

## Chapter 2: Literature review

Basically, Sipradi trading is one big group of company combines with several sub division. Since, I was assigned as an intern in passenger vehicle unit division, I get to deal with all the marketing activities held by the company. Similarly, passenger vehicle unit consist of following categories:

Hatchback (Tiago, Nano, Bolt)

Sedan (Zest, Tigor, Indica, Indigo)

Compact SUV (Nexon)

SUV (Sumo Gold, Hexa, Safari Storme)

The automotive sector is one of the most important economic catalysts in every country. Even though, Nepal is a developing country, culture of buying a car or SUV has been increasing. There has been high demand for passenger vehicle, lately.

Automotive manufacturing sector globally is increasingly becoming a competitive industry which requires new car models at a lower cost, but at higher quality. Current market trends require faster product development, lower cost and higher quality products. Furthermore, customer has become very precise and articulate while buying car. Since, it's a big investment and are to be used for several years. Customer decision making process are to be acknowledged properly.

### 2.1 Main theory and concept applied

#### 2.1.1 The consumer decision making process:

Purchase trigger (stage 1):

Considering Nepalese scenario, most of the potential customer lives with their families. Unlike western culture, where customer buys for their own uses, Nepalese customer buys passenger mostly for family uses. It signifies that buying decision is directly affected by family preference. Likewise, there are two type of buyer first timer and repeated one. First time buyer has no prior reference so they go for popular and rational decision. However, a repeated buyers wants to upgrade and are very specific about their requirements.

Both has different factor while considering which vehicle to buy. Contrary to the popular belief that the car buyer is motivated by the opportunity to make a statement of success, it is interesting that this is a very rational and practical requirement (deloitte, 2014).

Information search (stage 2):

Most People looks for price and features while considering to purchase cars. In Nepalese context, most information are gathered through friends and family. Thus, word of mouth has a huge impact on perception of customer. Similarly, some of the sources where potential buyers gather their information are:

- Social networking sites
- Friends and families
- Sales person
- Official website of particular manufacturing companies
- Newspaper and magazines.
- Television and endorsement
- Prior experience

Evaluation of alternatives (stage 3):

There are many brands serving Nepalese market. However, some of the major preference for Nepalese customer while buying cars are offers and brand image. With the gradual increase of competition, companies are coming up with several scheme and offers. Main alternative of Nepalese customer has been Maruti Suzuki, Hyundai, Tata, Mahindra, Volkswagen, Toyota etc. furthermore, customer compares every aspect such as features, resale value, color, brand image, model, price, aftersales service etc.

Consumers prefer to conduct research on their own such as by searching internet and reading reviews. Very few consumers use internet to connect with dealers during the research phase for quotes or information.

With keeping all these factors in mind, person comes to conclusion. For example, Siprodi trading recently launched new compact SUV model called Nexon, it offered several scheme and facilities which were able to grab customer attention and eventually their buying decision.

Purchase (stage 4):

At this stage, customer has finally decided to buy a particular product base on several factors, it may varies for the first time and repeated user. The logical decision may come after mixture of emotional, advertising, influence and technical factors.

Post purchase evaluation (stage 5):

The review stage is a key stage for the company and for the customer likewise. If a customer finds that the product has matched or exceeded the promises made and their own expectations they will potentially become a brand ambassador influencing other potential customers in their stage 2 of their next customer journey, boosting the chances of your product being purchased again. The same can be said for negative feedback which, if inserted at stage 2, can halt a potential

customer's journey towards your product (consumer decision making process, n.d.).

Sipradi trading Tata has been facing several backlash and bad word of mouth due to its previous product line, indigo and Indica. Due to which even though Tata offers excellent, customer hesitate or think twice before buying one.

### 2.1.2 Word of mouth

Word of mouth (WOM) has always been one of the important factor for customer buying decision. Moreover, in the sector of automobile, it is one of the main factor buyers looks upon while buying vehicle. Basically, word of mouth advertising is unpaid form of promotion usually carried out by satisfied customer to other customer. It is a very effective and highlights product strength and brand value. Advances in information technology and the emergence of online social network sites have changed the way information is transmitted. This phenomenon impacts consumers as this easily accessible information could greatly affect the consumption decision (Jalilvand, n.d.).

In Nepalese market context, people tend to believe in what other says about the brand before using or considering to buy the vehicle. There are several passenger vehicle brand in Nepal. Some has high brand value where as some has low brand value which is highly caused by word of mouth advertising. Sipradi trading has a high brand value mainly due to its Tata association. Even though, Tata is main player in every other vehicle division, it has been facing backlash in passenger vehicle unit division mainly due to bad word of mouth advertising. With the launch of Indica and indigo model in Nepalese market, people had high expectation. However, due to several reasons such as poor maintenance service, aftersales service, poor performance, and low resale value, Tata's goodwill got hampered.

Keeping this in mind, Tata has been gradually improving its vehicle and aftersales service. Due to extensive bad word of mouth advertising, some people now also hesitate to buy Tata's passenger vehicle.

### 2.1.3 SWOT analysis

Sipradi trading has strong presence on Nepalese market in automobile sector. After acquiring sole distribution of Tata motors India in Nepal, it has been providing Sales, Services and Spare parts, facility for the full range of Tata Motor's commercial as well as passenger vehicles (<http://www.sipradi.com.np/>, n.d.). Strategic planning plays initial role on evaluating and analysis company's position and future planning.

SWOT analysis helps to determine company's objectives more clearly and precisely. Furthermore, it helps to find out all the internal and external factors that affects company's operation and brand value. I performed SWOT analysis of Sipradi Trading automobile sector. Following are the results:

#### Strength:

- Tata motors has a strong foothold on Nepalese market. Most of the Nepalese is familiar with Tata vehicle or take it as a synonym for heavy vehicle. It has been a leader in every vehicle segment and falls on 3<sup>rd</sup> position on passenger vehicle all over Nepal.
- One of the most important strength of Siprodi Trading is that Tata motors has wide range of product line. It has long list of product portfolio ranging from trucks, buses, heavy machinery, and van to cars. It makes the company easier to target mass customer and segregate profit and perform strategic planning.
- Tata motors has been acquiring world reputed luxury vehicle brands on their portfolio. It has strengthen its global presence and widen its target segment. With the increasing demands of luxury vehicle in Nepal, Siprodi trading could be in advantage as Tata has acquired Jaguar and Land rover.
- As Tata motors is an Indian brand and India being a neighboring country of Nepal, all the components are easily accessible. Siprodi Trading has wide networking and has service station available in most of the places, which makes it easier for customers to easily acquire required parts and component.
- Siprodi Trading has huge employees base and their productivity rate is significantly higher than that of any other companies in Nepal. They have effective inter departmental communication.
- Siprodi trading is one of the high Tax payer to Nepalese government and is a responsible corporate citizen. It has comparatively high income and resources to carry on several activities to strengthen company's position.

#### Weakness:

- Though, Siprodi trading has its hands on several product categories such as lubricants, assurance, batteries, etc. it mostly depends upon single supplier which is Tata motors India. If any problem comes from Tata motors, it has its huge impact on Siprodi and its employees.
- Siprodi has large number of inventories in its hand which is not operated efficiently and effectively.
- The company's passenger car products are based upon 3rd and 4th generation platforms, which put Tata Motors Limited at a disadvantage with competing car manufacturers ([www.marketingteacher.com](http://www.marketingteacher.com), n.d.). Also, it has a very low resale value comparing to any other competitors brand available in Nepal.
- Siprodi trading is not being able to give effective and efficient after sale services. The spare parts and components are not delivered on time. Likewise, there are several complaints regarding vehicle quality and

reliability such as its safety features which has affected company's brand image.

#### Opportunity:

- Tata Motors has a very cost efficient vehicle. Nepal is a developing countries where majority of people are price sensitive. Thus, Sipradi has opportunity to attract high number of potential customer with extensive marketing tactics.
- With the acquisition of Land rover and Jaguar by Tata motors, Sipradi trading has opportunity to target high end customers. With the increase in living standard of Nepalese people, people are wanting luxury brands. Sipradi trading has opportunity to enter to those niche market as well.
- Sipradi trading has always been participating corporate social activities. It conducts several events for the betterment of Nepalese society and its people which I have been part of the event. It's give the company built a good brand image and create opportunities for future betterment of the company.
- With the updated infrastructure and required resources. Sipradi trading can invest in several profitable and sustainable sector. It can also allocate its resources on research and development to come up with better planning and outcomes.

#### Threats:

- Main threats of Sipradi is its competitors. Likewise, several new entrants are entering to the market which has taken many potential customer on their side. Furthermore, Tata motors is moderately new in passenger vehicle segment, so it might be challenging for Tata cars to lure the customer as there are many strong players in the Nepalese markets such as Hyundai, Maruti Suzuki, Toyota, ford etc.
- Bad word of mouth has also been a major threats for Sipradi Trading. People are hesitating to buy Tata due to bad word of mouth all over the market. People are complaint about low resale value, unavailability of spare parts and vehicle's quality itself. Sipradi trading should be very serious about this issue as it could hamper its brand image and sales permanently.
- Political events and strike could also affect the company operation. If there is changes in laws and regulation, it can be a threat to the company. Likewise, government interference is also most likely in Nepal.