus foreign-built cars along the following eleven bipolar dimensions: reliability, economy, safety, comfort, quality, price, technological level, model range, modernity, value for money, and uniqueness, using a seven-point semantic differential scale for each dimension. The favourable end of each scale was assigned the high score end (5,6,7) and the unfavourable end was assigned the low score end (1,2,3). In order to maintain high comparative value for this part of the study, and to limit any possible bias, the order of presentation of the eleven dimensions was random and all concepts were presented simultaneously.

A profile was obtained by calculating individual and group mean scores. The frequency of mention obtained for each dimension is shown in Table 7.38 along with the mean ratings and the aggregate mean regarding all dimensions. The higher the mean, the more favourable foreign cars are considered compared to British-built ones.

From the findings in Table 7.38 several observations may be made as follows:

- (1) Respondents' general attitudes and perceptions seem to be more favourable towards foreign produced cars than British ones. With the exception of the product uniqueness dimension, imported cars seem to achieve relatively higher mean ratings along all dimensions of comparison.
- (2) Based upon the findings of the above table, it can be noted in particular that foreign cars are viewed as being more reliable, more technically advanced and of higher quality. This might be related to the high perception of the engineering and marketing capabilities of foreign producers, particularly the German and Japanese.
- (3) Although consumers' attitudes towards products' value for money and price were not as favourable as the above mentioned dimensions, these variables may account for some of the success achieved by foreign competitors in the British market.
- (4) With regard to the remaining six dimensions, it could be said generally that British cars are viewed with equal or slightly less favour than foreign-produced cars.
- (5) From a direct comparison of these findings with the earlier results, especially those that relate to product quality and reliability and brand loyalty, one might argue that in the marketplace, perception is consistent with reality, and, again, that competitive advantage accrues to those whose products are perceived by buyers to be of high quality.

To sum up, foreign cars are more favourably perceived by British Customers and this influences their purchasing behaviour towards

preferring this type of car. Accordingly, it is suggested that if U.K. car producers are to stem the tide of rising imports and compete more effectively both at home and abroad, the first thing they should know is how consumers perceive their products in relation to those offered by competitors, and how these perceptions might be changed if manufacturers are in a position to react with an effective marketing programme. Needless to say, the success of such marketing efforts will rely, partly, upon a combined communication campaign oriented towards the improvement of the industry image.

9. Customers' attitudes towards the marketing activities of British Car manufacturers

In this sub chapter, the attitudes towards the marketing activities adopted and pursued by major British car producers were investigated. The questions used for data collection relating to this issue included eleven statements on a likert-type scale, each statement being set along five-point scale, ranging from "strongly agree" to "strongly disagree". The statements were concerned with general marketing orientation, pricing policy, product quality and reliability, distribution and advertising efforts, quality of after-sale service and delivery, and the view towards the overall performance of British-produced cars. The findings related to the agreement and/or disagreement with these statements are presented in Table 7.39. From these findings, the following points emerge:

- (1) Approximately 40 percent of the sample expressed agreement that in general, British car manufacturers make an effort to design cars that fit the needs of their customers, against 22.5 percent who expressed their disagreement with this statement, while 37.8 percent of respondents indicated uncertainty. The statement deals with the central idea of the marketing concept, and the relatively positive response reflects some awareness and recognition of the manufacturers' efforts to serve customers. However, it is also felt that

Table 7.39: Consumers' attitudes towards the marketing activities of British car producers

Statement	Strongly agree		Agree		Uncertain		Disagree		Strongly disagree		Total	
	No	%	No	%	No	%	No	%	No	%	No	%
1. In general, British car manufacturers make an effort to design cars that fit the needs of their customers.	40	9.8	123	30.0	155	37.8	68	16.6	24	5.9	410	100
2. In general, British cars available at reasonable prices.	21	5.1	108	26.4	140	34.2	91	22.2	49	12.0	409	100
3. Over the past several years, the quality of most British produced cars has not improved.	40	9.8	100	24.4	113	27.6	109	26.7	47	11.5	409	100
4. British cars are now more reliable than ever.	41	10.0	123	30.1	149	36.4	72	17.6	24	5.9	409	100
5. From my point of view, style changes are not as important as improvement in product quality.	165	40.2	145	35.4	65	15.9	19	4.6	16	3.9	410	100
6. For most car makes and models, differences are insignificant and unimportant to buyers.	41	10.0	68	16.6	115	28.0	107	26.1	79	19.3	410	100
7. British car producers are more interested in making profits than serving customers.	81	19.8	108	26.3	141	34.4	67	16.3	13	3.2	410	100
8. Generally speaking, British cars are easily available at convenient places.	89	21.6	178	43.4	102	24.9	30	7.3	11	2.7	410	100
9. British car producers' advertisements are reliable sources of information about the quality and performance of their cars.	23	5.6	85	20.7	173	42.2	96	23.4	33	8.0	410	100
10. In general, the after-sale service and delivery provided by British producers and dealers is getting better.	31	7.5	121	29.6	175	42.8	60	14.7	22	5.4	409	100
11. British cars, in general operate more efficiently than those of foreign producers.	13	3.2	35	8.6	177	43.7	108	26.7	72	17.8	405	100

these efforts are not sufficient to meet the needs and expectations of their customers.

- (2) Only 31.5 percent of respondents agreed that British cars in general are available at reasonable prices, while 34.2 percent indicated their disagreement with the statement, and almost the same percentage (34.2) were uncertain. This reflects the general feeling that the prices of British-produced cars are comparatively higher than the prices of imported ones.
- (3) Of all respondents, 38.2 percent indicated their disagreement with the statement that, "over the past several years, the quality of most British-produced cars has not improved", while 24.2 percent agreed with the statement. Also, consistent with this view, over 40 percent of customers expressed their agreement that "British cars are now more reliable than ever", against 23.5 percent who reported their disagreement with the statement, while 36.4 percent indicated uncertainty. This means that the efforts made by British car producers to improve the quality and reliability of their cars are appreciated by an increasing number of customers.
- (4) The majority of respondents (75.6 percent) indicated that they would prefer less emphasis on style change and more effort concentrated on improvement of product quality. This may be a reliable statement of public preference, and therefore suggests the need for a re-evaluation of the product policies pursued by British car producers. At the same time, 45.4 percent of respondents believed that "for most car makes and models, differences are significant and important to buyers", against 26.6 percent who believe that these differences among competing brands are insignificant and unimportant. This indicates that consumers seem to place a relatively high value on product variety and freedom of choice in the marketplace, and this provides clues to the importance of product differentiation and market segmentation strategies.
- (5) A relatively large number of respondents (46.1 percent) thought that most British car producers are more interested in

making profit than in serving their customers, compared to only 19.5 percent who disagreed with this statement, while 34.4 percent were uncertain. This view suggests that British car manufacturers seem to be less marketing-oriented or that their practices may be regarded as inconsistent with the marketing concept where profits should be regarded as a long run goal to be achieved through the satisfaction of customers' needs and wants.

- (6) Almost 65 percent of respondents agreed that British-produced cars are easily available at convenient places, a view that reflects the extent of attention given by British car producers to establishing a convenient distribution network as well as their appreciation of the relative importance of distribution channels as a major element in their marketing package. This finding also gives support to our earlier conclusion that accessibility is an area where British producers seem to have a clear advantage compared to their foreign counterparts.
- (7) In contrast to the views expressed about the convenience aspect of distribution channels, only 26 percent of respondents agreed that the advertisements used by British car producers are reliable sources of information about the quality and performance of their cars, against 31.4 percent who disagreed with this statement, while 42.2 percent of respondents indicated that they were uncertain about the honesty of advertising undertaken by British car producers. This view also indicates that apparently many consumers believe that the messages of advertised products are exaggerated to a considerable degree.
- (8) The data in Table 7.39 also shows that 37.1 percent of respondents expressed agreement that in general, the quality of after-sale service and delivery provided by British car producers and dealers is getting better, against 20.1 percent who expressed their disagreement with such statements, while 42.8 percent indicated uncertainty. It is interesting to note

that this view seems to be consistent with the findings reached earlier about these two dimensions where it is proved that there is slight improvement in the performance of British car producers and dealers in this respect.

- (9) With regard to the respondents' evaluation of the overall performance of British-built cars compared to foreign-built ones, only 11.8 percent of respondents agreed that "British cars, in general, operate more efficiently than those of foreign producers", while almost 44.5 percent expressed disagreement with this statement and 43.7 percent indicated uncertainty. This finding also agreed quite well with the results produced earlier about the relative performance of British produced cars compared to foreign ones along most of the competitive dimensions examined.
- (10) Finally, it is a matter of some interest to note the high proportion of "uncertain" responses in relation to several of the statements in Table 7.39. These uncertain responses were difficult to interpret because they may be accounted for in a number of ways, such as: a) respondents did not understand the statement, b) they understood it but refused to state their views, or c) they did not possess enough knowledge about the subject to have an opinion.

To sum up: although some respondents have recognised and value highly particular aspects of the marketing activities adopted and pursued by British car producers, such as placing their products in convenient places, yet many of them registered considerable discontent about certain marketing activities. The most obvious examples are the lack of confidence in advertising and the perception that British car producers are more interested in making profits than serving their customers. This level of discontent expressed by respondents must be seen in the light of the general level of dissatisfaction that seems to prevail against British car producers.

These findings also suggest that British car manufacturers must re-examine and modify their marketing policies and practices to improve the products and services offered to their customers.

9.1 Consumers' attitudes towards the marketing activities of British car producers by demographic characteristics

While the previous analysis gives some indication of the general attitudes and perceptions of respondents towards the marketing efforts carried out by British car manufacturers, it was considered a useful exercise to see whether there are any identifiable consumer segments that have more positive or negative perceptions and attitudes than others. Such information could be used to devise specific marketing programmes for such segments and this in turn could be of help in closing the marketing gaps in the strategies applied by British producer and of course preventing further inroads by imported products.

In this respect, the results of cross-tabulation analysis showed that most of the attitudes expressed by respondents were statistically independent of characteristic variables. Classification of the answers according to sex, marital status, and income yielded few significant differences. Since respondents' opinions were in such close agreement across classification levels, the results are not presented. The demographic variable which had the greatest impact, however, was that of age. With regard to seven of the eleven attitudinal statements, age manifested definite associations with opinions expressed on such statements. Such associations can be described briefly as follows:

- a. A comparison of attitudes towards different efforts made by British manufacturers to design cars that meet the needs of their customers, revealed that members of the 36-45 age group tend to have negative attitudes, as opposed to the younger respondents (under 25) who expressed more positive attitudes toward such statement (53.9 percent strongly agreeing or agreeing).

- b. A relatively greater proportion of the oldest respondent group (54.2 percent), stated that over the past several years, the quality of most British produced cars has not improved, while only 25.5 percent of the younger respondents (25 and under) expressed the same opinion. Consistent with the former attitude, the oldest age group was less inclined than other age groups to believe that British cars are now more reliable than ever.
- c. A significantly greater proportion of the middle age groups (36-45 and 46-55) stated that style changes are not as important as improvement in product quality (83.4 percent in both categories), compared to only 49.8 percent who shared that view in the 26-35 age group. Here again, we find a difference in attitude that could have wider implications in regard to product differentiation and market segmentation policies.
- d. Over 65 percent of the younger respondents disagreed with the statement that for most car makes and models differences are insignificant and unimportant to buyers, while only 16.7 percent of respondents belonging to the 56-65 age group expressed the same opinion.
- e. In general, younger respondents (25 and under, 26-35) were less confident that advertising presents a true picture of the quality and performance of British cars (40.1 and 41.9 percent respectively strongly disagreeing or disagreeing), while almost 50 percent in the 56-65 age group indicated uncertainty about the honesty of advertising concerning British produced cars.
- f. Finally, with regard to the statement about the quality of after-sale service and delivery provided by British car producers, a comparison between the attitudes expressed by different age groups revealed that the 46-55 and 56-65 age groups have more positive attitudes toward such statement compared to the remaining age groups, all of whom expressed less positive attitudes toward the same issue.

To sum up, with reference to most statements, respondents' opinions concerning the marketing activities carried out by British car producers appear to manifest a surprising level of agreement. Classification variables such as sex, marital status and income revealed few significant differences among the categories within each variable, while age appeared to be the only variable that produced significant differences in the responses provided. With the exception of attitudes toward advertising, the younger age group appeared to have positive attitudes toward the marketing activities carried out by British car manufacturers, compared to other age groups who seem to be more critical of such activities.

10. What should be done to improve and maintain the competitive position of British car industry

Finally, respondents were asked to submit comments and suggestions concerning what they believed would help to improve the competitiveness of the British car industry. For the purpose of analysis, the answers to this question are presented in two stages.

The first stage deals with the reasons given by respondents for the declining market position of British car producers, while the second stage discusses their proposals for tackling the causes of this decline.

10.1 Reasons why U.K. car manufacturers have lost their competitive edge

Table 7.40 below lists respondents' views concerning the reasons underlying the steady decline in the competitive position of British car producers according to frequency of mention.

Table 7.40 suggests that deficiencies in non-price factors were the main reasons for the lack of competitiveness of British car producers. From this table it is quite clear that the majority of customers (84.2 percent) who responded to this question stated that poor reliability was the most important reason for the decline in British car manufacturers' market share. Typical of the comments on this point were:

"I have had the misfortune to own in the past ten years three British cars. After the first disaster, I was persuaded to buy British again. My second experience was not so traumatic, nevertheless the car performance and reliability was poor. After the third disaster, I promised myself that I would never again buy British!!"

"My experience is of a Mini which went wrong in a major way every month. I haven't bought British since".

Table 7.40: Reasons why U.K. manufacturers have lost their market position

Reasons	No *	% **
1. Poor overall reliability	123	84.2
2. Charging higher prices	87	53.0
3. Inferior product quality and "workmanship"	71	48.6
4. Inadequate after-sale service	69	47.3
5. Inefficient dealership network	56	38.3
6. Difficulty in getting spares	34	23.3
7. Lack of government support	31	21.2
8. Lack of investment	26	17.8
9. Reluctant to adapt products to meet customer needs	7	4.8
10. Aggressive marketing by competitors	4	2.7
11. Poor image	3	2.1
12. Other reasons	9	6.2

(*) Only 146 respondents gave an answer to the question.

(**) Total percentage exceeds 100 because several respondents gave more than one reason.

"I never owned or ran a British car! In my experience, foreign make cars are more reliable than any British cars".

"British cars are generally well designed, both in terms of body styling and engineering in comparison with foreign cars. What lets them down, however, is poor workmanship and reliability".

A further 53 percent of the replies to that question stated that the higher prices of U.K. produced cars constituted a major reason for the poor performance of the U.K. car producers. There is a wide belief among customers that new car prices in the U.K. are substantially higher than in any other European Country. The poor productivity record, diseconomies of scale and higher exchange rates, among others, are the reasons most frequently mentioned as accounting for this phenomenon.

Examples of the typical comments about pricing policy are presented below:

"If a British car manufacturer could compete for price, comfort and reliability, I would buy British. But unfortunately, I can't see it".

"I bought Skoda only because I could not afford a British one!!".

"Japanese cars came equipped with a built in radio or tape deck included in the basic price, while British producers list such things as extras. In the U.K, those little extras are just what makes a Japanese car attractive".

"I have to pay an extra £500 in order to get the same model locally".

Another 44.5 percent of responses to the question indicated inferior product quality and workmanship as a reason for the declining market share of British car producers.

In this regard, one respondent remarked, "Although improving in recent years, the external and internal design of British cars is less appealing and of lower quality than most foreign cars". Another wrote, "I waited seven weeks to receive my new two-door Morris. Nine months later, rust was all over the paint". A third one commented, "I once bought a new BL Marina with seven major faults". Another respondent declared, "Having run a Mini since they came on the market and now a Metro, I have no complaints about the mechanics but I am disgusted that rusting is still a serious problem".

The findings in Table 7.40 also show that the majority of customers who responded to this question stated that deficiencies in the elements of the marketing mix were main reasons behind the lack of competitiveness of British car manufacturers. The most obvious weak points reported include inadequate after-sale service, an inefficient dealership network, difficulty in getting spares, reluctance to adapt products to customers' needs, and an overall poor image.

The data in Table 7.40 also suggests that the lack of government support, lack of investment and aggressive marketing by competitors were perceived as important factors contributing to the lack of competitiveness by British car manufacturers, although they were reported by a relatively small number of respondents.

10.2 Suggestions to improve competitiveness

As might be expected, respondents' suggestions were closely related to the areas of concern which strong reservations had been expressed. These suggestions may be outlined briefly, according to their frequency of mention, as follows:

- (1) Improving product quality and reliability. Not surprisingly, in view of the results shown in Table 7.41, the great majority of respondents who answered this question, suggested that British car manufacturers should upgrade the quality and

reliability of their cars if they are to recapture lost ground. A number of customers stated that they would not object to paying a higher price for British models if they proved to be as reliable as foreign ones.

- (2) Reducing the price of new models. The relatively higher prices of British-produced cars are seen as an obstacle against buying British and as a reason for buying foreign-built cars. Accordingly, a large number of customers suggested that British car manufacturers should make an effort to reduce the price of their cars.

As one respondent remarked, "if a British producer could provide a basic standard car at a very reasonable price, though still maintaining British safety standards, this would attract customers from the lower paid section of the community. This would not only allow a reasonable profit to be made, but would also provide a great service to this particular group of people". Another commented, "British cars are generally improving, now they have to compete with foreign competitors on price".

- (3) Improving dealers' performance. It was clear from the general comments made in answer to this question that dealers' performance is still a weak point in the overall performance of the British car industry. A considerable number of respondents suggested that British producers should assume greater responsibility for the ways in which their dealers carry out their duties. As one respondent commented, "British car manufacturers should do very much more to improve the standard of service among their dealers. They have to make sure that all dealers who use their names provide good service".

- (4) A relatively large number of respondents also suggested that improving the quality of after-sale service and ensuring a ready supply of spares would help greatly to improve the performance of British car producers. Again, this is an area where much of the blame should be levelled at dealers.

- (5) There was another group of suggestions that might be worth mentioning here although they were reported by very few respondents. These include:
- a. The importance of adopting more effective marketing strategies focused on the following areas:
 - listening to what customers would like and reacting sensitively to their views. As one respondent commented, "British car manufacturers must make sure that all customers' comfort and satisfaction comes first: no customers simply means no motor industry".
 - Approaching those neglected segments, such as lower income groups, served principally by foreign competitors.
 - Introducing a more competitive range of small economical hatchback styles to fill the gap successfully exploited by foreign competitors.
 - Rationalising promotional activities, especially advertising, and trying to improve the image of their cars. As one respondent declared, "It is not just the product that has to be improved but also the image".
 - Anticipating competitive moves and preparing alternative ways to respond.
 - b. Providing more government-backed assistance.
 - c. The need for frequent model changes to keep abreast of technological developments.
 - d. Improving productivity to match that of overseas competitors.
 - e. The need for more advanced specifications, longer manufacturers' warranty, better safety features and continuous strategic planning to strengthen confidence in their future.

Needless to say, the predominance of marketing factors among respondents' suggestions for restoring and maintaining the competitiveness of British car industry is quite clear.

The main conclusions:

The aim of this chapter was to identify those factors that could be taken as a basis for explaining the deteriorating competitive position of British car producers from the point of view of the customer. More specifically, the main concern was to examine how far the owner of a British-built car was satisfied with the various aspects of his car compared to the owner of a foreign-built car, and to what extent the different degrees of satisfaction, if any, have affected the competitive position of both groups of producers.

Drawing upon the implications of the study findings, one can arrive at the following conclusions:

- (1) British car manufacturers still have serious competitive weaknesses compared to their foreign competitors. The most notable areas of weaknesses are product quality and reliability, distribution channels and pricing policies.
- (2) As a consequence of the above, the majority of owners of British-built cars seemed to be less loyal to the type of car they own. Also, there was an indication that the majority of dissatisfied customers will in future buy foreign-built cars. In other words, unless greater efforts are made to eradicate these weak points, import penetrations will continue and may reach higher levels.
- (3) Perhaps the clearest conclusion to emerge from the analysis in this chapter is that perception in the market place matches reality, and the remarkable performance of the majority of foreign produced cars is favourably appreciated and perceived by the British customer. In other words, it could be argued that, to a large extent, there is a considerable degree of consistency between objective and subjective evaluations by the customer of the type of car he/she possesses.
- (4) Many customers indicated their dissatisfaction about the implementation of marketing activities by British car

manufacturers, which implies that these manufacturers must re-examine and modify their marketing policies if they want to improve their market position.

- (5) Finally, taking these conclusions into account, the first two hypotheses put forward in Chapter Six about factors contributing to the lack of competitiveness by British car manufacturers in the British market are said to be strongly confirmed.

References

- (1) CPRS, the future of the British car industry, op.cit,
pp.71-72.
- (2) H. Johnson, Beware the challenge of Importers, op.cit,
p.277.
- (3) Ibid,

CHAPTER EIGHT

THE FINDINGS OF THE COMPANIES' SURVEY

CHAPTER EIGHTTHE FINDINGS OF THE COMPANIES' SURVEYWhat the fleet and business buyers say?

In the preceding chapter, customers' views were investigated in order to examine the extent to which the UK car manufacturers have committed themselves to an effective competitive marketing strategy and, accordingly, to determine the effect of the adopted strategy on their relative market performance.

In this chapter, the findings pertaining to the companies' views on the same issue will be presented. It is hoped that by investigating companies' views, and linking them with the findings of the customer survey, it will be possible to identify the areas of British car manufacturers' competitive marketing strategy which require strengthening in order to cope with the intense competitive pressure prevailing in the car market generally, and in particular with the potential threat facing the company car market from imports.

To this end, three specific objectives were set:

- (1) To identify the perceived importance of price and non-price variables in achieving competitiveness in the company car sector.
- (2) To establish the degree to which marketing procedures and practices have been used by British Car manufacturers to monitor and respond to new competitive moves.
- (3) To determine if there are any significant differences in the way British Car manufacturers compete in the consumer and Company Car Sectors, and the effect, if any, of these practices on their relative performance in each of these sectors.

The statistical methods used to analyse the data were as follows:

- The presentation of the basic distributional characteristics of the variables in terms of frequencies and percentages.

- Comparison of means for ranked responses (e.g. very important... to not important at all). The higher the mean, the more important the factor was considered to be by respondents. However, in a vary few cases, a higher mean represented a lower degree of importance.
- Analysis of cross-tabulations between the dependent variables and independent variables, to determine the relationships, if any, between the above variables, by the use of chi-square test of significance.

In addition to using the above methods, the analysis will be supported by consideration of the general comments of respondents on particular issues.

Thereafter, the issues under investigation will be presented as follows:

1. Characteristics of the surveyed companies.
2. Reasons for acquiring company cars.
3. The perceived importance of factors influencing the Companies' choice among competing car brands.
4. Employee choice of allocated car.
5. Product reliability and competitive performance.
6. Sales methods used.
7. The role of distribution channels in the fleet and business car sector.
8. Company policy relating to types of cars purchased.
9. Reasons for buying British and/or foreign produced cars.
10. Product loyalty and buying decisions in the fleet and business car market.
11. Organisations' perceptions of the various aspects of British versus foreign produced cars.
12. Companies' attitudes towards the marketing activities of British car producers.
13. Suggestions to improve the performance of British car producers in the business and fleet car market.
14. Summary and Conclusions.

The fleet and business car market: An introduction

Sales to companies for fleet or business use form the backbone of the UK car industry's sales. It has been described as the "bread and butter" of the industry, which insures its survival. Today, it is estimated that around 60 to 70 percent of all new cars sold in Britain are acquired wholly or partly for business use. The market is still expanding and it seems probably that in the future more and more employees will come to depend on their company-owned cars for both business and private use.

However, in recent years, there have been some indications that foreign manufacturers are making serious inroads into this market which was traditionally dominated by domestic car producers. Such attacks are not made only by well-established foreign makers such as BMW, Mercedes or Volvo, but also by newcomers like Renault, Audi, Saab, Lancia, Peugeot, and Nissan. It is reported that such companies have steadily inched their way into strategic market gaps, and the all-British fleet is now almost a thing of the past. If one believes that in the future, the business and fleet car market will come to reflect the current situation in the private sector, where there is almost 60 percent import penetration, then the prospects for British manufacturers are gloomy.

Accordingly, the present study was carried out to assess the extent of changes in company practices compared to consumer practices; to introduce evidence concerning the relative strengths and weaknesses of the competitive marketing strategies adopted by British and foreign car producers in the fleet market, and to provide suggestions that might be of help in maintaining and improving the recent market position of British car producers.

8.1. Background to firms in the sample

Clearly, before an analysis can be made of the practices of British car producers in the fleet and business car market and the influence they might have on their relative performance, some background information relating to the firms participating in the study is needed.

Of the 300 Scottish Companies, selected on a systematic random basis, 97 companies reported that they acquire cars for the use of their employees, 11 reported that they do not provide cars for this purpose, with the remainder (192) did not respond to the questionnaire.

Tables 8.1 and 8.2 show the characteristics of the responding companies according to product type and number of employees.

Table 8.1: Sample breakdown by company type

Product Category	N	%
Industrial products	52	53.6
Consumer products	19	19.6
Services	20	20.6
Other	<u>6</u>	<u>6.2</u>
Total	97	100

Table 8.2: Sample breakdown by size

Number of Employees	N	%
1 - 100	16	16.5
101 - 500	54	55.7
501 - 1000	16	16.5
1001 - 5000	9	9.3
over 5000	<u>2</u>	<u>2.1</u>
Total	97	100

From the data in Table 8.1 it can be seen that more than half of the respondent companies, 53.6 percent, are companies operating in the industrial sector, a finding that might reflect a bias in sectors represented in the sample toward the industrial sector.

The sampling method used and the type of companies responding to the questionnaire might have contributed to this result.

On the other hand, the data in Table 8.2 indicates that the single largest group among the sample respondent companies comprised medium establishments with between 101 and 500 employees (55.7 percent). Although this does not reflect the structure of companies in Britain or Scotland as a whole where the majority of all establishments seem to be small ones having fewer than 100 employees, the relative importance of medium companies is recognised in the survey by the fact that these companies account for a considerable proportion of all the companies acquiring cars for executive and business use.

Car Makes and Models in use

Data on car makes and models acquired by surveyed companies is presented in Table 8.3 according to frequency of mention.

The data in the table coincides with the statistics published on the relative market share of competing car producers, where UK car producers, except Talbot, seem to dominate the fleet and business car market.

The data however, also shows that foreign manufacturers are beginning to make an impression. It is clear that the real enemies of British car suppliers are the European manufacturers, especially the German and Swedish. Although the Japanese seem not to be represented to any great extent, it is reported that the UK company car market has come into their marketing sights. An example is Toyota's latest Celica that has been arriving on the market.

Acquisition methods

Respondent companies were asked to indicate the way they acquire cars for the use of their employees. The method of acquisition is regarded as one of the central questions which management has to

Table 8.3: Makes and Models in use

Make	Model	Frequency of mention	%
Vauxhall	Cavalier	71	73.2
Ford	Sierra	47	48.5
Ford	Granada	37	38.1
Austin	Rover	31	31.9
Austin	Montego	30	30.9
Vauxhall	Carlton	30	30.9
Ford	Escort	29	29.9
BMW	Various	28	28.9
Vauxhall	Astra	27	27.8
Volvo	Various	21	21.6
Mercedes	Various	20	20.6
Volkswagen	Various	20	20.6
Renault	Various	18	18.6
Ford	Orion	17	17.5
Saab	Various	14	14.4
Austin	Maestro	12	12.4
Ford	Fiesta	11	11.3
Jaguar	Various	7	7.2
Vauxhall	Nova	7	7.2
Peugeot	Various	6	6.2
Ford	Capri	6	6.2
Austin	Metro	6	6.2
Datsun	Various	6	6.2
Fiat	Various	5	5.2
Ford	Cortina	5	5.2
Citroen	Various	3	3.1
Lancia	Various	3	3.1
Toyota	Various	3	3.1
Mazda	Various	3	3.1
Austin	Ambassador	3	3.1
Honda	Various	3	3.1

resolve. Such a decision depends largely on the special requirements and financial position of each company as well as the advantages of the alternative options available. In this regard, Table 8.4 shows the various methods of company car acquisition and their relative use by respondent companies.

Table 8.4: Alternative methods of company car acquisition

Method of acquisition	N	%
Outright purchase	56	57.7
Hire purchase	5	5.2
Leasing	17	17.5
Combination	19	19.6
Total	97	100

As the data in Table 8.4 indicates, outright purchase continues to be the most frequently used method of acquisition, while hire purchase appears to be the least frequent method used by the surveyed companies for acquiring cars. On the other hand, it is interesting to note that there is a considerable number of surveyed companies, 19.6 percent, which reported that they used a combination of these methods, particularly outright purchase and leasing, in acquiring their cars. Data obtained from the survey also reveal that company size has an influence on the acquisition policy, with both leasing and hire purchase being substantially more popular in medium and small companies.

Size of car fleet

Respondent companies were also asked to indicate how many cars they had in their fleet. Regarding this issue, it is generally recognised that the number of cars used for fleet or business purposes is affected by the size of the company as well as the nature of its business. The larger the organisation and the greater the emphasis on sales and marketing compared to other activities, the larger the number of cars owned by the company will

be. The influence of the size and nature of business is confirmed by the findings shown in Table 8.5. A review of the relevant literature indicates that other factors such as the funds available for car acquisition, the size of the sales force and other categories of employees for whom travel is essential, the remuneration policy pursued in respect of status cars, the quality and convenience of public transport, and the allocation policy employed by competitors, also have a role in determining the number of cars to be acquired for employees.

Table 8.5: The influence of company size and the nature of its business on the number of cars acquired

Number of Cars Class	1-10		11-20		21-30		31-50		51-100		Over 100		Total	
	N	%	N	%	N	%	N	%	N	%	N	%	N	%
<u>No. of employees</u>														
1 - 100	12	75.0	1	6.3	2	12.5	1	6.3	0	0	0	0	16	100
101 - 500	18	33.3	13	24.1	13	24.1	9	16.7	1	1.9	0	0	54	100
501 - 1000	2	12.5	4	25.0	3	18.3	4	25.0	2	12.5	1	6.3	16	100
1001 - 5000	0	0	1	11.1	0	0	1	11.1	3	33.3	4	44.4	9	100
Over 5000	0	0	0	0	0	0	0	0	1	50.0	1	50.0	2	100
<u>Nature of Business</u>														
Industrial	18	34.6	11	21.2	10	19.2	8	15.4	3	5.8	2	3.8	52	100
Consumer	4	21.1	4	21.1	4	21.1	3	15.8	2	10.5	2	10.5	19	100
Service	7	35.0	3	15.0	3	15.0	3	15.0	2	10.0	2	10.0	20	100
Other	3	50.0	1	16.7	1	16.7	1	16.7	0	0	0	0	6	100

From overall analysis of this section, the following conclusions may be drawn:

- (1) Although UK car manufacturers dominate the fleet and business car market in Scotland, the threat from foreign producers is present. Most foreign manufacturers seem to have a positive interest in this sector which has long been considered British territory.

- (2) Western European manufacturers, especially Germans, were regarded as the most serious competitors in the company car market, while other non-European producers such as the Japanese are preparing to join the battle to win a significant market share.
- (3) Most of the surveyed companies, 53.6 percent, were involved in producing or distributing industrial products, while more than half of the companies are medium-sized companies with less than five hundred employees.
- (4) Outright purchase is the most popular method of company car acquisition used by companies in the sample. Also, there is an indication that the number of cars acquired is related to the size of the company as well as to the nature of its business.

8.2 Reasons for acquiring Company Cars

Respondents were asked to assess the importance of six possible reasons for acquiring cars for the use of their employees, using a five-point scale ranging from "very important" to "not important at all". They were also given the opportunity to add any others which were thought to be important.

It is believed that identification of these reasons by car manufacturers could provide help in planning and executing their marketing efforts toward satisfying these needs. These reasons, ranked in order according to the mean value, are presented in Table 8.6; the higher the mean, the more important the reason was considered by the respondents.

The data presented in Table 8.6 shows that travelling to and from customers was regarded as the dominant reason for acquiring company cars. As might be expected, this reason was more highly ranked by companies working in the field of consumer products than by those involved in other types of business.

Table 8.6: Reasons for acquiring Company Cars

Reasons	Very Important (5)		(4)		(3)		(2)		Not Important at all (1)		Total		Mean Value
	N	%	N	%	N	%	N	%	N	%	N	%	
For visiting customers	47	49.5	18	18.9	12	12.6	6	6.3	12	12.6	95	100	3.86
Inter-Company travel	19	20.0	18	18.9	22	23.2	12	12.6	24	25.3	95	100	2.96
Carrying and collecting goods	11	11.5	16	16.7	34	35.4	15	15.6	20	20.8	96	100	2.82
As an incentive to recruit additional staff	11	11.6	23	24.2	19	20.0	19	20.0	23	24.2	95	100	2.79
Improving company image	13	13.8	9	9.6	23	24.5	25	26.6	24	25.5	94	100	2.60
As a status symbol	7	7.4	14	14.7	29	30.5	14	14.7	31	32.6	95	100	2.50

* To be read, 47 (49.5 percent) of respondent companies (total 95 = 100%) considered using cars for visiting customers as a very important reason for acquiring company cars.

The findings in Table 8.6 also indicate that inter-company travel, carrying and collecting goods, recruiting additional staff while keeping existing ones were regarded as main reasons for acquiring company cars.

On the other hand, both improving company image and using cars as a status symbol hardly featured as significant reasons for acquiring company cars. However, there are indications of a growing awareness of the importance of these aspects. For this reason, the marketing policies of many car producers, especially importers, are aimed primarily at the status appeal segment. Some of them were conscious of this human need and have been cleverly offering a carefully graduated range of models, tailored to the status of various grades of employees.

Drawing upon the findings of reasons considered either important or unimportant for acquiring company cars, one might conclude that cars are becoming an essential feature of many companies' business activities, and the successful car manufacturer is the one who can understand the real motives underlying the acquisition of company cars and accordingly develop the type of products that are likely to match these needs and expectations.

8.3 The perceived importance of factors influencing companies' choice among competing car brands

Respondents were asked to indicate how important a number of factors were in influencing their decisions to select among competing car brands. A five-point scale was used for each factor, 5 indicating that the factor was "very important", one indicating that it was "not important at all".

Table 8.7 shows the mean scores in relation to the perceived importance of these factors. Although the table is essentially self-explanatory, several points merit further comment:

First; as can be seen from Table 8.7, the principal criterion for selecting among competing car brands is reliability. A large

Table 8.7: The perceived importance of factors influencing companies' choice among Competing car brands

Factors	Very Important (5)		(4)		(3)		(2)		Not Important at all (1)		Total		Mean Value
	N	%	N	%	N	%	N	%	N	%	N	%	
Reliability	70	70.2	14	14.4	10	10.3	2	2.1	1	1.0	97	100	4.55
Purchase terms	63	64.9	18	18.6	10	10.3	1	1.0	5	5.2	97	100	4.37
Fuel economy	22	22.6	44	45.4	24	24.7	5	5.2	2	2.1	97	100	3.81
After-sale service	29	29.9	37	38.1	21	21.6	3	3.1	7	7.2	97	100	3.80
Resale value	29	29.9	32	33.0	24	24.7	7	7.2	5	5.2	97	100	3.75
Cost availability of spares	26	26.8	33	34.0	25	25.8	8	8.2	5	5.2	97	100	3.69
Comfort	15	15.5	42	43.3	30	30.9	6	6.2	4	4.1	97	100	3.60
Vehicle availability	17	17.5	31	32.0	30	30.9	12	12.4	7	7.2	97	100	3.40
Vehicle warranty	11	11.3	36	37.1	32	33.0	14	14.4	4	4.1	97	100	3.37
Roominess	11	11.3	36	37.1	33	34.0	12	12.4	5	5.2	97	100	3.37
Size and quality of dealer network	10	10.3	30	30.9	33	34.0	16	16.5	8	8.2	97	100	3.19
Style/appearance	5	5.2	31	32.0	38	39.2	14	14.4	9	9.3	97	100	3.09
Boot/load capacity	10	10.5	17	17.9	43	45.3	18	18.9	7	7.4	95	100	3.05
Insurance grouping	7	7.3	17	17.7	38	39.6	22	22.9	12	12.5	96	100	2.84

majority of the surveyed companies, 84.6 percent, considered reliability as a very important or important factor influencing the choice decision. Purchase terms, including list price and discounts given, comes second as a major factor affecting car brand choice. Almost at the other extreme, the sample placed less or no importance on "insurance grouping" as a factor affecting choice among competing car brands.

Second; the data in Table 8.7 generally indicates that there are two distinct sets of considerations when making a decision on selecting from among alternative car brands. The first concerns the fleet operational needs such as initial price and discounts, model range, product availability, cost/availability of spares, resale value, size and quality of dealer networks, cost/availability of service and, insurance grouping. The other set of considerations includes the opinions of individual drivers. These generally take account of image, comfort, safety, economy, reliability and quality. An important point to note, however, is that the further an employee moves up the company management hierarchy, the more will user needs influence the selection decision.

Third; it was somewhat surprising to see "size and quality of dealer network" holding such a relatively low ranking as a factor influencing choice among competing car brands. Two possible explanations for this can be proposed, as follows: a) because of the dedicated effort made by most car manufacturers to spread their distribution networks across most parts of the country, the relative importance of this factor might be reduced, b) a second explanation is that the emergence of some outside specialists (e.g. PHH) dealing in different car makes, who are aware of the range of services required by fleet and business users, might also affect the traditional degree of importance given to car dealers. Nevertheless, it is appreciated that dealer management still had a great role to play in shaping the competitive position achieved by different car producers. A full examination of this role will be provided later in this chapter.

Finally, by comparing the results shown in Table 8.7 with those revealed by the customer sample regarding the same issue, the following observations can be made:

- a) There is a good agreement between the aggregate ratings derived from the companies' sample and those from the customers' sample on a number of crucial factors. Respondents in both samples, not surprisingly, placed car reliability at the top of the list, followed by relative price, although the customers' sample gave both attributes higher score than did the companies' sample.
- b) The two sectors agreed generally on the relative importance of such attributes as fuel economy, comfort, cost/availability of spares, and roominess, although most of these aspects appear to be given greater emphasis by companies than by customers.
- c) There are some interesting differences in emphasis between the two samples in relation to some factors. For example, while the customers' sample tended to place less emphasis on factors like after-sale service, and delivery date and style/appearance, these aspects were rated as relatively important by respondent companies. In contrast, while the importance of such attributes as durability and insurance grouping seem to be acknowledged by the customers, these aspects were regarded as relatively unimportant by companies. Some of these differences in the relative importance assigned to the various attributes seem to be consistent with the known characteristics of consumer and organisational buying behaviour.

To sum up, satisfying the demands of the fleet and business car market is not just a question of giving fleet discount or making cars more reliable. It is about identifying and then being able to satisfy the broader spectrum of fleet operators' needs.

8.3.1. The relationship between important factors influencing companies' choice among competing car brands and company characteristics

In comparing the perceived importance of factors influencing companies' choice among competing car brands with company

characteristics no significant relationships was yielded. Most of the views expressed by respondents were found to be independent of the characteristic variables. Because respondents' opinions were in such close agreement across classification levels, the results are not presented.

8.4 Employee choice of allocated car

Companies were asked to indicate the extent to which employees are offered a choice of the cars allocated to them. Replies to this question appear in Table 8.8 below.

Table 8.8: Limitations on the choice of a company car

Options of Choice	N	%
Choice from certain specified models	42	43.3
Choice of any car within given price range	29	29.9
No choice	16	16.5
Other basis	<u>10</u>	<u>10.3</u>
Total	97	100

From the table it can be seen that the majority of surveyed companies (43.3 percent) offer a restricted choice among competing car makes and models. Answers to this question indicate that the choice is generally limited to certain UK car manufacturers or specified ranges from several UK car producers in order to obtain good discounts and permit flexibility in matching models to managerial grades.

The table also shows that around 30 percent of companies under investigation allow their employees, especially the chairman and directors, a free choice of models, although usually within a specified price range. It is interesting to notice the growing trend of companies adopting such policy. Evidence from published data shows that the percentage of companies providing a choice of any car model within a given price range was just under 2 percent

in 1974, rising to 19 percent in 1979, approaching 24 percent in 1982⁽¹⁾, and reaching a maximum of 30 percent in our survey. It is claimed that the growing tendency towards giving unlimited choice within a given price band is the major cause of doors being opened for foreign competition.

Finally, the data in Table 8.8 shows that 16.5 percent of companies in the sample offer their employees no choice over their allocated cars. This appears to apply to sales fleets in particular, where the car is regarded as a tool for the job and where a fleet composed of identical models presents a uniform company's image. It can be noticed from the table that a small number of the surveyed companies, 10.3 percent, appear to use a combination of the other two policies.

As a result of the above analysis, our survey makes the point that widening the so called "user-chooser" policy explains to some extent why import penetration has begun to make its way seriously into the business and fleet car sector. The move towards such a policy is seen as a result of many factors including: the growth of professional fleet management companies that can provide a variety of makes and models tailored to suit employee requirements at all levels in the organisation's hierarchy; the increasing awareness among managers and senior staff of the need for some form of recognition of their higher status by being given a free choice of the allocated car; the fact that employees also have to pay an increasing personal tax contribution in respect of their company cars, causes employers to feel obliged to allow them a greater say in their choice of a car; and finally, as national manufacturing boundaries have become blurred, the role of the "buy British" policy that had been adopted by the majority of companies, has been generally relaxed.

Given such a wide choice, there was no reason why the recipient of a company car should be any different from the private buyer who had been demonstrating a preference for foreign cars.

This picture is clearly reflected in the executive car sector where freedom of choice is widely recognised and applied. According to a more recent survey, executive car sales in the UK rose from 170,000 units in 1981 to 204,000 in 1985⁽²⁾, an increase of almost 20 percent, with most of the sales going to foreign competitors.

Table 8.9 reflects the situation in the executive car sector, and clearly indicates that British car manufacturers are facing most competition in this important sector. From the table it can be seen that foreign competitors have continued to benefit from increasingly wide-spread "user-chooser" policies. This sort of competitive pressure is not limited to well-known foreign makes like Volvo or BMW or Mercedes, but there are potentially significant new competitors like Renault and Audi. The data in Table 8.9 also shows that while Ford Granada appeared to be the sector leader followed by Vauxhall Carlton, Austin Rover's Rover SD1 was more or less squeezed out of the lucrative sector in 1985. It is reported that this decline was a result of the sheer intensity of competition in the sector, poor image, and a long record of quality and reliability problems.

8.5 Product reliability and competitive performance

As might be expected from the foregoing analysis, British car manufacturers are in danger of losing the race in a market which till now has provided the main support for their continued survival. Accordingly, the remainder of this chapter represents an attempt to explore whether there are any weak points in the policies and practices of British car producers which might be accounted as responsible for allowing such a threat to emerge. Product quality and reliability is the first dimension to consider.

As with the private customer, reliability proved to be the principal requirement demanded of fleet or business cars. However, measuring reliability according to frequency of breakdown, times off the road, and failing to start seems to be a difficult, even impossible, task with companies operating a large number of different car makes and models. So, in dealing with the

Table 8.9: Top Ten UK executive car sales *

Year Make and Model	1984		1985		First Qtr. 1986	
	Sales	%	Sales	%	Sales	%
Ford Granada	23,215	18.0	26,055	18.8	10,765	25.7
Vauxhall Carlton	20,185	15.7	19,520	14.1	4,610	11.0
Volvo 700	4,380	3.4	12,060	8.7	5,520	13.2
Rover SD1	16,690	13.0	11,835	8.6	1,500	3.6
Volvo 200	19,650	15.6	11,855	8.6	2,990	7.1
Renault 25	3,120	2.4	9,995	7.2	2,620	6.3
BMW 5 Series	6,800	5.3	9,585	6.9	2,855	6.8
Mercedes 200-300	7,810	6.0	7,710	5.8	2,570	6.1
Saab 900	7,495	5.8	7,025	5.1	2,015	4.8
Audi 100	6,885	5.3	6,390	4.6	1,785	4.3
Total	128,860	100	138,435	100	41,905	100

* Financial Times Survey, Executive Cars, Thursday
June 19, 1986, p.II.

reliability dimension, it was decided to ask a general question about the perceived reliability of the types of cars used. Consideration of this dimension will be extended to include an examination of the relative performance of British produced cars compared with foreign ones. To do so, the sample was divided into two sub-samples representing those companies using only British-built cars and those operating only foreign-built cars, while those companies acquiring some of each type were excluded from this comparison.

The results of this attempt are shown in Tables 8.10 and 8.11 below.

The Data in Table 8.10 suggests that all companies were broadly satisfied with the reliability of their current cars. However, considering the very short period during which company cars are used, normally two or three years, and the relative care given to their maintenance and management, it was somewhat surprising to find over 50 percent of surveyed companies perceiving their cars to be just generally reliable. This percentage perhaps may conceal some reliability problems with certain makes or models within the fleet as a whole.

Table 8.10: Perceived reliability of cars in use

Reliability ratings	N	%
Extremely reliable	18	18.6
Very reliable	29	29.9
Generally reliable	50	50.1
Very unreliable	0	0.0
Extremely unreliable	<u>0</u>	<u>0.0</u>
Total	97	100

To see which car makes or models suffer more from reliability problems, a comparison between British and foreign cars was made. Such a comparison is based on an aggregate rather than an individual basis. The relatively small number of companies in the sample using only foreign-built cars prevented us from presenting such a comparison on a make-to-make basis. Table 8.11 shows the result of this comparison.

The table illustrates that while all companies operating only foreign cars reported that their cars have proved to be extremely reliable or very reliable, only 52.6 percent of companies operating only British-built cars expressed the same opinion, on the other hand, while a considerable number of companies using British-built cars, namely 47.4 percent, reported that their cars are generally reliable, no company operating foreign-produced cars reported such

Table 8.11 Perceived reliability of British versus foreign-produced cars

Reliability ratings Class	Ext. reliable		Very reliable		Gen. reliable		Very unreliable		Ext. unreliable		Total	
	N	%	N	%	N	%	N	%	N	%	N	%
British Cars	3	7.9	17	44.7	18	47.4	0	0	0	0	38	100
Foreign Cars	4	66.7	2	33.3	0	0	0	0	0	0	6	100

perception, all of them regarding their cars as either extremely reliable or very reliable. It would appear then that the reliability problem, where it occurs, is faced only by those companies dealing with British car manufacturers. In fact, it is believed that the reliability of foreign cars is a major reason behind their recent penetration of the fleet and business car market.

8.6 Sales methods used

This part of the investigation attempts to examine how various car manufacturers and their representative dealers have tried to approach potential customers. With regard to this function, it is recognised that in selling fleet or business cars, as a form of industrial selling, emphasis is placed on personal contact and the sales force represents the principle promotional tool in this market.

To obtain information about this issue, it was necessary to ask respondents a series of four questions, the first being whether any car dealers had tried to contact them. If the answer was "yes", they were asked to indicate when and how the approach was made, and finally, which car dealers had tried to contact them. In replying to the question about whether any car dealer had tried to contact them, 69.1 percent of the companies said Yes, while the remaining

30.9 percent answered No. It is interesting to point out here that most of the companies ignored by car dealers were generally either small or medium-sized companies. Evidence from many published studies reveals that this kind of company, i.e. small and medium, represents the major target for foreign car producers trying to insinuate themselves into the business and fleet car market. It follows that UK car dealers are neglecting an important market segment and need to give this segment their urgent attention.

With regard to the time and frequency of dealers' contacts with the surveyed companies, the majority of companies reporting such contacts, namely 90.8 percent, reported that the last contact took place between January and March 1986, while the remaining 9.2 percent indicated that the last contact was during 1985, a picture that reflects, to some extent, the continuous effort by car dealers to maintain or improve current sales records.

With regard to the methods of contact, five methods were suggested in the questionnaire to respondents, who were requested to identify all the alternatives which applied to them. These methods, together with their ranking according to the frequency of mention, are presented in Table 8.12 below.

Table 8.12: Methods of Contact with Companies

Contact method	N ⁽¹⁾	% ⁽²⁾
Direct mail	51	76.1
Telephone	50	74.6
Personal Contact	35	52.2
Invitations to exhibitions or conferences	29	43.2
News letters	21	31.3
Others	4	6.0

(1) Responses to the question totalled 67 = 100%

(2) Total percentage is more than 100% due to the choice of more than one method by respondents.

As can be seen from the above table, direct mail and the telephone are the methods most frequently used by car dealers to contact their potential customers, while personal contact comes third, followed respectively by invitations to exhibitions or conferences, and news letters.

These findings contrast with most industrial markets, where personal contact is given priority as a sales promotion method.

Finally, respondents were asked to indicate which car dealer(s) tried to contact them. The answers to this question reveal that both British and foreign car dealers are striving hard to promote their cars and establish relationships with potential customers. However, the frequency of contacts initiated by dealers handling British cars, except for Talbot, seems to be relatively greater than that for contacts carried out by dealers handling foreign cars. This might be due to the firm application of a "buy British" policy by some of the surveyed companies.

8.7 The role of distribution channels in the fleet and business car sector

As is the case in the private car market, extensive dealership networks are seen as an essential requirement for making a serious challenger in the race for company car business. Success in the fleet and business car market is regarded mainly as a function of good quality products provided in a wide broad range, plus a large and efficient dealer network. As a result, in recent years there has been a growing tendency towards greater sophistication in the whole area of distribution. Realising the importance of distribution channels, most car manufacturers are endeavouring to improve the efficiency of their dealer networks and servicing facilities, particularly in order to meet the special requirements of fleet and business car users.

Accordingly, an attempt was made to measure the extent of respondents' satisfaction with their dealers. They were asked to indicate to what extent they were satisfied with the major aspects

of dealership. The scale used was a five-point one, ranging from "very satisfied" to "not satisfied at all". Table 8.13 shows the respondents' degree of satisfaction in relation to ten dimensions of dealership as reflected in terms of the mean value. The higher the mean, the more satisfactory the dimension was considered by the respondents.

As can be seen from Table 8.13, most companies tend to express broad satisfaction with the various aspects of dealerships. The majority of respondents expressed a high level of satisfaction with regard to model range, product availability and list price/ discounts. On the other hand, respondents tended to express less satisfaction with regard to the quality of after-sale service and pre-delivery inspection.

One must be careful in interpreting the relatively higher satisfaction expressed regarding credit terms, where only 52 of the 97 companies reported their opinion concerning this aspect. The relatively low number of responses relates to the fact that most companies in the sample, as pointed out earlier, purchase outright instead of using credit.

In comparing the findings in Table 8.13 with those derived from the consumer survey, the following observations can be made:

- a. Both groups expressed a relatively higher degree of satisfaction with regard to model range and product availability, although of the two groups, the company sample tended to express a higher level of satisfaction about model range, while the customer sample expressed more satisfaction about delivery time.
- b. There are some differences relating to the relative satisfaction expressed about some other aspects, including parts cost/availability, and accessibility: the company sample indicated a relatively high level of satisfaction in respect of both dimensions, compared with the customers' sample.

Table 8.13: Respondents' satisfaction with different aspects of dealership

Level of satisfaction Dealership aspects	Very satisfied (5)		(4)		(3)		(2)		Not satisfied at all (1)		Total		Mean Value
	N	%	N	%	N	%	N	%	N	%	N	%	
Model range	26	27.7	43	45.7	25	26.6	0	0	0	0	94	100	4.01
Product availability	21	22.3	50	53.2	22	23.4	1	1.1	0	0	94	100	3.97
List price/discounts	23	24.5	43	45.7	27	28.7	1	1.0	0	0	94	100	3.94
Vehicle warranty	13	13.8	43	45.7	34	36.2	3	3.2	1	1.1	94	100	3.68
Parts cost/availability	10	10.8	45	48.4	35	37.6	2	2.2	1	1.1	93	100	3.66
Credit terms	12	23.1	16	30.8	20	38.5	2	3.8	2	3.8	52	100	3.65
Provision of information about the car	14	15.1	37	39.8	36	38.7	4	4.3	2	2.2	93	100	3.61
Accessibility	13	14.1	37	40.2	38	41.3	0	0	4	4.1	92	100	3.60
Quality of after-sale service	10	10.6	37	39.4	39	41.5	6	6.4	2	2.1	94	100	3.50
Pre-delivery inspection	14	14.9	28	29.8	40	42.6	11	11.7	1	1.1	94	100	3.45

- c. There is considerable disagreement in the level of satisfaction expressed by the two sectors in relation to certain aspects, including the provision of information about the car, vehicle warranty, quality of after-sale service, and pre-delivery inspection. For example, while respondents in the company sample ranked quality of after-sale service and pre-delivery inspection at the bottom of the list, these dimensions were assigned a relatively reasonable degree of satisfaction by customer sample. On the other hand, while the company sample appears to express a relatively high degree of satisfaction in relation to vehicle warranty, this dimension was given a relatively lower score by the customer sample. The reverse is true with regard to the provision of information about the car, where the customer sector seems to express a higher degree of satisfaction compared with the company sector.

Again, such difference in the level of satisfaction expressed by the two samples about the different dealership aspects, reflects the different standards of dealers performance in both markets as well as the unique characteristics and needs of both segments.

Respondents satisfaction with dealers handling British produced cars compared with those handling foreign produced cars.

The aim of this part is to shed light on the strengths and weaknesses in the performance of dealers handling British-based cars as opposed to those handling foreign-built ones. In doing so, the comparison will be limited to the companies operating either only British cars or only foreign cars, while those dealing with both types of dealers will be excluded from the comparison. Table 8.14 presents the results of this attempt.

From the information in Table 8.14, several comments can be made:

Table 8.14: Respondents' satisfaction with British versus foreign car dealers

Level of Satisfaction Dealership aspects	Very satisfied (5)		(4)		(3)		(2)		Not satisfied at all (1)		Total	
	No	%	No	%	No	%	No	%	No	%	No	%
(1) <u>Model range</u>												
a. British dealers	7	18.4	23	60.5	8	21.1	0	0	0	0	38	100
b. Foreign dealers	1	16.7	2	33.3	3	50.0	0	0	0	0	6	100
(2) <u>Product availability</u>												
a. British dealers	8	21.1	22	57.9	8	21.1	0	0	0	0	38	100
b. Foreign dealers	1	16.7	3	50.0	2	33.3	0	0	0	0	6	100
(3) <u>List price/discounts</u>												
a. British dealers	11	28.9	17	44.7	9	23.7	1	2.6	0	0	38	100
b. Foreign dealers	0	0	3	50.0	3	50.0	0	0	0	0	6	100
(4) <u>Vehicle warranty</u>												
a. British dealers	4	10.5	22	57.9	10	26.3	2	5.3	0	0	38	100
b. Foreign dealers	1	16.7	3	50.0	2	33.3	0	0	0	0	6	100
(5) <u>Parts cost/availability</u>												
a. British dealers	3	7.9	21	55.3	12	31.6	1	2.6	1	2.6	38	100
b. Foreign dealers	0	0	3	50.0	3	50.0	0	0	0	0	6	100
(6) <u>Credit terms</u>												
a. British dealers	6	24.0	7	28.0	10	40.0	1	4.0	1	4.0	25	100
b. Foreign dealers	1	16.7	2	33.3	3	50.0	0	0	0	0	6	100
(7) <u>Giving information</u>												
a. British dealers	3	7.9	19	50.0	14	36.8	1	2.6	1	2.6	38	100
b. Foreign dealers	1	16.7	3	50.0	2	33.3	0	0	0	0	6	100
(8) <u>Accessibility</u>												
a. British dealers	8	21.1	17	44.7	11	28.9	1	2.6	1	2.6	38	100
b. Foreign dealers	1	16.7	2	33.3	2	33.3	0	0	1	16.7	6	100
(9) <u>Quality of after-sale service</u>												
a. British dealers	2	5.3	15	39.5	15	39.5	5	13.2	1	2.6	38	100
b. Foreign dealers	1	16.7	4	66.7	1	16.7	0	0	0	0	6	100
(10) <u>Pre-delivery inspection</u>												
a. British dealers	1	2.6	13	34.2	21	55.3	3	7.9	0	0	38	100
b. Foreign dealers	2	33.3	3	50.0	1	16.7	0	0	0	0	6	100

First, there is some evidence to the effect that dealers handling British-built cars have a clear advantage in many areas as far as fleet and business car customers are concerned. The most notable areas are model range, list/price discounts, accessibility, product availability and parts cost/availability. For example, it is reported that the success of a company like Ford as a market leader is due largely to the fact that it has developed a product range and support service related to the needs of fleet and business users. Also it is indicated that most dealers handling British-built cars tend to give a very high discount on business and executive cars, sometimes offering these cars with only marginal profits, hoping that the large volume can compensate for the lower margins in addition to the benefits derived from the huge servicing and repair business enjoyed thereafter.

Second, in contrast to the above findings, respondents dealing with foreign dealers tend to express higher levels of satisfaction with regard to pre-delivery inspection, quality of after-sale service, and the provision of adequate information about cars purchased, compared to those companies dealing with British dealers. This result supports the views expressed in the customer survey to the effect that pre-delivery inspection, quality of after-sale service, and the provision of information about the car, are the weak points in the performance of dealers handling British-produced cars compared to those handling imported cars.

Third, for the remaining dimensions, i.e. vehicle warranty and credit terms, it was difficult to obtain much evidence as to whether dealers handling British-built cars, for the fleet or business user, provide a better service than those handling imported cars. Information about these dimensions shows only marginal differences in the level of satisfaction expressed by companies dealing with each group.

Finally, this competitive advantage possessed by dealers handling British-built cars is not to be taken for granted. The relatively limited experience of many foreign competitors in this market, and

the fact that many British Companies are still pursuing a "buy British" policy, might have contributed to this result.

Taking into consideration the fact that importers are now better organised to tackle the fleet and business car sector, and that one of their weapons is the establishment of large and efficient dealership networks, one might suggest that British dealers need greater understanding of the nature and needs of this segment as well as being able to negotiate and advise customers on the many aspects of company car management. This, in turn, implies that a positive role should be pursued by the manufacturer in order to provide the dealer with leadership and guidance, facilities and manpower as well as adopting an appropriate attitude as a means of helping them in this new and highly competitive market sector.

To sum up, a comparison of the performance of dealers handling British-produced cars with those handling foreign ones, suggests that the first group have a clear competitive advantage. However, their weak points appear to be pre-delivery inspection, quality of after-sale service, and the provision of information about the types of cars they handle.

8.8 Company policy relating to types of cars purchased

Since the present practices in the fleet and business car market tend to be moving towards buying more for foreign-produced cars, especially in the executive sector, thereby causing British car manufacturers to face a period of potential competitive imbalance, it was decided to ask a series of questions with regard to British versus foreign cars and the reasons for the purchase, by British firms, of both British and foreign-built cars. It is hoped that obtaining answers to these questions will provide clues to explain the reasons behind the recent trends in such an important market, thereby helping to diagnose the strong and weak points of current practices employed by British car producers.

Accordingly respondent companies were asked first to indicate their policies with respect to British versus foreign cars. Five policy

alternatives were suggested to them, ranging from "no foreign cars considered" to "no British cars considered". Respondents were asked to tick the policy alternative that best applied to their situation. The answers to this question are given in Table 8.15, from which it can be seen that the majority of companies (54.6 percent) stated that British cars were generally preferred, while another 18.6 percent reported that no foreign cars were considered.

On the other hand, 17.5 percent of the surveyed companies indicated that they did not differentiate between the sources of cars allocated to their employees, while a relatively small number of companies (9.3 percent) reported that foreign cars were generally preferred.

Table 8.15: Company policy with respect to British versus foreign cars

Policy adopted	N	%
- No Foreign cars considered	18	18.6
- British cars generally preferred	53	54.6
- No preference	17	17.5
- Foreign cars generally preferred	9	9.3
- No British cars considered	0	0
Total	97	100

In connection with the above findings several comments can be made. First; although the majority of the surveyed companies seem to remain committed to the "Buy British" concept, either by not considering buying foreign cars at all or by insisting that the most of the cars in their fleets should be British, there is an indication that the percentage of such emphasis is decreasing. Using comparative data from previous surveys, the number of companies specifying that all cars should be UK manufactured was 54 percent in 1976, decreasing by 7 percent in 1979, reaching around 40 percent in 1983, only 22 percent by mid 1985, and approaching just 18 percent in this survey.

Even for those companies reporting that they are sticking to a "Buy-British" policy for the bulk of their fleet and business cars, data derived from the replies to the questionnaire indicates that in around 15.1 percent of these companies, most of the car makes, but not the number of cars used in their fleets, were foreign, a picture that reflects the sort of competitive pressure prevailing in this important sector as it indicates that the dominance of the UK car manufacturers is being challenged.

Second; it can be seen from Table 8.15 that there is a considerable number of companies which have neutral attitudes towards the source of their cars. An average of 17.5 percent of respondents reported that they do not differentiate between British and foreign makes when deciding to acquire cars. Nevertheless, as high percentage as 41.2 percent of these non-differentiating companies have mostly foreign-built cars in their fleets. It is this segment that foreign producers hope to get new orders and increase their share at the expense of British competitors.

Third; a small number, namely 9.3 percent, of the surveyed companies indicated that foreign cars are generally preferred. The questionnaire data reveals that most of these companies are smaller ones which have shorter decision lines and are being wooed by foreign producers with special rates as well as by perception that they offer something different from the usual run of British-based cars.

Finally, such shifts in policies as are demonstrated by the majority of the surveyed companies are seen as a result of supply problems experienced in the past by British manufacturers, especially BL. They are also attributed to the increasing application of the "user-chaser" policy alluded to earlier, which seems to be in favour of foreign producers.

In brief, although the policy of the majority of British companies appeared to be based on loyalty to UK car manufacturers, this

policy is being undermined by the attractions and the variety of products offered by foreign competitors.

8.9 Reasons for buying British-built cars

For those companies whose policies imply either not considering foreign produced cars, or insisting that the bulk of their cars should be British, the following question was asked: why did your company decide to choose British-built cars? The replies to this question and the aggregate results are shown in Table 8.16.

Table 8.16: Reasons for buying British-built cars

Reasons for purchase	Frequency	Percentage %	Rank
- Company policy	61	85.9	1
- Being British	39	54.9	2
- Availability of spares	27	38.0	3
- Convenience of local dealers	16	22.5	4
- Ease of maintenance	13	18.3	5
- Suitable design	12	16.9	6
- Convenience of local manufacturers	8	11.3	7
- Better value for money	5	7.0	8
- More reliable	4	5.6	9
- Better delivery date	2	2.8	10/11
- Reciprocal trading	2	2.8	10/11
- Better suited to local conditions	1	1.4	13/14/15
- Better styling/appearance	1	1.4	13/14/15
- Better overall performance	1	1.4	13/14/15

(1) Total percentage more than 100% because some companies gave more than one reason.

(2) Total replies to the question, 71 = 100%.

The table illustrates clearly that the most important reason for buying British-built cars is the deliberate preference in their favour based on company policies. A large majority, almost 86 percent of the respondents, indicated that they buy British cars for policy reasons. A finding that might lead to the argument that the "buy-British" policy adopted by those companies is the main factor that has helped to keep British manufacturers' share of the fleet and business car market as high as it is now.

Related to the above finding, the data in Table 8.16 also demonstrates that many UK companies favour British produced cars for patriotic reasons. Almost 55 percent of the companies responding to this question reported that one of the main reasons for favouring British-produced cars is simply that they are "British labelled".

A further 38 percent of respondents claimed that they bought British-built cars because of the availability of spares, while another 22.5 percent mentioned convenience of local dealers as a reason for favouring British-based cars. These findings agreed quite well with the previous findings related to dealership performance, where accessibility and availability of spares appeared to give UK manufacturers and dealers a clear advantage over those selling or handling foreign-produced cars.

It is also clear from the findings in Table 8.16 that some companies prefer buying British cars because of their ease of maintenance, suitability of model design, and the convenience of local manufacturers.

On the other hand, only a small number of respondents gave reasons relating to value for money, reliability, delivery time, suitability to local conditions, styling, and overall performance as motivating them to buy British cars. Not surprisingly, product quality and reliability did not emerge as major factors underlying support for British cars, since the question-mark over reliability, as mentioned earlier, still faces some British car producers.

To sum up, there seems to be very little doubt that the insistence of many companies that all or most of their fleet and business cars should be British sustains the UK producers' share of the company car market at such a high level. However, the limited emphasis placed on such aspects as product reliability, styling, and overall performance as reasons for buying British is an indication of the potential danger that British car manufacturers will face if any further shift in companies' policies develops.

8.10 Reasons for buying foreign-built cars

Respondents who indicated either preferring foreign-produced cars or not considering buying British-produced ones, were also asked to give reasons for doing so. Table 8.17 lists and ranks reasons given for buying foreign-built cars according to their frequency of mention.

Table 8.17: Reasons for buying foreign-built cars

Reasons for purchase	Frequency	Percentage %	Rank
- More reliable	7	77.6	1
- Better value for money	6	66.6	2
- Not suitable UK equivalent	5	55.5	3
- Superior overall design	4	44.4	4/5
- Better overall performance	4	44.4	4/5
- Erratic availability of British cars	3	33.3	6
- Better service and spares supply	2	22.2	7
- Being cheaper	1	11.1	8

(1) Total response to the question = 9 (100%).

(2) Total percentage more than 100% due to respondents' choice of more than one reason.

The data in Table 8.17 clearly demonstrates that the most widely quoted reason for buying foreign cars is their greater reliability.

In view of the results shown in Table 8.16, where reliability dimension appeared to have a marginal effect on the decision to buy British-produced cars, one can again argue that the reliability of foreign cars is a key reason behind their recent penetration of the fleet and business car market.

From the data in Table 8.17, it can also be seen that roughly two-thirds of respondents claimed that they bought foreign-built cars because of their value for money. In fact, it is reported in many published surveys⁽⁴⁾ that most foreign companies have succeeded in convincing companies operating fleet and business cars that their cars represent a good buy. Executive cars like BMW, Mercedes, Volvo or Saab are said to have low depreciation rates and the makers have tried to use this point as a major element in their marketing strategies in the UK. In sales terms, they have accordingly met with considerable success and made substantial market inroads.

A further 55.6 percent of respondents reported that they bought foreign-built cars because there was no suitable UK equivalent. The answer might reflect either the poor quality and reliability of British-built cars, or the fact that foreign producers are more aware of the specific needs or requirements of certain segments of this market.

Another 44.4 percent of respondents indicated that they favour foreign cars because of their superior overall design, while the same percentage of the surveyed companies cited "better overall performance" as a reason for favouring foreign-based cars.

The remaining reasons for buying foreign-built cars include: the erratic availability of British-produced cars (33.3 percent), better service and spares supply (22.2 percent), and being cheaper

(11.1 percent). It is interesting to note, contrary to the views expressed by the consumer sample, that price advantage hardly featured at all among the reasons given by companies for buying foreign-built cars. Only a small minority of companies (11.1 percent) claimed to buy foreign cars because they offer a price advantage.

From the foregoing discussion relating to company policy and the reasons for buying British or foreign-built cars, a number of important points concerning the competitive position of British car manufacturers in the business and fleet car market can be highlighted, as follows:

- a. The first point to emerge is that, although a "buy British" policy still prevails, there is a gradual tendency towards relaxing this policy, especially on the part of smaller companies and in the executive sector where freedom of choice is offered, and this consequently contributes a potential threat to local manufacturers, that can only be met through an effective competitive marketing strategy.
- b. The second point, and perhaps the most important one, is that product policy represents a major gap in the competitive strategy adopted and pursued by British car producers in the business and fleet car market. Reasons given in Table 8.17 for buying foreign-built cars reveal real British weaknesses in respect of product reliability, product design, style and overall product performance, in addition to the neglect of specific user requirements by British car producers. It is these gaps which might give foreign competitors the opportunity to break into this important market.
- c. Finally, it is also evident that the ability to maintain competitiveness will depend on making a continued marketing effort to understand the real requirements of the fleet and business car market and offering products that match these needs and requirements, as well as reaching those segments of the market that admire foreign cars and constitute the major target for importers, i.e. small companies.

8.11 Product loyalty and buying decisions in the fleet and business car markets

Generally speaking, repeat purchasing loyalty is a very common feature of organisational buying behaviour, and perhaps the important act any car manufacturer can undertake is getting his cars into someone's fleet for the first time.

With reference to product loyalty, respondent firms were asked whether they would buy the same makes or models again if they had to replace the current ones. In this case, the replies provided by the 97 companies and the aggregate results are shown in Table 8.18 below.

Table 8.18: Intention to buy the same make and model again

Category label	Same make		Same model	
	N	%	N	%
Yes	86	88.7	81	83.5
No	-	-	5	5.2
D/Know	<u>11</u>	<u>11.3</u>	<u>11</u>	<u>11.3</u>
Total valid response	97	100	97	100

As the findings in the above table demonstrates, a large majority (88.7 percent) would continue buying from the same sources. It is assumed that the greater the tendency to buy from a previously favoured supplier, the more the buyer is considered to be satisfied with such supplier, at least to the extent that the company cannot identify a better alternative or is not sufficiently dissatisfied to switch.

The table also shows that only 11.3 percent of surveyed companies are not sure about the type of cars they will buy if they have to replace the current cars comprising their fleets. Again, a possible explanation of this is that companies in this category

either do not have enough experience with the types of cars in use to allow them to make reliable judgements, or the decision to continue with or to replace certain makes will depend on the circumstances prevailing at the time of purchase.

On the other hand, while those who are not sure about purchasing the same make again expressed the same view with regard to the models, more than 5 percent of the companies reported that they will not buy the same model even though they are going to buy the same make. Taking into account the tendency of some companies to change the cars comprising their fleets every two or three years, and the tendency of car manufacturers themselves to replace some or all models in use, for technical as well as marketing reasons, this percentage is probably to be expected.

Two points, however, are particularly worth mentioning here. First; while the results shown in Table 8.18 reflect a high degree of loyalty towards different car suppliers, this degree differs considerably between companies, buying mainly British-built cars and those buying mainly foreign-built ones. With reference to this point, the responses provided indicate that of those companies which do not have a clear intention concerning the type of cars they are going to buy in the near future, eight companies were among those indicating that British cars are generally preferred, three companies among those indicating no preference, and none among those indicating a preference for foreign cars. In other words, most of the "dissonant" companies came from the category currently buying British.

Second; the difference between the degree of product loyalty expressed by private consumers, where only 55.8 percent reported that they would buy the same make again, and the loyalty reported by companies, namely 88.7 percent, reflects clearly the main characteristics of each market, which necessitates adopting and pursuing different approaches in dealing with them.

8.12 Organisations' perceptions of the various aspects of British versus foreign-produced cars

Buyer perception is regarded as an important element affecting the product position in the market place. Perceptions are generally formed through the impact of many array of cues. Most notably these cues include product characteristics, price, and brand name, as well as purely subjective factors. The car industry is a classic example of products involving a greater variety of decision-making elements where the balance can easily be tipped by wholly subjective factors as by the usual considerations relating to economy, reliability and availability. In an attempt to address this issue, respondents were asked to give their opinions on a seven-point semantic differential scale for eleven bi-polar dimensions, representing the various aspects of a car. A profile was obtained by calculating individual or group mean scores. The higher the mean, the more favourable foreign cars were considered to be by respondents compared to British cars. Table 8.19 shows the distribution of the sample responses and the mean value of each dimension.

From the findings of the table, the following comments can be made:

- (1) In general, foreign cars are favourably perceived by respondent companies compared to British-built cars. With the exception of product uniqueness, foreign cars appear to be more favourably perceived in relation to all the comparison dimensions.
- (2) Product quality and reliability, technical sophistication, and overall performance are aspects of foreign cars that are highly appreciated compared to British ones. Such findings correlate well with those presented in Table 8.17 where product features appeared to be the main reason for buying foreign cars. Both findings, taken together, reveal an important area of weakness in British car manufacturers' marketing strategies and explain to some extent why foreign manufacturers have begun to make serious inroads into the fleet and business car market.

Table 8.19: Mean ratings of respondents' perceptions of foreign versus British cars

Level of perception Dimension	7		6		5		4		3		2		1		Dimension	Total N	Total %	Mean Value
	N	%	N	%	N	%	N	%	N	%	N	%	N	%				
Reliable	8	9.3	16	16.8	25	29.1	30	34.9	6	7.0	1	1.2	0	0	Unreliable	86	100	4.85
Technically advanced	10	11.6	14	16.3	19	22.1	37	43.0	5	5.8	0	0	1	1.2	Technically backward	86	100	4.80
High quality	10	11.6	13	15.1	21	24.4	35	40.7	5	5.8	2	2.3	0	0	Low quality	86	100	4.79
Good performance	5	5.8	16	18.6	19	22.1	46	53.3	0	0	0	0	0	0	Bad performance	86	100	4.77
Good value	4	4.7	16	18.6	17	19.8	39	45.3	8	9.3	1	1.2	1	1.2	Poor value	86	100	4.56
Safe	5	5.8	13	15.1	14	16.3	47	54.7	7	8.1	0	0	0	0	Dangerous	86	100	4.56
Economic	5	5.8	12	14.0	18	20.9	42	48.8	8	9.3	1	1.2	0	0	Uneconomic	86	100	4.55
Comfortable	3	3.5	13	15.1	17	19.8	48	55.8	4	4.7	1	1.2	0	0	Uncomfortable	86	100	4.54
Reasonable priced	4	4.7	10	11.6	22	25.6	38	44.2	11	12.8	1	1.2	0	0	Unreasonably priced	86	100	4.48
Wide model selection	5	5.8	12	14.0	7	8.1	46	53.5	12	14.0	4	4.7	0	0	Limited model selection	86	100	4.30
Unique	0	0	1	1.2	9	10.6	56	65.9	7	8.2	4	4.7	8	9.4	Ordinary	85	100	3.67

- (3) It is interesting to note that there is a considerable degree of agreement between the customer and organisation sectors with regard to the way they perceive foreign versus British-produced cars. Both sectors placed product reliability, technical advancement and product quality as the most favourably perceived dimensions, although the customer sample gave these aspects a significantly higher score than was awarded by the company sample. The two sectors agreed closely on the degree of favourableness assigned to the remaining dimensions except for price, where the customer sample expressed a relatively higher degree of favourableness towards the reasonableness of the price at which foreign cars were offered compared to the views expressed by the company sample.

To sum up, as in the case of the private sector, foreign cars are favourably perceived by UK companies. Accordingly, it seems that maintaining competitiveness in this vital sector depends partly on continual improvement of the image presented by British manufacturers and their products. This involves persuading the fleet and business car buyers that the type of products they introduce are capable of matching their requirements.

Company differences and relative perceptions of foreign versus British Cars

In order to gain greater understanding of the kind of perception expressed by respondents toward foreign versus British produced cars, a cross tabulation analysis was made to determine the relationship, if any, between the dependent variables (i.e. the perception of different car attributes) and the independent variables (i.e. company size and nature of business). Such analysis of differences in perceptions expressed by respondents showed that they were independent of company size. The type of business, however, revealed definite associations with opinions expressed on three dimensions, namely, price, degree of technical progress, and value for money. In general, industrial companies tend to express a more favourable perception towards these three dimensions than companies operating in other types of business.

For example, whereas 79.9 percent of industrial companies reported that foreign cars are reasonably priced compared to British cars, only 35.3 percent of consumer companies expressed the same view. This means that an effective communications approach should be directed towards the first segment of companies to dispel any negative attitudes they might have towards British-produced cars that might have an effect on their current and future buying behaviour. Needless to say, an unfavourable image can not only lead the customer towards the position where he will not consider buying the product, but may also cause him to decide not even to expose himself to the marketing and operational activities of the producer.

8.13 Companies' attitudes towards the marketing activities of British car producers

As with the private customer sample, an attempt was made to measure the organisations' attitudes towards the different marketing efforts being made by British car producers to improve their competitive position in the home market. It is assumed that the more the respondents feel that British car producers are making efforts to introduce the type of products they need, the more loyal they will be to these products. This also, in turn, can increase the possibility of adopting a customer-orientation philosophy by different car producers.

The questions used in data collection relating to companies' general attitudes toward the marketing practices of British car producers included eleven statements on a "likert-type" scale. Respondents were asked to score each statement along a five-point scale, ranging from "Strongly agree" to "Strongly disagree". Table 8.20 shows the statements and the results obtained regarding each statement.

The table shows that, with the exception of the last statement about the overall performance of British versus foreign cars, the majority of respondents appear to have favourable attitudes towards the different marketing activities carried out by British car producers. However, there are noticeable differences among respondents in relation to their agreement or disagreement with different statements that can be shown as follows:

Table 8.20: Respondents' attitudes toward the different marketing activities of British car producers

Level of agreement Statement	Strongly agree (5)		(4)		(3)		(2)		Strongly disagree (1)		Total		Mean
	N	%	N	%	N	%	N	%	N	%	N	%	Value
(1) In general, British car manufacturers make an effort to design cars to fit the needs of their customers.	5	5.2	45	46.4	40	41.2	5	5.2	2	2.1	97	100	3.47
(2) British cars are available at reasonable prices.	4	4.2	32	33.3	45	46.9	14	14.6	1	1.0	96	100	3.25
(3) Over the past several years, the quality of most British cars has not improved.	5	5.2	14	14.5	19	19.8	38	39.6	20	20.8	96	100	2.44
(4) British cars are now more reliable than ever.	10	10.4	44	45.8	30	31.2	8	8.3	4	4.2	96	100	3.50
(5) From our point of view, style changes are not as important as improvement in product quality.	17	17.7	39	40.6	30	31.2	7	7.3	3	3.1	96	100	3.63
(6) For most car makes and models, differences are insignificant and unimportant to buyers.	3	3.1	15	15.5	26	26.8	42	43.3	11	11.3	97	100	2.56
(7) British car producers are more interested in making profits than serving their customers.	3	3.2	15	15.8	41	43.2	28	29.5	8	8.4	95	100	2.76
(8) Generally speaking, British cars are available at convenient places.	11	11.3	65	67.0	18	18.6	3	3.1	0	0	97	100	3.87
(9) British car producers' advertisements are reliable sources of information about the quality and performance of their cars.	2	2.1	29	29.9	52	53.6	13	13.4	1	1.0	97	100	3.19
(10) In general, the after-sale service and delivery provided by British producers and dealers is getting better.	3	3.1	44	45.4	42	43.3	6	6.2	2	2.1	97	100	3.41
(11) British cars, in general, operate more efficiently than those of foreign producers.	1	1.1	8	8.4	60	63.2	15	15.8	11	11.6	95	100	2.72

- (1) A relatively high level of favourable attitudes was expressed by respondents concerning the convenient location of British car dealers, increasing car reliability and the efforts being made to design cars that fit the needs and requirements of their segment of the market. The surveyed companies agreed almost unanimously that British produced cars are easily obtainable at convenient places. This high degree of favourableness, 78.3 percent strongly agreeing or agreeing, is confirmed by the reasons given by companies adopting a "buy British policy" where convenience of access to local dealers appears to be one of the main reasons for buying British cars. Analysis of the companies' responses to the question also shows that, while 56.2 percent of respondents strongly agreed or agreed that British cars are now more reliable than ever, only 12.5 percent expressed disagreement with such statement, whereas 31.2 percent indicated uncertainty. Table 8.20 also indicates that a majority of 51.6 percent of respondents agreed that "in general, British car manufacturers make an effort to design cars to fit the needs of their customer", compared to just 7.3 percent who expressed disagreement, while 41.2 recorded uncertainty.
- (2) A relatively low level of favourable attitudes was expressed by respondents with regard to the remaining aspects of marketing efforts. Expressed attitudes towards pricing, quality, profit-orientation, advertising credibility, and the quality of after-sale service, show only a marginal degree of favourableness. This might indicate that a considerable number of respondents either do not have enough knowledge concerning the level of performance in these areas or that they simply refused to adopt a position.
- (3) When asked about the relative importance of style changes and improvements in product quality, a majority of 58.3 percent of respondents stated that quality improvements are more important than style changes. At the same time, over 54.5 percent of respondents believe that for most car makes and models, differences among competing brands are significant and important to buyers. So, as with private customers, companies seem to place a high value on product variety and freedom of choice in the market. As such, any successful marketing strategy directed towards organisational buyers should take account of these findings.

- (4) A comparison of the attitudes expressed by the customer sample and those displayed by organisations regarding the same issues reveals some interesting results that can be summarised as follows:
- a. There is close agreement between the two sectors about the statement that British cars generally operate less efficiently than those of foreign origin. Also, respondents in both samples expressed similar attitudes toward the relative importance of style changes compared to improvement in product quality, and the relative significance of differences among competing car brands from the buyers' point of view.
 - b. There was also a general agreement by both groups in relation to statements about the efforts being made to design cars to fit the needs of customers, reliability improvement, and the quality of after-sale service and delivery provided. However, with reference to most of the views expressed about these aspects, respondents in the company sample appear to express more favourable attitudes than respondents in the customer sample. This might also reflect differences in the marketing practices of British and foreign car producers in both markets, in that British car manufacturers seem to achieve an impressive performance, at least up to the present time, in the company car market, contrary to their performance in the private car sector.
 - c. There is considerable disagreement in the attitudes expressed by the two samples with regard to some other statements. The most notable differences are those relating to advertising, pricing and quality aspects. For example, whereas only 14.4 percent of respondent companies did not agree that British car producers' advertisements are reliable sources of information about the quality and performance of their cars, a considerable proportion, 31.4 percent of private consumers, expressed the same view. In other words, the percentage of those having negative attitudes towards advertising is much higher in the customer sample than in the company sample. Similarly, while the company sample expressed relatively positive attitudes toward the pricing policies of British car manufacturers, (37.6 percent strongly agreeing or agreeing,

against 15.6 percent disagreeing or strongly disagreeing), respondents in the customer sample expressed generally negative attitudes concerning the same dimension, (31.5 percent strongly agreeing or agreeing, against 34.2 percent disagreeing or strongly disagreeing). The same applies with regard to attitudes expressed about the statement concerning quality improvement.

To sum up, although the preceding analysis demonstrates that companies generally have favourable attitudes toward the marketing efforts carried out by British car producers, it also reveals some weak points that reduce the effectiveness of such practices. This being the case, these findings suggest that British car producers should re-examine and modify their marketing policies and practices to cope with the new situation in the fleet and business car market and endeavour to close or narrow the strategic gaps that might give foreign competitors additional opportunities.

8.14 What UK car manufacturers might do to maintain and improve Competitiveness

Finally, all respondents were asked to submit any suggestions or ideas that they believed would help to win back and retain the traditional competitive position of UK car producers in the business and fleet car market. Table 8.21 summarises the respondents' answers to this question.

As can be seen from Table 8.21, there is a high level of agreement between opinions expressed by respondent companies concerning the importance of improving product reliability as a means of maintaining competitiveness.

Typical of the comments on this point were:

"We used to buy Rover because it's British, but it is quite simple the very worst executive car in terms of reliability... after experiencing the troubles it gave, most of our employees used to say 'never again'."

Table 8.21: Suggestions for maintaining and improving Competitiveness in the fleet and business car market

Suggestions	N	%	Rank
- Improving product reliability	32	59.3	1
- Better quality and workmanship	26	48.1	2
- Improving dealership performance	21	38.9	3
- Considering customer needs	18	33.3	4
- Better quality of after-sale service and spares supply	17	31.5	5
- Offering better value for money	13	24.1	6
- Insuring availability of British cars	8	14.8	7
- Providing wide model range	6	11.1	8/9
- More supportive role by government	6	11.1	8/9
- Improving productivity	2	3.7	10/11
- Better labour-management relations	2	3.7	10.11

(1) Total response to the question - 54 = 100%

(2) Total percentage more than 100% due to some respondents offering more than one suggestion.

"In many respects, today's British cars are much better than in previous years. However, there are still some areas requiring improvement, especially those related to reliability and service."

Improving product quality and workmanship is another aspect proposed by the surveyed companies as a means of maintaining and enhancing competitiveness in the fleet and business car market. Not surprisingly, in view of the date presented in Tables 8.16 and 8.17, more than 48 percent claimed that upgrading product quality should be taken seriously if British car manufacturers are to maintain and improve market share in the company car sector.

Also, a considerable number of respondent companies, 38.9 percent, suggested that improving the dealership system would be of great help in restoring and maintaining competitiveness. Typical comments were:

"Some British dealers aren't as good as others. Rectification of problems is often slow... dealers must be trained to undertake all aspects of fleet selling."

"We are satisfied with today's business cars. Their weaker points, however, are pre-delivery inspection and after-sale service which are completely the responsibility of dealers."

Suggestions included in Table 8.21 also indicate that the identification of the fleet customer's needs together with the ability to satisfy these needs is regarded by a number of respondent companies, (33.3 percent), as a crucial factor in maintaining and improving competitiveness. Typical examples of comments made in this area were:

"British producers should take greater care to find out what various buying groups actually want in a car. For example, BL never produced a 1799 CC tax-break engine for their wide-range car, unlike both Ford and Vauxhall who scored the ball."

"Most cars are company cars now that we think this is a point to be considered. Most of what is offered does not meet our requirements."

"It would be very helpful if the UK manufacturers would consult companies like ours to find out what we want, then design around our needs."

In the same vein, a considerable number of the surveyed companies suggested that providing better quality of after-sale service and spares supply, offering better value for money, improving availability of cars, and providing a wider model range would help to improve performance and market share in the fleet and business car sector.

Finally, providing a more supportive role by the government either by offering financial assistance, controlling inflation, convincing the companies to buy British, or by imposing import controls effectively on foreign cars is proposed as a major contribution towards enhancing competitiveness. Adopting more efficient production and design systems to achieve lower prices and lower service and maintenance costs, and achieving better labour-management relations, were also suggested by some respondents as essential factors for maintaining and improving competitiveness in the company car market.

With reference to the above suggestions, two points are worth emphasising here: First; most of the proposals submitted by the surveyed companies for improving competitiveness assigned considerable importance to marketing aspects. This strengthens the conclusion derived from our literature review concerning the car industry to the effect that attention to marketing factors brings improved market performance. Second; most of the suggested factors are submitted specifically as reasons for buying foreign cars, which indicates clearly that the UK car manufacturers should seriously consider implementing such proposals as a matter of urgency if they want to continue dominating the fleet and business car sector.

8.15 The companies that do not supply staff cars

The second part of the questionnaire was designed to examine the main reasons for some companies not acquiring cars and to study the marketing efforts made by British car manufacturers to attract this segment of the market to their business 'companies' responses to this small part of the questionnaire can be summarised as follows:

- (1) Eleven companies stated that they do not acquire cars for the use of their employees. These companies represented around 10.2 percent of all the companies responding to the questionnaire.
- (2) Among these companies four operated in the industrial field, three in the consumer field, another three in the Service Sector and one other. This group consisted of nine small firms employing less than one hundred employees and two medium-sized firms employing 101 to 500 employees.

- (3) Four of the eleven companies had considered buying cars recently, while the remaining seven had not considered such a possibility. With regard to the types of cars considered, three companies reported considering a combination of British and foreign makes, while the other considered buying British only.
- (4) The following reasons were given by companies for not having company cars:
- The company cannot afford to give away cars.
 - Acquiring cars would be a taxable benefit.
 - The size of business is too limited to justify acquiring cars.
 - Being a public unit where acquiring cars is not allowed.
 - Being new in conducting business.
- (5) Six of the companies have not been contacted by any car dealer, while the remaining five companies, reported that there is fairly regular contact with dealers. Direct mail is the most frequently used selling approach by dealers, followed by telephone contact. Only one company reported that there was personal contact between the dealer and the company's representatives. Finally, among different car dealers who made contact, the ones mentioned were those dealing in BMW, Volkswagen, Renault, Fiat, Ford, and Vauxhall.

In brief, the above analysis concerning non car-owner companies indicates that most of these companies are small ones, and the ones contacted by dealers were mainly approached by those handling foreign-produced cars.

Summary and Conclusions:

In this chapter, an attempt was made to examine the extent to which British car manufacturers have committed themselves to an effective competitive marketing strategy in a sector which is seen as providing the main support in terms of their survival and validity. The results of this investigation revealed some areas of strengths and weaknesses in the marketing practices of British car producers. The most notable areas of strength include: providing a better model range, local availability of car models and spare supply, convenient location of local dealers and an overall favourable pricing policy.

On the other hand, the study reveals some weaknesses, including the following:

- a. Although there is broad satisfaction in respect of the reliability of British-built cars, the reasons given for "buying foreign" as well as for "buying British" cars, clearly demonstrate that reliability is an area where foreign manufacturers appear to have some advantage.
- b. In the same vein, although dealers handling British-produced cars seem to be generally competitive with those handling foreign cars, yet in some dealership aspects such as pre-delivery inspection, quality of after-sale service and providing information about the cars purchased, dealers handling foreign cars appear to have a clear advantage. This contention is supported by the results of the customer questionnaire which pointed to the same areas of weaknesses in dealership performance.
- c. Generally speaking, foreign cars appeared to be favourably perceived by British companies, compared to British-produced ones. In addition, while the companies' attitudes toward the marketing activities adopted and pursued by British car manufacturers appear to be generally favourable, these attitudes reflect a relative measure of dissatisfaction when the products of British manufacturers are compared in terms of overall performance with those of foreign origin. Such findings clearly demonstrate that the potential competitive position of British car producers is greatly affected by wholly subjective factors as well as by the objective dimensions discussed earlier.

The study also reveals some strategic gaps in the policies pursued by British car producers that might be exploited by their foreign counterparts. The most obvious gaps include:

- a. The neglect by most British car producers of small companies which seem to be exploited by foreign competitors, in that the majority of these companies appear to acquire foreign cars for some or most of their employees.
- b. The executive car segment is the sector in which UK car manufacturers appear to be losing most ground to foreign

manufacturers, and the one in which the distinctive appeal of foreign cars would give them something of an advantage.

- c. Although the study did not devote a great deal of attention to the companies' views on the promotional activities pursued by UK car producers, it seems that the selling methods rely primarily on direct mail and the telephone rather than on personal selling, in a market where selling has been described as a very personal business.
- d. The long-established poor image which British cars have projected in terms of reliability, performance, styling, etc., seems still to be affecting the perception of these cars, in spite of the considerable progress achieved with regard to these aspects. This again, reflects the limited efforts being made to improve their image and consequently the overall perception of British-built cars.
- e. British car manufacturers and dealers also seem to adopt similar marketing approaches in the private and business car sectors which might reflect, to some extent, failure to appreciate and understand the different nature and requirements of these sectors as well as being an indication of the inadequate resources and expertise devoted to the company car sector.

In this situation, it might be argued that the lack of a creative and effective marketing approach is the main reason behind the current troubles facing the UK car manufacturers and affecting their traditional competitiveness in the fleet and business car markets.

Drawing upon inferences from the above study findings one can conclude that, although British car manufacturers continue to dominate the fleet and business car market, there seems little doubt that foreign producers will continue to present a serious threat. There are indications that importers, by broadening their model ranges, establishing wide and effective dealerships, giving attractive deals, stressing the distinctiveness of their products, and offering attractive and easy financing, have succeeded in insinuating themselves into some marketing gaps and have achieved some significant results especially in the

executive car sector. So, faced with such challenges and with the need to maintain, and even increase, their market share, British manufacturers should adopt an aggressive marketing strategy based on identifying and satisfying the special requirements of the market as well as being able to adopt to and absorb the various kinds of competitive threat imposed by foreign producers.

These findings generally confirm our third hypothesis put forward in Chapter Six that, "due to the known characteristics of consumers and organisational buying behaviour, buyers in the latter group are more loyal to British car producers than those in the former one, accordingly British cars will experience less deterioration in this sector".

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CHAPTER NINE

SUMMARY OF CONCLUSIONS AND THE STUDY IMPLICATIONS

CHAPTER NINESUMMARY OF CONCLUSIONS AND THE STUDY IMPLICATIONSIntroduction

While considerable efforts have been directed towards investigating the fundamental causes of the alleged decline of the British car industry, substantially less time and effort has been devoted to assessing the effectiveness of the underlying marketing strategies and the role played by them in the disappointing market performance of UK car manufacturers.

Thus, the present study is an attempt to fill some of the gaps that exist in this somewhat neglected area. It is entirely devoted to comparing and contrasting key elements of the marketing strategies of British car producers and their major rivals in the domestic market. Particular attention is paid to the manner in which the foreign competitors have used their marketing expertise to establish themselves in the UK car market and thereafter increase their share of that market.

The main conclusions of the study and their implications will be summarised in the first part of this chapter. The contribution of the study, its limitations, and proposals for further research to be undertaken in the area of competitive marketing strategy will be discussed in the second part.

Competitive Marketing Strategy and Success in the Car Business:The Main Conclusions

Drawing upon inferences from the study findings, our main conclusion is that marketing factors, especially non-price aspects, are the major determinants of competitive success in the car market. The evidence derived from the study findings clearly suggests that the superior performance of many foreign producers, especially the Japanese and Germans, in the British car market is based on their ability to incorporate these aspects into their

competitive strategies which are relatively neglected by British Car Producers. Another major conclusion derived from the fieldwork was that UK-built cars, because of their long-established poor image, are perceived less favourable than imported ones. Thus, in seeking reasons for the lack of competitiveness by British Producers, it seems sensible to consider how their cars are perceived by buyers.

Implications of the Study

The study findings appear to have practical and theoretical implications for both the UK car manufacturers and public policy planners.

For British car manufacturers, the major implication of this study is the need to adopt and implement a coherent competitive marketing strategy. The results of this study made it clear that the steady decline in the competitive position of the British car industry is due largely to the approach adopted by management in competing in the home market. Such an approach pays little or no attention to the real needs of the market place and suggests that British car producers tend to treat the company car market in the same way as they deal with the private car market.

In order to improve the competitiveness of the British car industry, the results of this study suggest that the following changes are required:

- (1) A market-oriented strategy is needed. Although it may sound self-evident, it has to be repeated that market orientation and the analysis of the needs of the market are major requirements for recovery.
- (2) British car producers need to pay more attention to the non-price factors of competition. In particular, they should upgrade the quality and reliability of their products, improve dealers' performance, and devote more attention to their advertising methods in order to stimulate demand for their cars.

- (3) Perhaps of greatest importance, it must be recognised that consumers' attitudes and perceptions toward certain products are as powerful as the attributes of the products themselves in achieving competitiveness in the market place. This implies the need for continuous effort to improve the image of British-produced cars.
- (4) Another implication of the study is that adopting a strategy of market segmentation would be of help in recovering and maintaining competitiveness. By segmenting the market, UK car manufacturers and dealers could take advantage of the dissimilarities that exist between different groups of car buyers, as well as preventing further import penetration of those segments that are not served well by the present products.
- (5) Finally, UK car manufacturers must recognise that they are working in a competitive environment, and survival can be achieved only through superior competitive strength. Therefore, the first priority in their business should be to identify clearly what constitutes superior competitive strength in the particular segments they are serving.

Needless to say, the initiative for these changes has to come from the management of British car companies. In other words, restoring a competitive edge requires a basic change in the philosophy, perspective, and approach adopted by British car companies in relation to marketing.

With regard to public policy planners, the study and its findings clearly indicate that the government has a role to play in achieving recovery of competitive strength. This role can be stated briefly in "finding a stable operating environment". By stabilising the fiscal policy toward industry, stimulating capital investment, accelerating product development, encouraging better labour-management relations, and by acknowledging that restoring and improving the industry's competitive position is a national priority, the government can help in finding this stable and

encouraging environment, which in turn can help in getting the industry out of its present troubles.

Contributions of the Study

It is believed that the present study makes some contribution to the literature of competitive marketing strategy, offers some useful information to car manufacturers in general and British car producers in particular.

First; many different explanations have been proposed to account for the poor performance of the UK car industry. However, the failure of British car producers to market their products effectively is rarely cited as a reason for declining competitiveness. The present study provides strong evidence for the influence of marketing on competitive performance. The study makes the point that recovering and maintaining competitiveness can be achieved by producing a product that has value from the customer's point of view. If UK car manufacturers devote their attention to this basic requirement, focus their attention on the broadly define marketing function and thereafter formulate an appropriate strategy, recovery could be achieved. With regard to this point, the study offers both marketing scholars and management in British Companies, especially car-producing companies, some insights relating to the successful development and application of competitive marketing strategies in practical terms.

Second; the present study, in addition to the body of literature which has provided evidence that many foreign car manufacturers, especially the Japanese, have improved their performance by adopting a coherent competitive marketing strategy, provides useful empirical data and information that could help British car producers to see certain areas in which possible improvement would be introduced to achieve recovery. In addition, a major contribution of the study could stem from the suggestions proposed as to how they, i.e. British producers, can benefit from adopting and pursuing effective marketing strategy in order to achieve customer satisfaction and respond to competitive threats.

Third; to the knowledge of the researcher, this is one of the very few studies that has addressed the issue of buyers' perceptions and attitudes and their effect on relative market performance.

Although this aspect has been the subject of much comment and advice, research evidence drawn from buyers themselves has all too rarely been part of the discussion and debate. Accordingly, the researcher believes that the results of this study make a valuable contribution to this important area.

Limitations of the Study

This study, like any other, has its limitations, three of which must be acknowledged:

- (1) The customer sample used in the study is not necessarily representative of the entire car buying public in Britain. Because of time and cost limitations, the study covered only car buyers living in Glasgow and surrounding districts. If the pattern of car purchasing behaviour of Glasgow Citizens is similar to that exhibited by people in other cities in Britain, our results can be said to have general applicability concerning all car owners in Britain, but sampling of other areas would have to be undertaken to confirm this. With regard to the company sample, the same limitation could be claimed, although it is more widely dispersed than the customer sample.
- (2) The study was applied to mass producers, and as such, the application of its results to specialised car producers in Britain cannot be claimed.
- (3) The study has focused only on the role of marketing factors in explaining the performance gap between British and foreign car producers in the British market. Undoubtedly examining such factors as management philosophies and practices, labour-management relations, productivity trends, and government policies, may explain the unexplained variance in the performance gap showed by this study.

Taking account of these limitations, we can recommend other areas for further research.

Suggestions for further research

The study has focused on the potential role of marketing factors in achieving competitive success and how the absence of an effective competitive marketing strategy could be cited as a major factor explaining the poor performance of British car producers in their home market. The following areas that remain unexplored could benefit from further research:

- (1) Another approach to the study of competitiveness in the car industry is to examine the effect of adopting and pursuing competitive marketing strategy on relative market performance from the producer's point of view. How British car producers plan their marketing activities, formulate their competitive strategies and behave in the market place, and the effect of these practices on their competitive position constitute an interesting area of investigation which merits further research.
- (2) The present study considers the British motor industry, narrowly defined. It does not cover commercial vehicles or the manufacturers of components. Although the problems in these industries are much less acute, yet examining the dynamics of competition and the role of marketing factors in shaping the competitive performance in these sectors is thought to be of value.
- (3) Examining the extent to which the application of a single marketing activity, such as product policy, distribution channels, or promotion activities, can contribute to improved market performance by the British car industry is another approach worthy of consideration.
- (4) Much still has to be learned about how the perceptions and attitudes of buyers toward different car brands can affect their buying behaviour and brand loyalty. Especially, it would be valuable to incorporate in such a study data on buying motives and behaviour, the relative importance of car attributes as perceived by different car segments, the effect of country of origin on perception of the car, information-seeking behaviour etc... in order to be able to relate the

perceptions and attitudes of buyers to relative performance in the market place.

- (5) Another possibility would be focus on how British car producers compete in overseas markets, and measure the extent to which the adopted marketing strategies reflect their competitive position in these markets.
- (6) As the car industry is only one example of the "British disease", a parallel investigation of other industries or other sectors would be most helpful to those who are concerned with increasing the competitiveness of the British economy.

APPENDICES

Appendix A:	Customer Survey
Appendix B:	Companies' Survey
Appendix C:	Bibliography



University
of Strathclyde

STUDENT RESEARCH PROJECTS*
Department of Marketing

Stenhouse Building, 173 Cathedral Street, Glasgow G4 0RQ
Tel: 041-552 4400

March 1986.

Dear Respondent,

I am writing to ask for your assistance in a research project being undertaken by the Department of Marketing into the way people buy cars. As you know, British cars are experiencing a lot of competition from foreign models, and we hope your answers will help us understand why people prefer one model to another.

It goes without saying that the reliability of our results depends upon the quality of the return we receive. I realise how busy you are, but I would be very grateful if you could spare the time to complete the enclosed questionnaire and return it at your earliest convenience.

Thank you in advance for your help.

Yours sincerely,

A handwritten signature in cursive script that reads "G.M. El Morsy".

G.M. El Morsy.

CUSTOMERS' QUESTIONNAIREQ. (1): About Your Car

- (a) Would you please tell me the make, model and year of registration of your car?

Make:

Model:

Registration Year:

- (b) How long have you had this car? (Please tick one box)

- less than one year
- over one year and under three years
- over three years and under five years
- over five years

- (c) Do you own your own car? (Please tick one box)

Yes

No

If "no" who does own your Car?

- Employer
- Others (please write in)

- (d) Was it bought new or second hand?

New

Second hand

- Q. (2) How important are the following factors when buying a car? (Please circle the number which best describes your opinion).

Factor	Very Important (5)	(4)	(3)	(2)	Not Important At All (1)
a - Price	5	4	3	2	1
b - Reliability	5	4	3	2	1
c - Fuel economy	5	4	3	2	1
d - Comfort	5	4	3	2	1
e - Safety	5	4	3	2	1
f - Roominess	5	4	3	2	1
g - Durability	5	4	3	2	1
h - Ease of maintenance	5	4	3	2	1
i - Guarantee terms	5	4	3	2	1
j - Costs/availability of spares.	5	4	3	2	1
k - Delivery date	5	4	3	2	1
l - After-Sale Service	5	4	3	2	1
m - Newness of model design	5	4	3	2	1
n - Load/capacity	5	4	3	2	1
o - Style/image	5	4	3	2	1
p - Insurance grouping	5	4	3	2	1
q - Hatchback/estate	5	4	3	2	1
r - Prestige/status	5	4	3	2	1
s - Colour	5	4	3	2	1
t - Other factors (please specify).					
	5	4	3	2	1
	5	4	3	2	1

- Q. (3) Excluding accident damage and routine maintenance, how many times has your car been off the road due to mechanical faults in the last six months?
(Please tick one box)

a. Never
b. Once
c. Twice

d. Three times
e. Four times
f. Five times
and over

Q. (4) In the last six months, how many times has your car broken down when you were on a journey?
(Please tick one box)

- | | | | |
|----------|--------------------------|---------------------------|--------------------------|
| a. Never | <input type="checkbox"/> | d. Three times | <input type="checkbox"/> |
| b. Once | <input type="checkbox"/> | e. Four times | <input type="checkbox"/> |
| c. Twice | <input type="checkbox"/> | f. Five times
and over | <input type="checkbox"/> |

Q. (5) How many times did your car fail to start at home or elsewhere during the last six months?
(Please tick one box)

- | | | | |
|----------|--------------------------|---------------------------|--------------------------|
| a. Never | <input type="checkbox"/> | d. Three times | <input type="checkbox"/> |
| b. Once | <input type="checkbox"/> | e. Four times | <input type="checkbox"/> |
| c. Twice | <input type="checkbox"/> | f. Five times
and over | <input type="checkbox"/> |

Q. (6) If your car was new, how would you describe its conditions on delivery?
(Please tick one box)

- | | |
|-------------------------|--------------------------|
| a. Very Good | <input type="checkbox"/> |
| b. Generally Good | <input type="checkbox"/> |
| c. Acceptable Condition | <input type="checkbox"/> |
| d. Generally Bad | <input type="checkbox"/> |
| e. Very Bad | <input type="checkbox"/> |

Q. (7) Would you say that your car has proved;
(Please tick one box)

- | | |
|-------------------------|--------------------------|
| a. Extremely reliable | <input type="checkbox"/> |
| b. Very reliable | <input type="checkbox"/> |
| c. Generally reliable | <input type="checkbox"/> |
| d. Very unreliable | <input type="checkbox"/> |
| e. Extremely unreliable | <input type="checkbox"/> |

Q. (8) How important were the following factors in selecting the particular car dealer from whom you bought your car?
 (Please circle the number which best describes your opinion).

Factor	Very Important (5)	(4)	(3)	(2)	Not Important At All (1)
a - Wide model range	5	4	3	2	1
b - Acceptable delivery time	5	4	3	2	1
c - Relative price	5	4	3	2	1
d - Credit terms	5	4	3	2	1
e - Giving adequate information	5	4	3	2	1
f - Quality of after-sale service	5	4	3	2	1
g - Vehicle warranty	5	4	3	2	1
h - Accessibility	5	4	3	2	1
i - Service and maintenance costs/availability	5	4	3	2	1
j - Reasonable parts/costs/availability	5	4	3	2	1
k. Other factors (please specify)					
_____	5	4	3	2	1
_____	5	4	3	2	1

Q. (9) Do you think that your dealer tried to compete on the basis of a low price offer or did he try to emphasise the cars performance over time?
 (Please tick one box)

- a. Emphasised price advantage
- b. Emphasised cars performance
- c. Emphasised both

- Q. (10) How satisfied are you with your dealer with regard to to the following.
(Please circle the number that best described your opinion)

Factor	Very Satisfied (5)	(4)	(3)	(2)	Not Satisfied At All (1)
a - Model range	5	4	3	2	1
b - Delivery time	5	4	3	2	1
c - Parts costs/availability	5	4	3	2	1
d - Quality of after-sale service	5	4	3	2	1
e - Credit terms	5	4	3	2	1
f - Giving information about the car	5	4	3	2	1
g - Pre-delivery inspection	5	4	3	2	1
h - Guarantee terms	5	4	3	2	1
i - Accessibility	5	4	3	2	1
j - Service and maintenance costs/availability	5	4	3	2	1

- Q. 11. In seeking information about your car, how important were each of the following sources?
(Please circle the number that best described your opinion)

Source	Very Important (5)	(4)	(3)	(2)	Not Important At All (1)
a - Previous experience	5	4	3	2	1
b - Consumer reports (Which?)	5	4	3	2	1
c - Car magazines	5	4	3	2	1
d - Dealers or salesmen	5	4	3	2	1
e - Friends or relatives	5	4	3	2	1
f - Advertising brochures	5	4	3	2	1
g - Press advertisements	5	4	3	2	1
h - Garagemen and mechanics	5	4	3	2	1
i - Service station men	5	4	3	2	1
j - Car shows	5	4	3	2	1
k - Other sources (Please specify)					

Q. 12. a) Before buying your car, did you see any advertising for cars?

Yes
 No

b) If "Yes" what makes and models of cars did you see or hear advertised?

<u>Make</u>	<u>Model(s)</u>
(i)	
(ii)	
(iii)	
(iv)	
(v)	
(vi)	
(vii)	
(viii)	

c) Where did you see or hear advertising for your own car?
 (Please tick all that apply)

- T.V.
- Radio
- Car magazines
- Newspapers
- Billboards
- Others (please specify)

Q. 13. If you had to replace your car, would you buy the same model again? (Please tick one box)

- Yes
- No
- Don't Know

Q. 14. If your answer is "No" what are the reasons for not buying the same model? (Please tick all that apply)

- a. Wanting a type of car not produced by the manufacturer of the present car.
- b. Difficulty in getting spares.
- c. Less value for money.
- d. Dissatisfaction with its reliability.
- e. High running costs.
- f. High costs of maintenance and repair.
- g. Poor after-sale services
- h. High insurance rating.
- i. Other factors. (Please specify)

Q. 15. What one make or model of car would you be most likely to buy (Please write in).

Make:
Model:

Q. 16. a) Is your present car your first car or was it a replacement for another car? (Please tick one box)

- First Car
- Replacement

b) If a replacement car; what was the make and model of the car replaced?

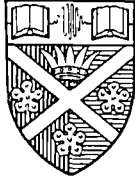
Make:
Model:

Q. 17. With respect to British Cars, foreign cars are: (Please circle the most appropriate number on the scale).

Reliable	7	6	5	4	3	2	1	Unreliable
Economic	7	6	5	4	3	2	1	Uneconomic
Safe	7	6	5	4	3	2	1	Dangerous
Comfortable	7	6	5	4	3	2	1	Uncomfortable
High Quality	7	6	5	4	3	2	1	Low Quality
Reasonably Priced	7	6	5	4	3	2	1	Unreasonably Priced
Technically Advanced	7	6	5	4	3	2	1	Technically Backward
Wide Model Selection	7	6	5	4	3	2	1	Limited Model Selection
Modern	7	6	5	4	3	2	1	Old-fashioned
Good Value	7	6	5	4	3	2	1	Poor Value
Unique	7	6	5	4	3	2	1	Ordinary

- Q. 18. Please indicate the extent to which you agree or disagree with the following statement? (Please circle the most appropriate number on the scale)

	Strongly Agree (5)	(4)	(3)	Strongly Disagree (2)	(1)
a. In General, British car manufacturers make an effort to design cars that fit the needs of the their customers.	5	4	3	2	1
b. In general, British cars are available at reasonable prices.	5	4	3	2	1
c. Over the past several years, the quality of most British produced cars has not improved.	5	4	3	2	1
d. British cars are now more reliable than ever.	5	4	3	2	1
e. From my point of view, style changes are not as important as improvements in product quality.	5	4	3	2	1
f. For most car makes and models, differences are insignificant and unimportant to buyers.	5	4	3	2	1
g. British car producers are more interested in making profits than serving customers.	5	4	3	2	1
h. Generally speaking, British cars are easily available at convenient places.	5	4	3	2	1
i. British car producers' advertisements are reliable sources of information about the quality and performance of thir cars.	5	4	3	2	1
j. In general, the after-sale service and delivery provided by British producers and dealers is getting better.	5	4	3	2	1
k. British cars, in general, operate more efficiently than those of foreign producers.	5	4	3	2	1



University
of Strathclyde

STUDENT RESEARCH PROJECTS*
Department of Marketing

Stenhouse Building, 173 Cathedral Street, Glasgow G4 0RQ
Tel: 041-552 4400

April 1986.

Dear Sir,

In recent years there has been a significant increase in competition in the fleet and business car market.

As part of a wide-ranging investigation into competitiveness, the Department of Marketing would like to document the way in which such buying decisions are made. Accordingly, we would value your help in completing the enclosed questionnaire.

All data will be aggregated and kept entirely confidential but we shall be pleased to send you a summary of results on request.

Thank you for your help.

Yours sincerely,

A handwritten signature in cursive script that reads "G. El Morsy".

G. El Morsy.

COMPANIES' QUESTIONNAIRE

Q. (1) Does your Company acquire cars for its employees?

Yes
No

If "No" please go to Section Two. Otherwise continue with Question 2.

Q. (2) a) Please state all makes and models of all cars used by your Company.

Make(s)	Model(s)
(1)	
(ii)	
(iii)	
(iv)	
(v)	
(vi)	
(vii)	
(viii)	

b) Does your Company buy, rent or lease? (Please tick all that apply)

- Buy
- Rent
- Lease
- Combination

c) How many cars does your Company have? (Please tick one box).

1 - 10
11 - 20
21 - 30

31 - 50
51 - 100
100 and over

- Q. (3) The following are some reasons that might be considered of importance to your Company when deciding to acquire cars for its employees. (Please circle the most appropriate number on the scale).

Reasons	Very				Not
	Important				Important
	(5)	(4)	(3)	(2)	At All
					(1)
a. For visiting cutomers	5	4	3	2	1
b. Improving Company image	5	4	3	2	1
c. Carrying and collecting goods	5	4	3	2	1
d. As a status symbol	5	4	3	2	1
e. Inter-Company travel	5	4	3	2	1
f. As an incentive to recruit additional staff and keeping existing ones	5	4	3	2	1
g. Others (Please specify)	5	4	3	2	1
	5	4	3	2	1

- Q. (4) How important would you say each of the following factors were in influencing the Company decision in choosing between different car makes and models? (Please circle the most appropriate number on the scale).

Factors	Very				Not
	Important				Important
	(5)	(4)	(3)	(2)	At All
					(1)
a. Purchase terms	5	4	3	2	1
b. Resale value	5	4	3	2	1
c. Fuel economy	5	4	3	2	1
d. After-sale service	5	4	3	2	1
e. Vehicle availability	5	4	3	2	1
f. Reliability	5	4	3	2	1
g. Roominess	5	4	3	2	1
h. Comfort	5	4	3	2	1
i. Costs/availability of parts	5	4	3	2	1
j. Size and quality of dealer network	5	4	3	2	1
k. Vehicle warranty	5	4	3	2	1
l. Insurance grouping	5	4	3	2	1
m. Boot/load capacity	5	4	3	2	1
n. Style/appearance	5	4	3	2	1

Q. (5) To what extent are the employees offered a choice of car?
(Please tick one box)

- a. Choice from caertain specified models
 - b. Choice of any car within a given price range
 - c. No choice
 - d. Others (Please specify)
- _____

Q. (6) Would you say that your Company cars have proved; (Please tick one box)

- a. Extremely reliable
- b. Very reliable
- c. Generally reliable
- d. Very Unreliable
- e. Extremely Unreliable

Q. (7) a) Did any car dealer make contact with your Company?

Yes

No

b) If "Yes" when? (Please write in month)

Year	Month
(i)	
(ii)	
(iii)	
(iv)	
(v)	

c) How did they approach your Company? (Please tick all that apply)

- Personally
 - Telephone
 - Direct mailing
 - Invitations to exhibitions or conferences
 - News letters
 - Others (Please specify)
- _____

d) What car dealer(s) tried to contact your Company?
(Please write in name)

- (i) _____
- (ii) _____
- (iii) _____
- (iv) _____
- (v) _____

Q. (11) If your answer to "Q.9" was "d" or "e", please state why your Company prefers foreign produced cars? (Please tick all that apply)

- a. No suitable U.K. equivalent
- b. Better value for money
- c. Cheaper
- d. Erratic availability of British cars
- e. Better service and spares supply
- f. More reliable
- g. Superior overall performance
- h. Better overall performance
- i. Other factors (Please specify)

Q. (12) a) If your Company has to replace its cars, would you buy the same make(s) again?

- Yes
- No
- Don't Know

b) If "Yes" would you buy the same model(s) again?

- Yes
- No
- Don't Know

c) If your answer is "No", what car make(s) would your Company be most likely to buy? (Please write in)

d) What car model(s) would your Company be most likely to buy? (Please write in)

Q. (13) With respect to British cars, foreign cars are:
 (Please circle the most appropriate number on the scale)

Reliable	7	6	5	4	3	2	1	Unreliable
Economic	7	6	5	4	3	2	1	Uneconomic
Comfortable	7	6	5	4	3	2	1	Uncomfortable
Good Performance	7	6	5	4	3	2	1	Bad Performance
High Quality	7	6	5	4	3	2	1	Low Quality
Reasonably Priced	7	6	5	4	3	2	1	Unreasonably Priced
Technically Advanced	7	6	5	4	3	2	1	Technically Backward
Wide Model Selection	7	6	5	4	3	2	1	Limited Model Selection
Modern	7	6	5	4	3	2	1	Old-fashioned
Good Value	7	6	5	4	3	2	1	Poor Value
Unique	7	6	5	4	3	2	1	Ordinary

- Q. (14) Please indicate to what extent to which you agree or disagree with the following statements. (Please circle the most appropriate number on the scale).

Statement	Strongly Agree		(3)	Strongly Disagree	
	(5)	(4)		(2)	(1)
a. In general, British car manufacturers make an effort to design cars to fit the needs of their customers.	5	4	3	2	1
b. In general, British cars are available at reasonable prices.	5	4	3	2	1
c. Over the past several years, the quality of most British produced cars has not improved.	5	4	3	2	1
d. British cars are now more reliable than ever.	5	4	3	2	1
e. From our point of view, style changes are not as important as improvements in product quality.	5	4	3	2	1
f. For most car makes and models, differences are insignificant and unimportant to buyers.	5	4	3	2	1
g. British car producers are more interested in making profits than serving their customers.	5	4	3	2	1
h. Generally speaking, British cars are easily available at convenient places.	5	4	3	2	1
i. British car producers' advertisements are reliable sources of information about the quality and performance of their cars.	5	4	3	2	1
j. In general, the after-sale service and delivery provided by British producers and dealers is getting better.	5	4	3	2	1
k. British cars, in general, operate more efficiently than those of foreign producers.	5	4	3	2	1

Q. (15) If you have any comments or ideas that you feel would be helpful in improving the competitiveness of British producers, please write in.

Q. (16) Classification:

a. Company's business (Please tick one box)

- Industrial Products
- Consumer Products
- Services
- Other

b. Number of employees (Please tick one box)

- | | | | |
|------------|--------------------------|-----------|--------------------------|
| 1 - 100 | <input type="checkbox"/> | 1001-5000 | <input type="checkbox"/> |
| 101 - 500 | <input type="checkbox"/> | Over 5000 | <input type="checkbox"/> |
| 501 - 1000 | <input type="checkbox"/> | | |

"Thank You for Your Co-operation".

SECTION TWO

This part of the questionnaire is directed to those companies which do not acquire cars for their employees.

Q. (1) a) Has your Company ever considered buying cars for its employees? (Please tick one box)

Yes	<input type="checkbox"/>
No	<input type="checkbox"/>
Don't Know	<input type="checkbox"/>

b) If "Yes" When? (Please write in)
 Year _____ Month _____

c) What car make(s) and model(s) were considered?

Make(s) Model(s)

d) If "No" what are the main reasons for not having company cars? (Please write in)

- 1.
- ii.
- iii.

Q. (2) a) Did any car dealer contact your Company?

Yes	<input type="checkbox"/>
No	<input type="checkbox"/>

b) If "Yes" When? (Please write in)
 Year _____ Month _____

c) How did they approach your Company? (Please tick all that apply)

a. Personally	<input type="checkbox"/>
b. Telephone	<input type="checkbox"/>
c. Direct mailing	<input type="checkbox"/>
d. Invitations to exhibitions	<input type="checkbox"/>
e. News letters	<input type="checkbox"/>
f. Others (Please specify)	<input type="checkbox"/>

d) What car dealer(s) tried to contact your Company.
 (Please write in name)

Q. (3) Classification:

a) Company's business (Please tick one box)

- Industrial Products
- Consumer Products
- Services
- Other

b) Number of employees (Please tick one box)

- 1 - 100
- 101 - 500
- 501 - 1000
- 1001 - 5000
- Over 5000

"Thank You for Your Co-operation".

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