

The marketing of vehicles during the economic downturn

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ABSTRACT

South Africa's automotive industry has become an increasingly important contributor to the country's gross domestic product, largely through the strong growth in the motor vehicle and component exporting sector. The South African Motor Industry is ranked 20th in the world in terms of vehicle production. It is responsible for an estimated 80% of Africa's vehicle productivity and makes 0.85% of the world's vehicles.

In this study, the automotive industry in South Africa is investigated, how it was influenced during the recession which started at the end of 2008 and went through the 2009 period, what effect it had on the market as well as the influence on sales during that period.

In the literature section, the 4P's of the marketing mix are explained and discussed as well as how it influences the automotive industry. The purpose of this study is to see specifically how the Klerksdorp dealerships were influenced by the recession and what decisions they had undertaken to tackle the problems that they encountered. This study also investigates what influences the marketing mix had on the different dealerships in Klerksdorp area. From the empirical study done, the conclusion is that the dealerships in Klerksdorp were struggling through the economic crisis.

As far as the product was concerned, the different dealerships concentrated on the best selling lines during the recession period. Very few dealerships adjusted their prices and very few offered extras that were already included in the price. With the promotion, it was actually established that the dealerships did not actually put any extra effort in order to promote their vehicles. Four out of nine dealerships decreased their promotion expenditure, while the other five kept it at the same level. None of the dealerships has increased their promotional spending during the time of recession.

Finally, the recommendations to the dealerships, as how to improve the marketing and sales through the correct use of the marketing mix, especially through the use of promotion in the Klerksdorp dealerships were made.

Key words: marketing, marketing mix, recession, motor vehicle industry

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CHAPTER 1

NATURE AND SCOPE OF THE STUDY

1.1. INTRODUCTION

The motor vehicle industry is vital to the South African economy and has become an increasingly important contributor to the country's Gross Domestic Product (GDP), largely through the strong growth in the motor vehicle and component exporting sector. The South African Motor Industry is ranked 20th in the world in terms of vehicle production. It is responsible for an estimated 80% of Africa's vehicle output and produced 0.85% of the world's vehicles during 2006 (NAACAM, 2009).

The automotive industry is seen as a giant, contributing about 7.5% to the country's GDP and employing more than 36,000 people during 2007, compared to 34,963 employed during 2008. The automotive industry in South Africa, which is a business environment that remains somewhat volatile, unpredictable and ever changing (Pretorius, 2006), has been identified by the government as a key development sector with the aim in mind of increasing the vehicle production to 1.2 million units by 2020 (SAinfo, 2008). It was noted that during January 2009, the exports of South African produced motor vehicles, declined by 7.2% when compared to export figures during January 2008 (Anon, 2009). It is estimated that there are approximately 37 brands of motor vehicles on the market, offering around 595 different models (SAinfo, 2008).

1.2. THE PROBLEM STATEMENT

The recession is an event that has occurred worldwide and has an effect on everyone in every single country; no one can escape it. Unfortunately, the rest of the world influences South Africa, mainly the United States and Asia, which has an impact on South Africa by means of trade and industry.

The Motor Vehicle Industry is influence greatly, as South Africa exports a great amount of cars that are manufactured locally in South Africa, like the BMW 3-Series, or the Mercedes parts that are exported worldwide to other countries as well as the small passenger cars from Volkswagen.

One of the negative effects that the recession has on the Motor Vehicle Industry is that it decreases the demand for cars. The demand and in turn the sales of the cars decreased drastically during the recession. This in turn decreases the production of cars, which influence people's jobs in a negative way. This was the cause of job losses and people were retrenched due to the huge decrease in production. The dealerships were also influenced by the recession in such a way that some were forced to either cut jobs or shut down completely, due to non existing car sales.

1.3. OBJECTIVES

The primary objective of this study was to analyse the marketing mix of the dealerships in the Klerksdorp area, and establish how they have been influenced during the recession period.

In order to address the primary objective of this study, the following secondary objectives were formulated:

- To obtain insight into the dynamics of the marketing mix by means of a literature study;
- To obtain insight into the dynamics of the recession and its influence on motor vehicle dealerships;
- To assess the marketing methods of the Klerksdorp dealerships during the recession
- To suggest practical recommendations that might be applied in order to improve the demand and sales in the Klerksdorp dealerships; and

- To determine the usage of the marketing mix during recession circumstances:
 - Product – how was the product offered
 - Price – how was the price set during the recession period
 - Promotion – which promotions were offered and considered
 - Place – positioning of the dealership

1.4. SCOPE OF THE STUDY

1.4.1. Field of the study

The field of this study falls within the subject discipline of marketing, with special reference to the marketing mix. The businesses under investigation are the motor vehicle dealerships in Klerksdorp area, in the North West province of South Africa. The different dealerships offer a wide range of brands to the customers with different price tags attached.

1.4.2. The demarcation of the study

The empirical study was conducted only in the Klerksdorp area, in the North West province. The research was done on Audi, BMW, Ford/Mazda, General Motors, Honda, Mercedes Benz, Nissan, Toyota and Volkswagen dealerships. During this study, only passenger vehicles, SUVs and light commercial vehicles were considered.

1.5. RESEARCH DESIGN AND METHODOLOGY

The empirical research was done with the aid of a questionnaire. Data was gathered by the distribution and collection of hard copy questionnaires after which it was analysed.

1.5.1. Construction of the questionnaire

An empirical study was done by means of a questionnaire and personal interviews, as suggested by Etzel, Walker and Stanton (2007:187). The questionnaire is specifically focused on determining the perception on how the dealerships dealt with the recession as well as the use of the marketing mix. Nine dealerships were interviewed.

1.6. LIMITATIONS OF THE STUDY

It is important to acknowledge that all research has some limitations and it is no different for this study. The limitations of this study were that it was only conducted in the Klerksdorp area. The dealerships in that area were the only ones taken under consideration, and no other dealerships will be applicable to this research.

Even though much effort and time was spent on research and data gathering, the sample was very small. It consisted of only nine dealerships located in the Klerksdorp area. Therefore, further in-depth supplementary research is recommended in order to effectively interpret and understand the findings made in this study.

1.7. LAYOUT OF THE STUDY

Chapter 2 focuses on a literature review of marketing and the economic recession, in order to find existing literature on the topic with suggested solutions to the problem stated. This chapter contains an introduction, definition of the market, marketing mix as well as of the economic recession, the different characteristics of the marketing mix, how the automotive industry was influenced by the recession, the impact of the recession on the local dealerships, and the importance of the automotive industry on the South African economy.

Chapter 3 focuses on the overview of the Motor Vehicle Industry (MVI). It starts with a discussion of the general overview of the MVI as well as what impact the MVI has on the South African economy. It follows with a discussion of the different dealerships, which starts off with the history of the different motor vehicle brands followed by a short description of the specific dealerships in Klerksdorp area.

Chapter 4 focuses on the empirical research, conclusions and recommendations. This chapter contains a comprehensive explanation of the research methodology that was followed to complete the empirical study. The conclusion and recommendations are based on the above findings and the results of the processed data. A discussion on the analysis of data and findings are made, as well as the conclusions from the results found. Practical recommendations are offered to the dealerships to enhance their marketing and selling skills. The objectives for the study are evaluated and suggestions for further research are made.

1.8 SUMMARY

This first chapter served as an introduction to the study. It set the scene by introducing the environment of the study, formulated the problem statement and research objectives. The chapter further continued to discuss the research methodology on an introductory level and identified a possible limitation of the research. The next chapter concentrates on the literature review.

CHAPTER 2

MARKETING AND THE ECONOMIC RECESSION

2.1. INTRODUCTION

Marketers make use of the marketing mix in order to reach and influence a chosen target market. The marketing mix, which consists of basic elements which are commonly referred to as price, product, promotion and place, are known to be the controllable variables of the marketing approach (Koekemoer *et al.*, 2004:2).

Marketing during a recession depends on how it is perceived, its meaning and impact on the various businesses. It is likely that a recession on the national level may affect diverse companies differently, and may show different economic environments, including those of growth and inflation (SAinfo, 2008).

Even though recession slows down the demand for various products, the correct way of marketing, together with the right promotions helps to increase the demand for products.

2.2. MARKETING DEFINITION

Prior to discussing the marketing mix, it is important to firstly define the concept of marketing. Marketing is defined by Peter and Donnelly (2001:5) as the process of planning, executing conception, pricing, promotion and distribution of ideas, goods as well as services in order to form exchanges that satisfy individual and organisational goals. Similarly, Etzel *et al.* (2007:6), view marketing as the total system of business activities intended to plan, price, promote and distribute desire-satisfying products to the different target markets in order to accomplish the objective of the organisation. Lamb, Hair and McDaniel (2006:4) add by describing marketing as an organisational function as well as a number of methods for creating, communicating, and managing customer

relationships as well as delivering value to them, in ways that will benefit the organisation and its stakeholders

For the purpose of this study, marketing is defined as a crucial and creative corporate activity, which involves the planning and completing of the idea, pricing, promotion and the distribution of the ideas, products and services in an exchange (Kotabe & Helsen, 2008:12), that not only will satisfy customers' desires and needs (Kotler & Armstrong, 2006:5) but also benefit the organisation and its stakeholders (Lamb *et al.*, 2006:4).

2.3. THE MARKETING MIX

The marketing mix is the unique combination of four elements (Wilmshurst & MacKay, 2002), namely product, price, distribution (Groucutt, Leadley & Forsyth, 2004:17) and the marketing communication decisions, which when combined are able to reach the target market (Strydom, 2009:274). To meet customers' needs a business must develop products to satisfy them, charge the right price, get the goods to the right place, and it must make the existence of the product known through promotion (Kotabe & Helsen, 2008:226).

The application of marketing principles thus requires decisions to be made about the products which will be offered and prices which will be charged for them. Businesses must decide on the methods of marketing communication they will employ in order to persuade people to buy, and the distribution channels which will be used to provide the link between the customer and the product (Shaw, 2007:3). This marketing mix must ultimately reflect the wants and desires of the consumers in the target market (Perreault & McCarthy, 2002:36).

2.3.1. The product

A product is regarded as a need-satisfying offering of a business, the key variable of the marketing mix in the sense that all the other marketing decisions concerning methods of distribution, marketing communication and prices are based on and coordinated with product decisions (Perreault & McCarthy, 2002:248) and where potential customer

satisfaction, presenting most in quality, performance (Kotler & Armstrong, 2006:10) or other benefits are very important.

The product will be discussed under the following aspects: layers of the product concept, classification of the product as well as other product decisions.

2.3.1.1. Layers of the product concept

According to Strydom, Cant and Jooste (2000:181), six layers of the product concept can be distinguished namely core product, tangible product, the augmented product, potential product, product image and total product.

- **Core products**

The first layer of the product is the core product and it represents the heart of the product, the main reason for its being and purchase (Strydom *et al.*, 2000:181). When selling a product, one actually does not buy the product itself but the benefits that are received and which have various degrees of importance to the consumers. A car offers the primary benefit of transportation, moving the customer from one point to another, but it also offers a psychological benefit like adding excitement to life when driving a sporty convertible. The core product represents the central meaning of the product and conveys its essence and relates to the key benefits which the consumer expects (Stone & Desmond, 2007:226).

- **Tangible products**

According to Strydom *et al.* (2000:182), a tangible product is a physical product that offers special features like the styling and brand name that are all combined together. In the motor vehicle industry, vehicles are fitted with different features in order to satisfy the needs and wants of the different customer as well as the different segments. In order to attract the customers, the dealerships offer a wide variety of features like high quality stereo systems, built-in cellphones, larger luggage space, rain sensors, leather upholstery, just to mention a few. Another important characteristic of the tangible product is the product design (Stone & Desmond, 2007:226). When taking this into consideration, luxury was a focal element when designing the Lexus by Toyota. This expensive model became a

dominant player in the prestige market segment, in competition with Mercedes and BMW.

- **Augmented product**

The augmented product, according to Strydom *et al.* (2000:183) is the tangible product, with add-on extras that appeal to the customers as it offers additional satisfaction and benefits. These could be found in the form of a maintenance plan, warranty of the product as well as after-sales service that are provided to the customer (Stone & Desmond, 2007:226).

- **Potential product**

The potential product, according to Strydom *et al.* (2000:184) is a product that must differentiate itself from the competition, in order to protect itself against its competitors as well as substitutes that enter the market. In order to make certain that the improvement continues in the future, the potential product is the heart of the process (Stone & Desmond, 2007:226).

- **Product image**

The product image includes all the previous layers as well as marketing communication, which shows how the product is perceived by the customer (Strydom *et al.*, 2000:186).

- **Total product**

This consists of all the components put together, which were mentioned above. In the case of the BMW or Audi brand, both claim that their product or brand is the best (Strydom, 2009:275).

2.3.1.2. Classification of the product

Strydom *et al.* (2000:187) believe that by classifying products, marketers make decisions that are close to customers' specific needs or wants, which in turn are able to change the customers' mind about a certain product. Speciality products are complex, not bought very often and require a certain amount of involvement, as they have special characteristics which the consumers makes a special effort to search for. This can be

because of brand loyalty that the consumer feels for a certain product (Strydom *et al.*, 2000:192; Stone & Desmond, 2007:227).

2.3.1.3. Product line decisions

Both Strydom *et al.* (2000:196) and Lamb *et al.* (2006:268) agree that product line is a group of products that work similarly and it occurs when the company decides to extend or cut its current product line. In the motor vehicle industry, the dealership can extend its product line by deciding to add a diesel version of engines to the already existing line. BMW X1 is added to the BMW already existing line of X3, X5 and X6.

2.3.1.4 Product mix decisions

A product mix consists of all product lines being put together. The most important part of the marketing mix is the depth and breadth. The depth is the number of product items found in a product line, like Toyota markets the Corolla, Yaris, Prius, Lexus and Prado product lines. This allows the customers to choose from different products as everyone has different preferences and helps the dealership to increase their profits, as the market segment increases. Breadth on the other hand refers to the amount of products that the company sells (Strydom *et al.*, 2000:198-199; Lamb *et al.*, 2006:268-269).

2.3.1.5 Brand decisions

According to both Strydom *et al.* (2000:203) and Lamb *et al.* (2006:272), a brand refers to a name, design or a symbol that distinguishes itself from other competitors. Branding adds a certain value to the product which the customers seek. Well-established and successful brands have the unique ability to enhance shareholder wealth, and not only capturing the new market share but also retaining existing loyal customers (Doyle, 2002:157). Therefore a successful brand has the potential to impact an entity's fortunes by developing a healthy market share, maintaining competitive prices and ensuring a steady cash flow, but only if the marketers watch the consumers' word of mouth and reconsider their target market (SA ePublications, 2009).

- **The benefits of branding**

The benefits of branding can be divided into consumer, manufacturer's and retailer's perspective.

- **Consumer perspective**

The consumer's perspective on branding consists of a few important aspects:

- Facilitates product identification
- Communicates features and offered benefits
- Helps product evaluation
- Reduces risk in buying
- Creates interest and character for the product image

- **Manufacturer's perspective**

- Helps to create brand loyalty
- Creates differential advantages
- Allows premium pricing
- Brand facilitate product diversification in certain respects

- **Retailer's perspective**

- Branded products are well supported by advertising
- Retailers are under pressure to stock increasing numbers of lines (Strydom *et al.*, 2000:210; Lamb *et al.*, 2006:274) within a product area, which would cause less shelf space for each brand or not stocking certain brands Strydom *et al.* (2000:207).

2.3.2. Promotion

Promotion is the function of informing, persuading (Kotler & Armstrong, 2006:50) and influencing the consumer's purchase decision (Kurtz & Boone, 2006:482). Strydom *et al.* (2000:398) describe sales promotions as the aim to encourage the product to be stocked by the intermediaries and sold to the customers by influencing their attitudes and behaviour (Perreault & McCarthy, 2002:392) within a specific period of time, at a lower price by convincing them that the product offered has an advantage over the competition (Lamb *et al.*, 2006:390).

Aspects that will be discussed under promotion consist of sales promotion objectives, the different promotional methods as well as the advertising media.

2.3.2.1 Sales promotion objectives

The promotional objectives must be decided before the marketing strategy occurs (Strydom *et al.*, 2000:398). Some of the sales promotion objectives are as follows:

- To encourage the sales group to put more effort into selling the slow going products
- To set up more in-store exhibitions
- To provide more training to the sales personnel
- To push certain brand products in their promotional activities
- To support different sales promotions campaigns by carrying more inventory of that specific product
- Build consumer confidence to encourage repeat purchase

Furthermore, Perreault and McCarthy (2002:397) mention that the overall sales promotion objective has to affect the behaviour of the customers; encourage and sometimes convince them to buy a specific product (Lamb *et al.*, 2006:398).

2.3.2.2. The different promotional methods

There are three different types of promotional methods available according to Perreault and McCarthy (2002:393), which consist of personal selling, mass selling and publicity.

▪ **Personal selling**

This is the direct verbal communication that is between sellers and potential customers. Personal selling is the face-to-face communication of information, in order to persuade more potential customers, to purchase a need satisfying product or service. Because it is the only marketing communication tool between the sales person and the potential customer, it is therefore important for a sales representative to be familiar with the principles involved in the interpersonal communication (Perreault & McCarthy, 2002:393). Here, both the buyer and the

seller have a particular intention that they wish to carry out. The buyer would like to minimize the costs incurred while the sales person would try to maximize profits (Lamb *et al.*, 2006:393). This is usually how vehicles are sold in a dealership, as the customers go to the sales people.

- **Mass selling**

This is where the marketer strives to make contact with a large number of potential customers by means of TV, radio, magazines, newspapers as well as the internet. This is not the same as face-to-face selling but when the target market is big and widely spread, mass selling becomes less expensive (Perreault & McCarthy, 2002:393). Almost all companies selling either goods or services make use of some kind of mass selling, whether it is an expensive campaign or a classified advertisement in the newspaper; it is the most frequent way that information is being presented to the consumers (Lamb *et al.*, 2006:390). All the known dealerships make use of some form of mass selling. Ford/Mazda generally uses TV as the main form of informing their customers of the new deals that they are offering.

- **Publicity**

According to Perreault and McCarthy (2002:393), publicity is a non-personal presentation of different ideas, goods or services – events that have commercial news value, available to the mass media for broadcasting or publishing. According to Lamb *et al.* (2006:392), publicity itself is free, and the organisation does not need to pay for this kind of mass-media exposure, but it should not be viewed totally cost free, as staging special events and convincing media workers to print all cost some amount of money. While making an advertisement for Sun International, Charlize Theron was driving a Mercedes Benz SLK convertible. She was not advertising the Mercedes, as she was doing the advertisement for Sun International, she was giving free publicity for Mercedes Benz.

2.3.2.3. Sales promotion

Sales promotion consists of personal and impersonal short-term motivational efforts that are aimed at the final customers, intermediaries and the sales representatives to motivate them, in order to sell the product or service. The benefit of sales promotion is

that it can be implemented quickly and achieve results very fast (Perreault & McCarthy, 2002:394). Similarly, Lamb *et al.* (2006:393) argue that it is a short-run tool, used to fuel an instant increase in demand. Marketers use this kind of sales promotion to improve the effectiveness of other elements in the promotional mix.

As mentioned above, sales promotions can be divided into three categories consisting of sales representatives, intermediaries and customers (Strydom *et al.*, 2000:399). As a sales promotion aimed at the customers is applicable to this study on the Motor Vehicle Industry, it will be the only one discussed.

2.3.2.3.1. *Sales promotions aimed at the customers*

Customers mainly respond to these kind of promotions due to the simple fact that all these promotions offer rewards that either consist of cash savings or free gifts which are immediate (Strydom *et al.*, 2000:403-405). The consumer sales promotion is targeted at the ultimate consumer market (Lamb *et al.*, 2006:438).

- **Price-offs** refers to the reduction in the product's regular price (Strydom *et al.*, 2000:405). Ford/Mazda may advertise, that the Bantam bakkie is R10,000 cheaper in the month of May only.
- **Contests and sweepstakes** offer the customers the chance to win merchandise or other prizes (Strydom *et al.*, 2000:405).

2.3.2.4. AIDA concept

The ultimate goal of any promotion is to get a customer to buy a product or a service and a classical model that represents reaching all those promotional goals is the AIDA model, which suggests that customers respond to marketing messages in a cognitive and affective way (Lamb *et al.*, 2006:398).

This concept consists of attention, interest, desire and action.

- **Attention** is necessary to make the consumers aware of what the company is offering (Lamb *et al.*, 2006:398). A company cannot sell something when the

market does not know the specific product or service (Perreault & McCarthy, 2002:399).

- While creating and holding the **interest** in a specific product (Perreault & McCarthy, 2002:399), it gives the communication an opportunity to build the consumer's awareness of the product (Lamb *et al.*, 2006:398).
- **Arousing** desire affects the evaluation process (Lamb *et al.*, 2006:398) which helps in building the brand preference by explaining the product's differential advantage over the competition (Perreault & McCarthy, 2002:399).
- **Action** occurs when some customers of a certain target market become convinced of the product (Lamb *et al.*, 2006:398), which leads to the purchasing decision (Perreault & McCarthy, 2002:399).

An ongoing promotion is needed to confirm the decision and encourage the ongoing relationship as well as the additional purchases made by the customer (Perreault & McCarthy, 2002:399). The marketers must come up with a specific promotional plan, which will continuously target the customers' needs (Lamb *et al.*, 2006:416).

2.3.2.5. Advertising media

Advertising media are channels through which the advertisers make use of mass communication and the major steps that need to be considered when selecting media, include reach, frequency and impact, in order to accomplish the advertising objectives (Kotler & Armstrong, 2006:463). In recent years, alternative media ways have emerged that provide the advertisers with innovative ways of reaching their specific target audience and avoid advertising confusion (Lamb *et al.*, 2006:416).

When deciding on developing an advertising campaign, an advertising message must be created, and only then a media channel selection can be done (Etzel *et al.*, 2007:530).

Before a media selection can be done a number of steps must be followed in developing an advertising campaign when deciding on creating an advertising message. The choice of media and the message are both established by the nature of the appeal

and the intended target audience. The advertiser needs to make a decision when selecting a specific advertisement, which would consist of the type that will be used, which category and a specific media vehicle that will be used (Etzel *et al.*, 2007:530).

Advertising media can be divided into nine divisions that include television, direct mail, newspapers, radio, magazines, interactive media, outdoor media, alternative media and sponsorship (Lamb *et al.*, 2006:416).

- **Television**

This is a mixture of motion, sound and special visual effects and products can be demonstrated as well as described on television (TV). The advertisements seen on television lack permanence; that is why they must be seen and understood immediately. TV advertisements can be relatively expensive, but it has the potential of reaching a vast audience at once. Advertisers also use the place-based television to reach attractive target audiences like working women or young professionals which was difficult to access through the traditional media (Etzel *et al.*, 2007:532). As television is an audiovisual medium, it provides advertisers with many imaginative opportunities. A relatively new form of television advertising is the infomercial or longer advertisements. This is an attractive and unique way of marketing because of the cheap airtime and the reasonable low production cost that are incurred (Lamb *et al.*, 2006:418). Nissan and Mercedes are some of the few that have bought infomercial airtime on TV and use it to advertise their specials.

- **Direct mail**

Direct mail has the potential of being the most personal and selective of all media. A specially focused, direct-mail list can be developed from the company's customer database. As the direct mail goes to the people the advertiser wishes specifically contact, there is almost no wasted coverage. The technological alternative which is the e-mail is less expensive to send, but unfortunately the low cost has led to indiscriminate distribution of spam or junk mail (Etzel *et al.*, 2007:532; Kurtz & Boone, 2006:534). BMW is one of such dealerships that make use of direct mail, by contacting their customers and inviting them to the launch of their new BMW X1.

- **Newspapers**

As an advertising medium, newspapers are flexible and timely and provide good local market coverage (Kotler & Armstrong, 2006:464; Kurtz & Boone, 2006:533). They have the prospect to reach a whole city or a wide region and the cost per thousand is relatively low. The downside of the newspaper is that it has a short life span (Etzel *et al.*, 2007:532). The advantages of newspaper advertising include geographic flexibility and timeliness. As the newspaper advertisements are usually prepared quickly and at a reasonable cost, local firms are able to reach their target market almost daily. Newspaper advertising encounters many distractions from various competing advertisements and news stories; that is why one firm's advertisements may not be very visible to the customer (Lamb *et al.*, 2006:416). The use of newspapers has been most effective, especially for BMW and Nissan dealerships in the Klerksdorp area. They were able to get a large number of responses by using this specific market media.

- **Radio**

Radio, with its low-cost per thousand (Kotler & Armstrong, 2006:464) is able to broadly reach the audience. With programs ranging from sports to all-talk as well as other programs, certain target markets can be identified quite successfully. As the radio constructs only an audio impression, it relies entirely on the listener's ability to retain the heard information (Etzel *et al.*, 2007:532). The local advertisers use the radio mostly for advertising purposes. Lamb *et al.* (2006:417) also state that radio advertising has benefited from recovery in popularity, due to the fast-paced lifestyle, which helps to retain customers unlike television and newspapers that struggle most of the time. Another major selling point for the radio is the capability to target specific demographic groups which attract advertisers, who are pursuing a narrowly defined audience that will most probably respond to certain kinds of advertisements and products that are offered over the radio (Lamb *et al.*, 2006:417). Mercedes Benz and sometimes BMW dealerships in Klerksdorp, make use of OFM radio station to advertise their current specials.

- **Magazines**

This is the medium to use, when high quality printing and colour is desired in the advertisement. Magazines are able to reach a national market at a relatively low

cost per reader. In the last few years, the rapid increase in magazines and regional editions of general magazines has made possible for advertisers to reach a selected audience with a minimum of wasted circulation. People usually read magazines in a leisurely fashion in contrast to the haste in which they read other print media (Etzel *et al.*, 2007:532). Magazines have quite a long life and a high pass-along readership (Kotler & Armstrong, 2006:464). The cost per potential consumer may be lower, but due to the fact that the magazine is often targeted to a specialized audience, thus reaching a higher amount of potential customers. Cars, computers and cigarettes, which offer market selectivity, are some types of products that are featured in a magazine (Lamb *et al.*, 2006:417). Exclusive car models of various brands like Mercedes Benz SLK or C63 AMG or the sport versions like BMW M3 or M5, can be found, especially in magazines for men, like GQ or FHM, which attract a specialised audience.

- **Interactive media**

The fastest growing medium up to date is the World Wide Web, which provides millions of firms and individuals direct, electronic access to one another. As an advertising medium, the internet is mainly popular with firms selling products that involve extensive decision making. Ford Motors is one such company that has moved a significant portion from magazine advertising to internet advertising. When entering the Ford website, information about all the different vehicle types can be found and customers are directed to other sites including those where they are able to purchase a car and receive service reminders (Kotler & Armstrong, 2006:568). Firms that have a limited budget in their possession, discover that they are able to reach a wider geographic market by making use of the internet (Etzel *et al.*, 2007:533). Internet has definitely changed the advertising industry with the online advertising possibilities, and making changes to the firms' total advertising budgets. With most people having access to internet, marketers are looking for new innovative approaches to advertise online and at this point in time, the most popular internet advertising options are to make use of the search engines. Advertisers bid on the "keywords" entered by online surfers (Lamb *et al.*, 2006:419). Mercedes Benz dealerships in South Africa are a good example of dealerships that have moved from the traditional way of visiting a dealership and talking to a sales person when considering buying a car, to the new way of making use of the Mercedes Benz website and

choosing from the various models to the different colours, with all extras, which they would like to purchase. When the car arrives, it is collected by the customer at the dealership.

- **Outdoor media**

This is out-of-home advertising which is very flexible and low-cost which can take a variety of forms like billboards, giant inflatables, signs in sports arena, and others. This kind of advertising is able to reach a broad and diverse market and is therefore ideal for promoting convenience products and directing consumers to the local firms (Lamb *et al.*, 2006:419). Some dealerships like Kia, Peugeot, Ford/Mazda have a teardrop or shark fin banners, outside the showrooms on the street, in order to make the dealership more visible to the passing by public.

- **Alternative media**

To cut through the confusion of traditional advertising media, marketers created a new way to promote their products. These can include shopping carts in stores, advertisements placed on roofs of taxis, in public restrooms and advertisement runs before the movie start, and more (Kurtz & Boone, 2006:535). Marketers are constantly looking for more innovative ways to reach and captivate bored consumers (Lamb *et al.*, 2006:420). BMW is one of the car brands that make use of the alternative media, by running a short movie about their latest variety of products which they offer.

- **Sponsorships**

Sponsorship occurs when an organisation provides money or in-kind resources to an event or activity, in exchange for a direct association with that event or activity. Sponsorship offers the opportunity of long-range image building and the selling of the marketer's goods and services as an alternative to traditional advertising (Etzel *et al.*, 2007:543). Furthermore, it has the capability to cut through the clutter, providing the distinctive opportunity to create a relationship with consumers by creating an emotional bond (Strydom *et al.*, 2000:418).

Some of the benefits and rewards that arise from the sponsorship are mentioned below:

- *Flexibility* – many different events can be sponsored in various ways that would fit demographic and psychographic requirements.
- *Brand equity* – can strengthen or even change alter brand character traits through the association of a certain event.
- *Media exposure* – the sponsored events allow the sponsor to gain improved exposure from their investment.
- *Cost effective* – it allows for exposure and brand awareness to take place at a lower price than conventional advertising.
- *Labour relations* – the firm's reputation, an image created by its sponsorships have bearing on the morale of staff and can encourage the highest quality of future jobs.
- *Opens doors* – the firm's ability to do business with local and national companies, due to their reputation and corporate image (Strydom *et al.*, 2000:418).

Audi Klerksdorp is one of the dealerships that is sponsoring a few South African cricket players. The cricket player receives a car from Audi for a period of one year, and in turn Audi gets the exposure.

2.3.3. Price

Price will be discussed under the following aspects: pricing objectives, factors that influence price determination as well as a few pricing strategies. Price is the exchange value of a good or service (Perreault & McCarthy, 2002:485; Kurtz & Boone 2006:598), which the customer has to pay in order to get the product (Kotler & Armstrong, 2006: 50; Etzel *et al.*, 2007:318).

2.3.3.1. Pricing objectives

Etzel *et al.* (2007:302) are of the opinion that pricing objectives should be determined before the price itself is set. It is divided into two categories: Profit-oriented and Sales-oriented.

2.3.3.1.1 Profit-oriented goals

These goals can be short or long term and they either concentrate on *Achieving a Target Return* or *Maximizing Profits*.

- **Achieving a Target Market** –used by many retailers and wholesalers as this is a target return set on sales as a pricing objective for short periods, where an amount is added to the costs that they incurred on the product, to cover anticipated operating expenses and provide a desired profit for a specific period of time (Etzel *et al.*, 2007:322). Perreault and McCarthy (2002:487) are of the opinion that the target return sets a specific level of earnings as an objective and most of the time the amount is recognized as a percentage of sales.
- **Maximizing Profits** is when the company takes a guess at what demand and costs will be at different prices (Perry, 2008) and choose the correct price which will produce the maximum current profit on the investment. A profit maximizing goal is going to be the most favourable to a company when pursued over a long period of time (Etzel *et al.*, 2007:323; Perreault & McCarthy, 2002:488).

2.3.3.1.2 Sales-orientated goals

In some firms, the pricing focuses on sales volumes and it may consist of either *Increase Sales Volume* or *Increase the Firm's Market Share* (Etzel *et al.*, 2007:322).

- *Increasing the Sales Volume* deals with achieving a rapid growth and to discourage other competitors from entering the market. Management may seek higher sales profits by discounting or by implementing an aggressive price strategy. It also can happen that companies are willing to incur a loss in the short run in order to expand sales volume (Etzel *et al.*, 2007:324). According to Perreault and McCarthy (2002:488), some managers are more concerned about sales growth than profits. Companies believe that the sales growth will always lead to higher revenue, which can cause problems when a company's costs are rising faster than their sales. It is every dealership's goal to increase their car sales volume.

- *Increase the Firm's Market Share* – this reflects the ratio of the enterprise's sales profits or the number of units sold to those in the industry (Etzel *et al.*, 2007:324). Perreault and McCarthy (2002:489) are of the opinion that many firms seek to gain a specified market share. When a company already possesses a large market share, it may have a better economy of scale than its competition. Companies like Toyota and Nissan, as well as Honda accept a smaller profit margin and lower their costs in order to establish a lower selling price of their cars so that they can maintain their market share.

Pricing objectives, the sales and profit orientated goals are used by all dealerships in order to increase their profits.

2.3.3.2. Factors that influence price determination

After making a decision on the pricing objectives, the following step is to establish the base price of a product (Etzel *et al.*, 2007:325). The price set for the products mostly depends on the demand for the product as well as the cost to the seller for that specific product. The nature of demand is what determines the price (Lamb *et al.*, 2000:470).

The nature of demand occurs when a certain amount of products bought will depend on the price that it carries. Supply on the other hand, is the quantity of a product that will be offered to the customers by a supplier at different prices, also for a specific time period (Lamb *et al.*, 2000:470). A firm should estimate the total demand for the specific product and what the sales numbers might be at the different prices. The expected price is what the customer thinks that the product is worth (Etzel *et al.*, 2007:326). During the recession, the demand on all the products sharply decreases. In order to increase the demand, the companies have to reformat what they offer to the customers. Lower costs (Van Eyk, 2009) need to be introduced or to temporarily lower the price on certain products in order to hold on to customers (Gordon, 2008:48).

2.3.3.3. New product pricing strategies

New products brought out by the companies, have to face the challenge of setting new prices for the first time, in order to break into the market in the best possible way (Kotler

& Armstrong, 2006:333). When Mazda/Ford has a new car model coming out, for instance the Mazda 3, they set their prices initially low, in order to attract the customer's to make the purchase. This is done by the Mazda/Ford head office, not the individual dealership.

2.3.3.4. Product mix pricing strategies

When the product is a part of a product mix, the setting of a product's price tactic has to be accordingly adjusted (Kotler & Armstrong, 2006:333).

2.3.3.5. Price adjustment strategies

To account for the different customer differences, firms adjust their prices from time to time. There are six different price adjustment strategies (Kotler & Armstrong, 2006:336). According to Etzel *et al.* (2007:352), discounts and allowances are the effect in the subtracting from the bottom price and which can appear in the form of free products or advertising allowances.

2.3.3.6 Promotional pricing

Most of the firms go about temporarily lowering the price of a few product items (Etzel *et al.*, 2007:360), below the price listed, and sometimes even below the cost, in order to generate a selling excitement. Cash rebates are also sometimes presented to the consumers, who will purchase the product from the specific dealer within a certain period of time (Kotler & Armstrong, 2006:342). This kind of promotional pricing is very popular with car dealerships. Nissan and Ford/Mazda offer a R10,000 off the price or the value of R10,000 of accessories that the customer can choose, when buying a new car.

2.3.4. Distribution

Distribution consists of all people or companies that are involved in the transfer of products from the producer to the consumer. The distribution channels are simply pipelines, through which the products flow from the producer to the consumer, with the help of the intermediaries, in order to reach the other end of the pipeline (Kotler &

Armstrong, 2006:362). Companies should decide as to what way they will take, to get the products to its destination, even before the product is ready for the market. This is creating strategies for the product's distribution channels as well as the physical supplies (Etzel *et al.*, 2007:378).

When trade becomes more sophisticated, the services of various mediators along the supply chain may need to be used to guarantee that the goods reach the consumer, in the acceptable manner at the correct place and time at a good price. The ideal situation would be to exchange the product directly with the consumer, but unfortunately as the actual distance between the different parties as well as the volume of goods that need to be exchanged increases, it becomes necessary for manufacturers to use the help of other intermediaries, in order to finish the movement that is related with the operation. The whole objective of the distribution is to move the products with the lowest possible number of intermediaries between the manufacturer and the end user (Stone & Desmond, 2007:338). When deciding on managing a distribution channel it begins with the producer where the following aspects must be dealt with:

- The nature of importance of the distribution channels
- Preference that takes place in designing a channel
- The key channels for goods and services that are offered
- Vertical marketing system
- Possible way to look for the middleman and the specific channels
- The power of distribution
- Control within the distribution channels
- Legal consideration in the channels (Etzel *et al.*, 2007:378).

All the dealerships in Klerksdorp and countrywide act as intermediaries, as the customers are not able to buy the car directly from the factory, but only from a dealership. The dealerships also make use of the various distribution channels in order to get the stock into the dealerships.

2.3.5. Conclusion

As the research done in this dissertation concerns only the Klerksdorp area, the distribution channels are not taken into account due to the fact that very limited research was done that did not include the distribution channels.

2.4 ECONOMIC RECESSION

2.4.1 Definition

Many economists agree on the definition of recession as a period of general economic downturn (Investor Words, 2009) typically defined as a decline in GDP for two or more consecutive quarters (Business Dictionary, 2009), usually lasting for several months (Harrigan, 2009:1). This becomes visible through consumer spending, an increase in unemployment, a decline in the housing market, decrease in industrial production (NBER, 2008), a fall in real income (Wolfram, 2008:1) as well as wholesale trade (NBER, 2008).

Generally, most economists worldwide agree on the "two quarter" definition of recession, but many economists have difficulty in sustaining it completely, as it does not consider other significant economic change variables. The current national unemployment rate or consumer confidence as well as the expenditure levels, are all a part of the monetary system and must be taken into account, when defining the recession as well as its attributes (SAinfo, 2008).

According to Hall *et al.* (2003), recession can be described as a considerable decline in the monetary activity which stretches across the economy, lasting more than a few months, generally evident in real GDP, real income, employment, manufacturing production, and wholesale-retail sales. It begins soon after the economy reaches a highest point of activity and ends as the economy reaches its low. Between low and peak, the economy is in a development. Development is the typical state of the economy. Most recessions that occur, are brief and they have been rare in recent times. Rarely, though quite likely, experiencing a multitude of these negative factors

simultaneously can lead to a deep recession or even long economic depression (Global Economic Recession, 2009).

2.4.2. Causes of economic recession

The South African economy is one of the most incorporated into the worldwide economy, which has meant that it has been one of the first African countries to be hit by the global financial storm, which originally came from the United States sub-prime mortgage bubble. It was believed that the global growth had small possibilities of recovering during 2009, and predictions were that 25% of the global economy would record a 3% or less GDP growth rate between 2008 and 2009 (Lee & Hata, 2008).

The cautious guidelines of the monetary sector may have partially protected the South African economy from the vagaries of the global financial unrest happening till now, but the toughness of Africa's biggest economy, is set to be tested, as the global recession continues (Chuma, 2008). The exceptional situation of the economic and financial crisis has caused significant slowdowns in the growth of the world economy and international trade as well as the investments. Excessive borrowings by companies, households and high oil prices (Lee & Hata, 2008), or governments lie at the root of the economic crisis (Kotabe & Helsen, 2008:93).

Other causes of recession have been identified as follows:

- **The rate of unemployment takes on alarming proportions** – a steep rise in the number of unemployed people is a sign of an upcoming recession.
- **Large companies start giving gloomy profit figures** – companies across various sectors show low or negative profits.
- **Borrowers start defaulting** – people are unable to pay back their loans on homes, vehicles, businesses as well as credit cards.
- **Credit card purchases increase tremendously** – credit card purchases suddenly increase, as people are not in a position to pay by cash for their daily needs, and are forced to buy on credit.
- **Prices of vital products increase** – prices of food, fuel and other utilities increase.
- **Companies stop filling vacancies** – no hiring of new staff takes place.

- **The country's GDP goes down** – the country records a continuous drop in GDP.
- **Savings are exhausted for everyday expenses** – people start selling off assets in order to be able to pay for everyday expenses (Khera Communications, 2009).

2.5 SUMMARY

This chapter aims on concentrating and giving a broader understanding of marketing and especially the marketing mix as well as the causes of economic recession and its definition.

Concerning the marketing mix, the product was presented in terms of layers of the product concept, classification of the product as well as other product decisions. Pricing was discussed in terms of pricing objectives, factors influencing price determination and a variety of pricing strategies. Regarding the promotion, sales promotion objective, the different promotional methods, sales promotions, AIDA concept and advertising media were all discussed. Since the dealerships make use of showrooms, the distribution strategies were not discussed. Further on in this chapter, the definition of recession was given, as well as a number of causes of the economic recession were presented.

CHAPTER 3

THE MOTOR VEHICLE INDUSTRY

3.1. INTRODUCTION

The South African motor industry has progressed considerably during the past five years and has changed from initially an importing industry into an increasingly self-sufficient industry of vehicle manufacture, distribution, servicing and maintenance (Mbendi, 2009).

According to market research done the automotive industry is the leading manufacturing sector in the whole of the South African economy. It includes the manufacture, distribution, servicing and maintenance of motor vehicles and plays an elementary role in South Africa's economy (SAinfo, 2008).

This chapter will firstly provide a brief overview of the South African motor vehicle industry and its contribution to the economy. Secondly, the various motor vehicle dealerships used in this study will also be briefly presented. Finally, the influence of the recession on the motor vehicle industry is also discussed in this chapter.

3.2. GENERAL OVERVIEW

The general overview of the motor vehicle industry will be presented in terms of the contribution to the South African economy, growth, location and sector competitiveness.

3.2.1. Contribution to the economy

3.2.1.1. GDP

The local automotive industry sector is looked upon as a giant, contributing about 7.5% to the country's gross domestic product (GDP) (SAinfo, 2008). During 2008, the local automotive industry contributed 7.3% to South Africa's GDP (Venter, 2009).

3.2.1.2. Employment

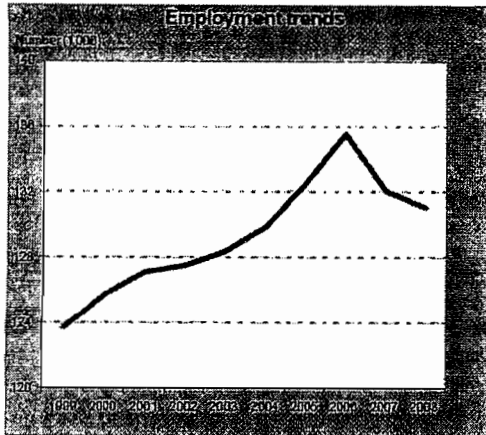
During 2007, the motor vehicle industry was employing more than 36 000 people (SAinfo, 2008). When comparing 2008 with 2009 figures, it was established that there were 34 963 people employed at the end of 2008 and employment declined by 2 571 jobs during the first quarter of 2009 to 32 392 jobs. The first quarter's job losses demonstrate the enormity of the extremely difficult operating environment, characterised both by sharp decrease in the domestic sales of new vehicles, as well as an extremely low amount of export sales (Anon., 2009a)

Though the employment in the automotive industry is higher than is mostly acknowledged, this does not actually mean that the sector offers great potential for more employment growth. At the same time, in certain sub-sectors it was discovered that they are very labour demanding and the bulk of the motor vehicles, parts as well as the accessories sector is fairly capital-intensive. Moreover, the skill requirements that can be found in this sector are quite high. Only 50.3% of the total employment in the sector are semi-skilled or unskilled, while 31.4% of the workforce is in mid-level skill occupations, and 18.3% of jobs require high level skills (SAinfo, 2008).

Even though a huge drop in production levels took place and idle capacity in the motor vehicles, only a marginal decline (2.88%) in employment was reported in 2008 relative to the previous year. This shows that the motor vehicle industry is trying not to lay off workers in an effort to retain skills, as they anticipate a recovery in demand in the near future (IDC, 2009). Currently, most local manufacturers are operating on a single

production shift basis, while some operate double shifts in selected areas, such as machining, press shops, paint shop operations, and body shops (Anon, 2009a).

Figure 3.1: Whole Motor Vehicle Industry including parts and accessories



(Source: IDC, 2009)

According to Fig. 3.1, the employment was at an estimated 124,000 in 1999 and it climbed up steadily over the years up to 136,000 in 2006. From there, it started decreasing and it ended up at an estimated 130,000 people being employed during 2008, as the recession hit full scale.

3.2.1.3. Exports

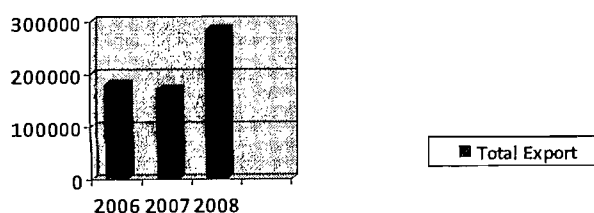
The South African motor vehicle industry sector accounts for about 10% of the whole South Africa's manufacturing exports, making it a critical component for the economy. With an annual production of 535 000 vehicles in 2007, which rose to 630 000 in 2008, South Africa was regarded, in a way, as a small contributor to the whole global vehicle production, which reached 73-million units at the end of 2007 (SAinfo, 2008). During 2009, projected export sales that were in line with further recovery in the global economy, expected to lead the recovery in the South African Automotive Industry (NAAMSA, 2009).

The automotive industry is mostly exporting commercial vehicles and passenger cars to roughly 80 countries around the world. South Africa benefits from considerable advantages when compared with many other exporting countries. It possesses the

flexibility to produce fairly short runs, abundance of raw materials and low energy costs, among others, that are combined with the know-how, latest technology and recognized business relationships with parent companies which make sure that the local industry adds value to the global source strategies of multinational automotive companies (SAinfo, 2008).

The vehicle industry position is bright in terms of both exports as well as the domestic market. To raise the local content, particularly in the vehicles that are now being exported in large volumes, will be a key challenge (SAinfo, 2008a). The whole value of the exports, which included the components, was approximately R20-billion, which was almost 1% of South Africa's GDP (Erasmus, 2008).

Figure 3.2: Total export sales in South Africa



(Source: NAAMSA, 2008)

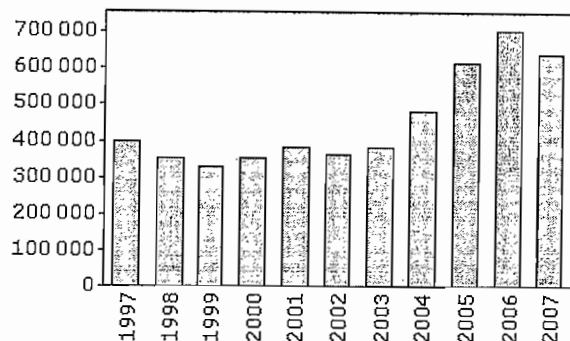
From 2007 to 2008 as shown in Fig. 3.2., it can be seen that the total number of exports increased by more than 100 000 units. 2008 was the period where recession started worldwide, and South Africa was doing exceptionally well during the given period.

3.2.2. Growth – Sales

Before the recession, South Africa was one of the best performing automobile markets in the world for the past few years. New vehicle sales figures soared to record-breaking levels for three years in succession, from 2004 to 2006. In 2006, sales increased by 14.4% to just under 650 000 units, generating revenue of R118.4-billion (SAinfo, 2008).

Sales decreased by 5.4% in 2007, and they dropped even further in 2008 as higher interest rates and rising prices limited consumers spending.

Figure 3.3: Vehicle sales in South Africa

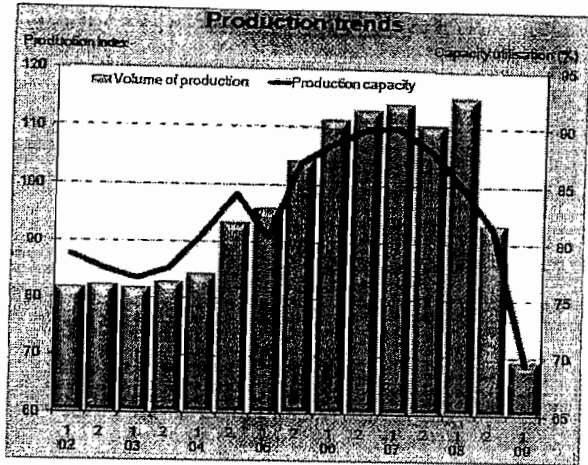


(Source: Naamsa, 2009)

Some major export programmes were to keep the local industry afloat. Vehicle exports were around 170 000 units in 2007, and the National Automobile Association of South Africa (Naamsa) expected this amount to jump to 285 000 during 2008, which came to be correct. This was a surprising growth, especially when compared to 1997, when the number of units exported was below 20 000 units.

Currently, South Africa exports vehicles to over 70 countries, mainly Japan (around 29% of the value of total exports), Australia (20%), the UK (12%) and the US (11%). Other African export destinations countries include Algeria, Zimbabwe and Nigeria (SAinfo, 2008).

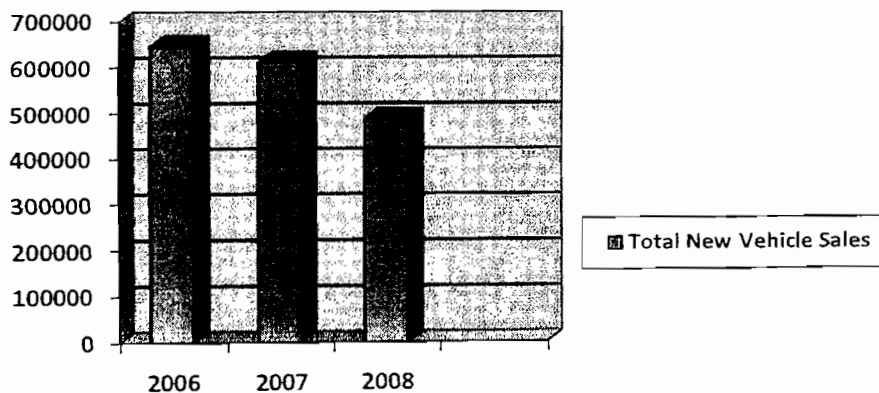
Figure 3.4: Volume and production capacity



Source: (IDC, 2009)

In Fig. 3.4, where production trends are found, it can be seen that the production stabilised at around 82,000 between 2002 and 2004. From 2004 up to 2007 it steadily increased up to 113,000 vehicles. The production capacity was also increasing steadily. During the 1st half of 2008, the production volume was at its highest at 115,000 but at the same time the production capacity was declining, which could be found at 100,000. During the 2nd half of 2008 both production volume and capacity started declining due to the recession occurring worldwide. With the motor industry being severely influenced by the recession, a huge drop occurred during the 1st half of 2009 in both production volume and capacity being at a low of 69,000 vehicles (IDC, 2009).

Figure 3.5: Total new vehicle sales and total vehicle exports



(Source: NAAMSA, 2008)

According to Fig. 3.5, it can clearly be seen that, from 2006 to 2008, the total number of new vehicles sold has decreased. This is not surprising, when it is considered that that was the year when the recession started (NAAMSA, 2008).

At the beginning of 2009, in all the segments of the country's new vehicle market, as well as the export segment, sales sharply declined, which was registered when comparing to the same corresponding month last year 2008 (Anon., 2009b).

3.2.3. Location

The motor vehicle industry to a large extent is located in two provinces, the Eastern Cape (coastal) and Gauteng (inland). Companies with the different manufacturing plants in South Africa are placed to take advantage of the low production expenses, together with the access to new markets, as a result of trade agreements that have arisen with the European Union and the Southern African Development Community. Various opportunities also can be found in the production of the various materials (automotive steel and other components that are needed) (SAinfo, 2008a).

The SA automotive industry is the strongest in mostly three regions, which shows the importance of external economies and customer closeness to the supply chain. The most important is the Gauteng region (mainly the East Rand and Pretoria) as well as a portion of the North West (GaRankuwa and Brits). This region is home to three of the Original Equipment Manufacturers (OEMs) (BMW, Nissan and Ford/Mazda), and approximately 50% of all the SA automotive components industry. The second most important region is the Eastern Cape, covering Port Elizabeth/Uitenhage (General Motors and Volkswagen) and East London (DaimlerChrysler). This region is home to three OEMs and about 30% of the national automotive components industry. The third major region is Durban/Pietermaritzburg, which has one OEM (Toyota) and about 15% of the components industry (NAACAM, 2009). Six of these seven OEMs are wholly foreign-owned multinationals while Toyota is majority foreign-owned OEM (NAACAM, 2009; Barnes & Black, 2005).

3.2.4. Investment

In South Africa, all of the major vehicle manufacturers can be found, as well as eight of the world's top 10 auto component manufacturers as well as three of the four largest tyre manufacturers. Several of the major global companies use South Africa to supply components and assemble vehicles for both the local and overseas markets (SAinfo, 2008).

Between the years 2000 and 2006, the industry's investment in production and export infrastructure quadrupled, from R1.5-billion to R6.2-billion, before dropping down to R3-billion in 2007. The key assets were estimated to be around the R4-billion mark during 2008.

The majority of those key assets have come from the foreign investments, with the parent companies of local car manufacturers widening their local operations in order to improve their manufacturing capacity, export facilities as well as supporting infrastructure. All of the major manufacturers in the country have started on major export programmes in recent years, the latest being Ford Motor Company of South Africa (SAinfo 2008a).

The 2010 Fifa World Cup may prove to be a benefit for the local industry in South Africa, as most of the letting companies are likely to increase its current number of fleets. An expected increase in the uptake of credit will in turn support the amount of sales (Matutu, 2010).

The government has identified the automotive industry as a key development sector, with an aim of increasing vehicle production to 1.2-million units by 2020, while notably increasing local content at the same time (SAinfo, 2008a).

When looking at the South African automotive and components industry, it has been noticed that it is growing at an extremely fast rate and is perfectly positioned for investment opportunities. Vehicle manufacturers such as BMW, Ford, Volkswagen, Daimler-Chrysler and Toyota all have production plants in the country, while component

manufacturers (Arvin Exhust, Bloxwitch, Corning, Senior Flexonics) have established manufacturing bases countrywide (SAinfo, 2008a).

Currently, South Africa is doing everything it can and are aiming at becoming an automotive investment destination of the various motor vehicle manufacturers. That is why modernization and upgrading of the main elements in the automotive industry are necessary to keep pace in order to achieve international competitiveness (SAinfo, 2008).

3.2.5. Sector competitiveness

Export growth has been the foundation of the automotive industry's recent success, although future growth will turn out to be more difficult to achieve as the global market conditions have become increasingly difficult, due to the recent recession. Some of the most important international trends are defined below:

The worldwide vehicle sales have been stable over the last four years, with limited collective growth expected over next few years. This limited growth has made it worse for the other motor vehicle manufacturers and maintained global production over-capacity, which is estimated at 25% to 30%. The collective global sales figures also hide three key trends:

- (1) substantial regional variations in sales performance, with Asia performing exceptionally well relative to the rest of the world,
- (2) highly variable OEM performance, with certain firms such as Toyota performing impressively (Barnes & Black, 2005).

NAAMSA is forecasting that South Africa might not have an automotive industry in an estimated seven to ten years time, if urgent attention was not given to the increasing local content, gaining certainty on government's support programmes for the industry, as well as improving South Africa's cost competitiveness. South Africa is currently 20% more expensive as a vehicle manufacturing base than Western Europe, with China being 12% less expensive than Western Europe, and 30% to 40% more expensive than India (Venter, 2009).

In order for South Africa to have a chance surviving it needs to increase its locally manufactured content from 35% to 70%, if it wants to stay competitive in vehicle manufacturing worldwide. In the short run, South Africa's local motor industry is able to benefit, through letting groups that are able to improve the country's fleets (Matutu, 2010). Currently, South Africa produces a content of an estimating 35% locally, but this needs to increase to approximately 70%, in order to cancel out the costs of imported components and making use of long supply chains and withstanding a fluctuating currency (Venter, 2009). Despite its distance from some of the most important markets, Africa, and particularly South Africa, manufactures high quality products at prices that are competitive with other automotive manufacturing and assembly centres (SAinfo, 2008a).

Even though the outcome of the recession was negative for the economy, but an improvement was to take place in the domestic environment, the recovery was dependent on consumer expenditure, aggressive interest rate cuts as well as fiscal stimulation. The industry optimism, that the lower levels of inflation rate expected in the coming months and ensuing lower interest rates, together with stimulatory government spending, would show improvement in the second half of 2009 (Anon., 2009b).

3.3. THE DIFFERENT DEALERS

3.3.1 Audi

3.3.1.1. History

Audi began its existence when a man by the name of August Horch, a revolutionary engineer able to solve complex problems, set up business in 1899. Before opening his own business, he worked for Carl Benz in Mannheim for three years as head of automobile production.

By 1901 he already created his first automobile and he was the first one to conclude that it's best to use alloys, in order to decrease the weight. The same principle was used in the first Audi A8 as it was 50% lighter than when it was made of steel.

During the early 1980s, Audi's core brand statement "Vorsprung durch Technik" was born and it summed up Audi's technical excellence as well as also its emotional attitude to design. Because of that core brand statement, Audi moved from being admired to being desired by many and sportiness as well as performance became the main element in how the brand was seen.

Today, Audi manufactures high-quality cars worldwide. It is mainly produced in countries like Germany, Hungary and China, where it is able to sell more than 650,000 cars annually and employs more than 50,000 people (Audi, 2009)..

3.3.1.2. Dealer

The Audi dealership in Klerksdorp has existed for 40 years. Various models can be viewed on their floor in the showroom, from the small upscale, sporty hatchback A3 to the bigger A4, A5, A6 and the SUV Q5 and Q7.

The strategy that they would like to achieve is to obtain a market share that is better than the national market share. They would like to focus their attention on the A3 and A4.

3.3.2. Volkswagen

3.3.2.1. History

Volkswagen has a wide-ranging history of participation in transformation of the way that people live in South Africa. Ever since the first Beetle was brought out off the line on 31 August 1951, Volkswagen has become one of the leading passenger car manufacturers in the country.

The official opening of South Africa Motor Assemblers and Distributors (SAMAD) in the year 1949 was the first step to offer a better future and life for everyone in South Africa. In 1956, a majority interest in the company was bought out by Volkswagen AG and the name was changed to Volkswagen of South Africa a year later (Volkswagen, 2009).

3.3.2.2. Dealer

Like Audi, the Volkswagen dealership has existed for 40 years in Klerksdorp. They also offer various models that can be viewed on their floor in the showroom, from CitiGolfs to Polos as well as Golf 6 Gti. As with Audi, they want to increase their market share, better than the current national as well as to focus more on the black developing market.

3.3.3. Toyota

3.3.3.1. History

South Africa's first encounter with Toyota occurred when Dr Albert Wessels obtained an import permit for 10 Toyota Stout bakkies from Japan and the first shipment arrived in South Africa in **1961**. In **1962**, thirty Toyota dealers were already selling 384 vehicles. During the next year, the first Toyota shares were sold to the public and sales increased to an astounding 2 332 units.

The Corona sedan was the first locally produced and assembled car in 1966, which allowed Toyota to claim a 23% share of the light commercial vehicle (LCV) market as well as 2% of the passenger vehicle market. Two years later, Toyota become the largest known producer of commercial vehicles in South Africa and was awarded the title "Company of the Year" by the financial press. During 1971, Toyota SA sold its 100 000th vehicle (Toyota South Africa, 2009).

Later in 1982, Toyota became the No. 1 passenger car seller and it achieved the highest number of LCVs sold as well as a total market leadership. At that time, it was announced that the 100 000th Corolla was manufactured which became also the No. 1 selling passenger car during that time. Later that year, the new TUV (Toyota Utility Vehicle) was launched which also achieved success (Toyota, 2009; Toyoland, 2007).

3.3.3.2. Dealer

The Toyota dealership has existed for 20 years in Klerksdorp. They focus their attention mostly on the farming community. For that reason, mostly bakkies are sold in Klerksdorp.

Their strategy during the recession was to involve the community, participate at schools, charities, upliftment and offering sponsorships. They also put their energy into finding out their target market and who their customers are.

3.3.4. BMW

3.3.4.1. History

Praetor Monteerders, located in Pretoria, started its assembling of BMWs at its new factory located in Rosslyn during 1968. 1973 became known as an important year for BMW, as it acquired Praetor Monteerders and established BMW South Africa, which was to become the first manufacturing plant to be established outside Germany.

During 1994, BMW South Africa became the only local motor manufacturer to achieve ISO 9002 certification, which proved that the South African BMW plant was able to produce vehicles as well as their parts within a particular quality management system that must comply with the highest international standards that are implemented worldwide. In 1998, BMW celebrated its 25th anniversary in South Africa (BMW, 2009).

3.3.4.2. Dealer

The BMW dealership has existed for 10 years in Klerksdorp. The BMW strategy is to place emphasis on the superior service that it offers. They also plan to increase the number of "demos" that will be offered to show off on the streets, in order to get the customers excited about their products and show them what they are offering.

3.3.5. Mercedes Benz

3.3.5.1. History

The first car to be imported into South Africa, a Benz Velo made its first appearance in 1896. In 1948, a Car Distributors Assembly (Pty) Ltd was established in East London. In 1954, Daimler-Benz realized the full potential of the market and opened an office in South Africa. Later in 1986 it renamed to Mercedes-Benz (Pty) Ltd, East London. Introduction of the new E-Class (V-engines) occurs in 1997. A total number of 335000 Mercedes-Benz Passenger cars were built at the East London plant since 1958 up to the end of 2000 (Mercedes-Benz, 2009).

3.3.5.2. Dealer

The Mercedes dealership has existed in Klerksdorp for the last 26 years. The Klerksdorp dealership does not have an individual strategy, it uses mainly the national campaign, which is the official website where the customers go and research as to what kind of car they want and desire. They concentrate on organising sponsorships and promote their products at various events where people are able to view the latest Mercedes.

3.3.6. Ford / Mazda

3.3.6.1. History

In 1924, the Ford Motor Company of South Africa (Pty.) limited was established in Port Elizabeth. Other specialized parts were still manufactured in Canada (Ford, 2009).

3.3.6.2. Dealer

The Mazda/Ford dealership has existed in Klerksdorp for the last 37 years. The Mazda/Ford also attracts mostly the farming community as their bakkies are very popular.

The Mazda/Ford, like Mercedes, also follows mostly the national campaign. Except for that, they offer weekly specials on different model derivatives.

3.3.7. Nissan

3.3.7.1. History

Nissan South Africa has supplied quality vehicles which were tailored especially for the needs of the South African people, for the last 40 years. While starting to develop the country's motor industry and setting up the manufacturing facilities close to Pretoria at Rosslyn, Nissan has managed to offer transport solutions to South Africans.

With the unrestricted, and highly competitive, motor vehicle market, Nissan is continuing the main role that it is playing in the South Africa automotive market. Even after all the changes that took place over the years, Nissan is still having the benefit of having about 10% of the total South African vehicle market with a wide range in passenger cars, light, medium as well as some heavy commercial vehicles. In order to meet its goal of extensively growing its market share, Nissan South Africa is busy developing a new program of introducing various new models to the market (Nissan, 2009).

3.3.7.2. Dealer

The Nissan dealership is one of the oldest in Klerksdorp and has existed for the last 46 years. Like the previous two dealerships, it also uses mostly the national campaign. Except for that, it organises open days, where snacks and jumping castles are provided in order to attract the customers. That way the whole family comes to the dealership and enjoys a day of fun. Unfortunately, this strategy is not very successful to Nissan Klerksdorp and they need to establish a different strategy.

3.3.8. Honda

3.3.8.1. History

Honda was established in December 2000 as a wholly owned subsidiary of the Honda Motor Company in South Africa. The company operates its own service, sales and back-up facilities and is not in any way affiliated with any other motor assembler or distributor in South Africa.

As a Honda South Africa customer you can benefit from focused attention and outstanding value for money. The broad range of Honda products, including motor vehicles, motorcycles, power products and the marine range is now available for you to view in the widely spread dealerships. It is dedicated to expand and evolve their product range to meet the ever-changing needs of every South African (Honda SA, 2009).

3.3.8.2. Dealer

Honda is the youngest dealership in Klerksdorp and has only been established three years ago. Honda's strategy during the recession was to advertise more and to offer hard pressure sales, as well as offering discount schemes, in order to increase the demand for their products during the recession.

3.3.9. General Motors

3.3.9.1. History

In 1902, Max Grabowski was the founder of the company called the "Rapid Motor Vehicle Company", which developed some of the earliest commercial trucks ever designed. Later in 1909 the company was bought by General Motors to form the basis of the General Motors Truck Company, from which GMC Truck was made. It was first shown at the New York Auto Show in 1912.

GM has penetrated the South African market back in 1913 with the import of Chevrolets to the country. Later in 1925, GM set up an assembly facility in Port Elizabeth. Later, other plants were established, with the company recording many successes, and GM remained in South Africa up until the late 1980s. Due to the political situation in South Africa and the resultant pressure in the US, the corporation withdrew from the country in 1987. With democracy proving to have longevity, GM acquired 49% shareholding in 1997 and then in 2004 the corporation acquired the balance of shareholding in the local company (General Motors Corporation, 2007; BNET, 2005).

3.3.9.2. Dealer

The Westvaal GM dealership has existed for the last 36 years in Klerksdorp. Corsa bakkies are also popular with the farmers, as they are very economical. The Avio Chevrolet is also a very small and light car, excellent to get around town, and low on petrol.

The Westvaal's GM dealership's strategy is to put more pressure on becoming more visual, noticeable, so that the customers would notice their products and in turn the dealership.

3.4 SUMMARY

The importance of the motor vehicle industry in terms of its economic contribution to the South African economy has been highlighted. However, of concern is the general decline of GDP contribution, exports (not only the South African exports but also the global exports must be taken under consideration), a decrease in investments made by foreign companies in South Africa, location of the manufacturing vehicle plants as well as the annual sales growth.

The various vehicles and their specific dealer were discusses as well as what influence the recession had on the motor vehicle industry in South Africa.

CHAPTER 4

RESULTS, CONCLUSIONS AND RECOMMENDATIONS

4.1. INTRODUCTION

In order to evaluate the current marketing in the South African Motor Vehicle Industry during the recession, the dealerships were approached to evaluate how the dealerships in the Klerksdorp area were influenced by the recession, to what degree and how they managed to resolve the problems that they encountered during this period. In order to establish this, a questionnaire was constructed and personal interviews were arranged with Audi, BMW, GM, Mercedes Benz, Volkswagen, Ford/Mazda, Nissan, Honda and Toyota dealerships. The questionnaire was based on the marketing mix of the Motor Vehicle Industry and was divided into four main sections:

- Product
- Price
- Promotion
- Place

4.2. PRODUCT

Conclusion:

Table 4.1: Conclusion on most popular passenger vehicle, SUVs and bakkies sold during the recession

<i>Dealership</i>	<i>Passenger cars</i>	<i>SUVs and Bakkies</i>
Volkswagen	- City Golf - Polo	
Toyota	- Toyota Corolla	- Toyota Hilux bakkie
Audi	- A4	
General Motors	- Avio Chevrolet	- Corsa utility bakkie
Nissan		- Nissan NP 200 LDC - Nissan Navara
BMW	- BMW 3 series	- BMW X5
Mercedes Benz	- C-Class	- ML - Pajero Triton
Mazda / Ford	- Mazda 2 - Ford Fiesta	- Mazda BT50 3.0 - Ford Ranger 3.0
Honda	- Jazz	

As can be seen from the table above (Table 4.1), the most popular models during the recession have been the A4 from Audi, Mazda2 and Ford Fiesta, as well as the Ford Ranger bakkies, Toyota Hilux and Corolla, Nissan Navara, Corsa utility bakkie and Avio Chevrolet, BMW 3-Series and the X5, Honda Jazz, Mercedes Class-C and Pajero, Volkswagen Citi Golf and Polo. That makes it a target market of a variety of both smaller and bigger SUVs as well as bakkies.

Table 4.2: Conclusion on additional benefits that the different dealerships offer

<i>Dealership</i>	<i>Motor plan</i>	<i>Service plan</i>	<i>Other extras</i>
Volkswagen			- Motor plan - Service plan - Smash and grab - Window tinting - Vehicle tracking - Bodyline policy – paint protection
Toyota		X	- towbars
Audi	X	X	- Smash and grab - Paint protection - Vehicle tracking - Body line policy against scratches
General Motors		X	- Paint protection - Smash and grab - Extended warranty
Nissan			- towbars
BMW	X	X	- Extended motor plan - Financial services
Mercedes Benz		X	- For doctors only, a free motor plan
Mazda / Ford		X	- Extended motor plan - Financial services
Honda		X	- Extended warranty - Run flats - Smash and grab

The above table (Table 4.2) indicates that all the dealerships in Klerksdorp area offered extras at an additional price. Most of the dealerships offer their customers a limited service plan but very few like BMW and Audi offer a motor plan (which includes a full service plan free of charge) as standard when purchasing a car.

From the research done on the above dealerships in Klerksdorp, it was established that most of the dealerships offer extras when selling a new car, e.g. extended warranties, smash and grab, towbars (where applicable), paint protection, vehicle tracking, and more, although none of them include it for free in the price of the car.

Their main target for all the dealerships was obviously to sell the biggest amount of cars, which were the most popular during the specific recession period.

Recommendation:

It is recommended that the strategy that dealerships should follow, is to offer extras, if they are not initially included with the purchase of the car, like warranties, services, towbars, bullbars, smash-and-grab, guarantee on the paint protection, it should be added at no extra cost to the customer, as it makes the car more attractive and more valuable to the customer, which makes the sale easier to take place.

During the recession, the dealership needs to offer much more to the customer than during normal economic times, in order to make the customer happy and to retain him as a future customer. During the recession, the demand decreases on all the car models, and in order to stimulate the market, they need to present more to the customer, in order for the customer to feel that he got a bigger and better value for his money, extras that he would normally need to pay for but which are already included in the price.

The after service is also very important, which most dealership do not actually pay much attention to.

4.3. PRICE

Table 4.3: Most popular cars sold during the recession

<i>Dealership</i>	<i>Below R200,000</i>	<i>Above R200,000</i>
Volkswagen	- City Golf	- Polo
Toyota	- Toyota Corola	- Toyota Hilux bakkie
Audi		- A4
General Motors	- Corsa utility bakkie - Avio Chevrolet	
Nissan	- Nissan NP 200 LDC	- Nissan Navara
BMW		- BMW 3 series - BMW X5
Mercedes Benz		- C-Class - ML - Pajero Triton
Mazda / Ford	- Mazda 2 - Ford Fiesta	- Mazda BT50 3.0 - Ford Ranger 3.0
Honda	- Jazz	

Conclusion:

The range of cars sold during the recession period varied, but mostly the more expensive cars were sold during this economic downturn such as the Audi A4, Polo, BMW 3 series, C-class Mercedes, and others. Some of the most popular smaller, cheaper cars were sold like the Citi golf, Mazda 2, Honda Jazz, and Avio Chevrolet. This tendency could possibly be due to the fact that customers with money and higher standards of living were not really influenced by the recession.

The car prices varied from R100 000 - R150 000 for the smaller passenger cars and then again from R200 000 and above for the bakkies, SUVs and the more exclusive cars. Seven out of nine dealerships sold cars above the mark of R200 000 and above. Six dealerships sold cars between R100 000 and R199 000. Four of the nine

dealerships sold both the less and more expensive cars such as Toyota Hilux bakkies and Toyota Corolla.

All the dealerships have experienced a decline in sales and customers. Mercedes has been the least affected, as it does not keep any vehicle stock on the floor in the dealership. It does have one to two demos of the most popular range of the model, but generally they do not have any cars standing on their floors.

When a customer comes and orders a car that was chosen on internet, it is then ordered to his / her exact specifications, the car is delivered within a few days to the dealership. This way, the cars do not stand in the dealership and it costs the dealers a lot less. This lowers the overhead costs.

Recommendation:

Dealerships should lower prices on certain types of cars in order to attract customers, especially during the recession period. The dealerships need to concentrate on customers like farmers, doctors, CEOs, top managers as well as others, that seem less affected by the recession. The dealerships should give different bargains on certain types of cars at the end of the month, each and every month. This will attract the customers to the dealership, as once in a while, bargain buys are offered. These offers made by the dealerships will increase the amount of customers interested in a certain brand.

Brands are chosen on the basis of personal taste, experience with a certain brand through the years, or recommendation of a brand through family members or through friends. Though both Mercedes and an Audi are brands that are expensive and offer exclusivity and superiority, Audi offers an amazing driving pleasure while Mercedes offers their drivers the pleasure of being driven.

Customers change car brands, depending on the service they get from the sales people as well as from the service that the dealership provides to them. If they are not happy how they have been treated and what service has been offered them, this will impact and influence the brand that they will end up choosing.

One cannot make a recommendation on a certain brand type and say that it is the best. Every customer must choose a brand after various analyses as to what would best suit them in performance, looks and, most important, price wise.

4.4. PROMOTION

Conclusion:

Table 4.4: Most used promotional channels during the recession

<i>Dealership</i>	<i>Email</i>	<i>Newspaper</i>	<i>Phone / SMS</i>	<i>Other</i>	<i>Most popular</i>
Volkswagen		X	X	Personal promotions and sponsorships	- Personal promotions - sponsorships
Toyota			-	-	-
Audi		X	X		- sponsorships
General Motors		X		- Billboard	- Billboard - Demos at schools
Nissan		X	X		- Newspaper
BMW	X	X	-	Local radio station, exhibitions and golf day	- Newspapers
Mercedes Benz	X		X	Local radio station	- All are effective
Mazda / Ford	X	X	X	-	- SMS
Honda		X	X		- SMS

During the research it was found that eight out of the nine dealerships use newspapers to advertise, seven of them use the SMS method to keep their customers informed and updated, four use email and only two make the use of a radio station. Though it was established that so many dealerships use newspapers and SMS, it proved that actually these methods are not very popular. The most popular methods to reach the customers

were personal promotion and sponsorship for Audi and VW. The promotion was also very successful for BMW, but they also made use of exhibitions and they were one of two dealerships that found newspapers extremely useful. The other dealership that found newspapers very useful was Nissan.

Mercedes, Honda and Mazda/Ford found that SMS was the best way of reaching their customers. Mercedes also used emails and the radio station, which made it the only dealership to use this route to advertise. Toyota found that referrals were the most useful to them while BMW made use of exhibitions and promotions. General Motors was the only dealership which made use of a billboard as well as demo cars, and which made them the only dealership not having much success with their use of advertising.

Most dealerships pointed out that their strategies have changed during the recession. The most widely used channels by the dealerships were the newspapers, email and telephone / SMS.

Table 4.5: Sales volume for the different dealerships

<i>Dealership</i>	<i>Sales Volume</i>		
	<i>Increase</i>	<i>Decrease</i>	<i>Same</i>
Volkswagen		30%	
Toyota		40%	
Audi			X
General Motors		30%	
Nissan			X
BMW		30%	
Mercedes Benz		2%	
Mazda / Ford		42%	
Honda		35%	

In table 4.4 there is an indication that in most dealerships, between 30% to 42% decrease in sales volume occurred. Through various ways of advertising and through various promotional channels they tried to achieve maximum possibility of reaching customers. The sales volume has decreased in six dealerships between 30% up to 42%, and only in one dealership, Mercedes Benz has it decreased by 2% nationwide.

The other two dealerships Nissan and Audi stayed the same, with no changes occurring.

Concerning the internet, the problem has arisen, that when a customer comes to the dealership, that has not done research on the internet, and is not sure of his wants and needs, the car is not there and cannot be viewed by the customer. During this research, in the Mercedes Benz dealership, it was concluded that 90% of customers that come to buy a Mercedes have already done research on internet, and this search as well as the information provided online are of an enormous benefit to Mercedes.

Other dealerships in this study have reflected that they need a car on their floor, in order for the customer to test-drive the new vehicle and in order to experience how "it feels". This is a good way for the customer to develop a "need" or a "desire" for the car. This ultimately convinces him to make the purchase of that specific car.

The amount spent on advertising has not changed for six dealerships. Those were Mercedes, Audi, VW, Honda, Toyota and GM. Nissan decreased their advertising spending by almost 40% while Mazda has reduced it by a huge 68%. BMW has reduced it by 20%. Overall, the conclusion is that advertising spending has dropped significantly.

Four dealerships were not satisfied with the results achieved in their dealership during the recession. The majority, five, were happy with what they have accomplished during the recession. The dealerships' budgets have been negatively affected in all the dealerships, except for Mercedes. They keep the same budget no matter what the economic situation is. All the others have lowered their spending, or not replacing their staff that has resigned, to restructuring, to a tighter control, curbing expenditure, war on waste implementations, up to resigning employees.

All the dealers have implemented one or other way to retain their customers for parts and services whether they use promotions, or email, or SMS, whether it is personal visits to the customer's premises done by the managers themselves, or offering lesser interest on the account to even telephonic follow-ups. Overall, the majority of dealerships' most popular way is the personal visit to the customers followed by telephonic conversation.

Recommendation:

According to the limited research done on the Klerksdorp dealerships, it was found that due to the recession, most dealerships cut their spending, especially on advertising. Many of the dealerships need to keep the amount for advertising the same or even increase it. During recession it is of the utmost importance to increase the advertising costs in order to attract the customers.

The other even bigger problem that was established was that the dealerships need to understand that if one promotion channel does not work, it needs to be changed or adjusted in order to achieve the positive results. A few dealerships just spend money on advertising channels that do not bring them any success whatsoever. They need to find the right channel that will suit their brand and product, and reach the specific customers' attention. The correct way to use advertising and the right use of the correct channel is of tremendous importance for the sale to occur.

4.5. PLACE

Conclusion:

As the research has been conducted on the dealerships in the Klerksdorp area, no alternative offers of place can be considered. All the dealerships are located in main business areas.

Recommendation:

No alternative recommendations are offered to the dealerships in connection with a different location suggestion. Current locations of the above mentioned dealerships are all placed with no changes needed.

4.6. ACHIEVEMENT OF THE STUDY'S OBJECTIVES

The measurement of success of this study is based upon the achievement of the primary and secondary objectives, as indicated in chapter 1.

4.6.1. Primary objective

The primary objective of this study was to analyse the marketing mix of the dealerships in Klerksdorp and how they have been influenced during the recession period and to determine how the dealerships perceive the current situation as well as how they would like to use the marketing mix in the future. The outcome of this study would be used to make recommendations to the dealerships as how to improve the marketing and sales in the Klerksdorp dealerships obtained from the empirical study.

The discussion on the marketing mix and recession was achieved through a literature review in chapter two, and the study provided adequate insight into the definition of marketing as well as economic recession. Further research was done by identifying nine Klerksdorp dealerships.

4.6.2. Secondary objectives

The following secondary objectives had to be met:

- To assess the marketing methods of the Klerksdorp dealerships during the recession
- To suggest practical recommendations that might be applied in order to improve the demand and sales in the Klerksdorp dealerships.
- To determine the usage of the marketing mix in recessionary circumstances:
 - Product – how was the product offered
 - Price – how was the price set during the recession period
 - Promotion – which promotions were offered and considered
 - Place – positioning of the dealership

The outcome of this study was to make recommendations to the Klerksdorp dealerships, as how to improve their sales and way of marketing, especially the correct way of promotion for pricing the products during the recession period. Based on the results obtained from the empirical study and compared to the literature, it was mostly achieved.

4.7. RECOMMENDATIONS FOR FUTURE RESEARCH

This study was performed in the Klerksdorp area only. It is thus an obvious limitation that the results of this study pertain to the dealerships of that specific region. Care should thus be taken not to extrapolate the findings into other regions of South Africa. It is therefore suggested that qualitative research should be expanded into other geographical areas of South Africa and to investigate their possible interpretation of the impact that they encountered during the recession. Such research will provide a more accurate assessment of the marketing and economic recession in the South African Motor Vehicle Industry.

4.8. SUMMARY

In this study, a broader understanding of the marketing mix of the South African Motor Vehicle Industry was obtained during the recession period, where various dealerships in Klerksdorp area were approached to see how they were influenced by the recession. The marketing mix was defined by means of a literature study, and the empirical data was explained using the literature as a base.

The dealerships are forced to re-invent their product and services that they provide to the customers, especially during the recession, in order to stay competitive in the rapid and ever-changing market. With the internet increasing in use, even in the car industry, the traditional ways of selling cars are changing, but one thing is certain: people and creative inspiration will continue to play a major role in the selling of cars.

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APPENDIX A: QUESTIONNAIRE

Questions to the Car Dealers

Please name the dealership that you represent. _____

How long does your dealership exist ? _____

Product

What is the main target group for in the South African market?

Light passenger cars ☐

SUV ☐

Bakkies ☐

Which car models were the most popular?

What additional benefits do your dealership offer? (Are there differences in augmented product, guarantee, service, etc.)

☐extras

☐motor plan

☐services

☐other

If other please specify:

What percentage of Dealer's showroom visitors do online research before coming in?

Price

What is the price of the products that are most sold?

☐R0 - R99,000

☐R100,000 - R150,000

☐R151,000 - 199,000

☐R200,000 + above

How have you adopted your price strategy during the recession period?

Promotion

Which kind of promotion channels are you using? Which are the most effective?

☐newspaper

☐flyers ☐email

☐phone/sms

☐local radio station

Please indicate your spending pattern on promotion during this recession period and before.
Also please indicate the amount.%

Please indicate the influence of the recession on the following factors:

Inc. Dec. Same %

Sales Volume

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Response Management Process:

Inc. Dec. Same %

Showroom Visits and Appointments %

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DEALER BUSINESS STRATEGY:

Is the Dealer satisfied with the results in his Dealership?

☐Yes ☐No

What is the Dealership's marketing strategy to attract customers to Dealership?

How has the recession affected your budget? Please explain.

How effective has the use of promotions / advertisements been on your **existing** customers?
Please describe:

How effective has been the use of promoting / advertising during the recession?
Please specify:

Does the Dealer have a strategy for retaining customers for parts and service?
IF YES, describe:

Does the dealer have an e-mail marketing campaign strategy?
☐Yes ☐No