

AN INTERNATIONAL MARKETING FRAMEWORK FOR FORD SOUTH AFRICA  
IN NIGERIA

By

Pedro D. Adams

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Supervisor: Prof L. Njomo

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## DECLARATION

I, *Student full name & student number*, hereby declare that the *treatise/ dissertation/ thesis* for *Students qualification to be awarded* is my own work and that it has not previously been submitted for assessment or completion of any postgraduate qualification to another University or for another qualification.

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## Abstract

Africa is seen as the last investment frontier and according to literature will have a GDP of \$1.5 trillion by the year 2016 and a population that is double the size of Europe. The rapid expansion of infrastructure and construction in African countries, such as Mozambique and Zambia has increased the demand for commercial vehicles. This has sparked unparalleled marketing opportunities for automotive manufacturers and the continent is fast attracting major players in this sector.

The international marketing literature still lacks detailed studies and research into the marketing deliberations and trades in Africa. Therefore, according literature a greater representation of African culture within the international marketing literature would provide relevance and richness in the global market place and offer greater insight to organisations who are seeking to invest and expand their businesses in Africa. The management issue here is to comprehend the diversity and vastness of this region and putting together all spheres to ensure growth and creating brand loyalty. The key challenge here is for management to be able to grasp and understand not only the various cultures but also the way of doing business in such a vastly different region.

It is therefore imperative for Ford Motor Company to fully understand these factors so as to take full advantage associated with entering a market early which is commonly referred as first-mover-advantage. A case in point is when General Motors entered the Chinese automotive industry in 1997 when the Chinese market was relatively small. General Motors' enthusiasm and commitment back in 1997 was driven by a belief that China would ultimately become an economic powerhouse and emerge as one of the world's largest automotive markets. By the year 2010 China was one of the world's biggest automotive markets and General Motors was a dominant force in this market.

Africa has all the key elements for the growth and development of a robust automotive market. By studying past experiences and outcomes from empirical studies on international marketing with emphasis on the automotive industry, it will be possible to draw lessons and experience about the potential growth of the automotive

sector on the African continent. This study will also be of great significance to other automotive manufacturers and suppliers looking to expand their business and market share across Africa due to the increase of the middle class.

Therefore creative strategies and thinking of how to circumvent challenges in the African cultural environment, creativity in managing bureaucracy and due diligence about business and investment opportunities will uncover unprecedented volumes of profitable business that lies untapped on the African continent.

Data from the quantitative study suggest that culture, political environment, country-of-origin, competition and country infrastructure in Nigeria, are essential factors to the development of a successful international marketing strategy for Ford South Africa. This study therefore concludes that Ford Motor Company of South Africa can utilise this framework in order to gain greater market share and ultimately success in Nigeria. Recommendations were also made for future research studies that can contribute to the international marketing literature with emphasis on the African market.

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# Chapter 1

## Introduction and Problem Statement

### 1.1 Introduction

In January 2014 Ford Motor Company embarked on an historical journey, the establishment of an entire new region called Middle East and Africa (MEA). A truly diverse region which consists of 67 countries, each with its own currency, culture and language will be both challenging as it is exciting. Growth in the region's automotive industry is expected to increase by 40% to 5.5 million vehicles within the next five years (Ford News Publication, 2014).

The focus of this treatise will be to establish a suitable marketing framework and marketing strategies for Ford South Africa, in order to gain significant market share within the automotive sector in Nigeria. This treatise will also attempt to research and develop mechanisms to ensure the success not only of the Ford brand but also to catapult the organisation to become the market leader in Nigeria and the rest of Africa.

In September 2013, Ford announced that they intend to launch four new models in Nigeria namely the Ranger, Focus, Escape and Fusion (Jacobs, 2014). The Nigerian government also wants to encourage automakers to establish semi and complete knockdown kit assembly plants in the country. This was confirmed recently when the Nigerian government amended the policies pertaining to the automotive industry, which sees a hike in tariffs for imported used cars, whilst encouraging semi and complete knockdown kit assembly (du Venage, 2015). This has fuelled greater interest for automakers to invest in Nigeria.

According to Babarinde (2009), doing business in Africa is difficult, especially for western multinational organisations (Babarinde, 2009). However creative strategies and thinking of how to circumvent challenges in the African cultural environment, creativity in managing bureaucracy and due diligence about business and investment opportunities will uncover unprecedented volumes of profitable business that lies untapped on the African continent (Oyewole, 2006).

## **1.2 Background**

International marketing is about conducting and developing marketing activities across various national boundaries (Hult, et al., 2012). According to Hult, et al., organisations are finding that the international markets offer huge opportunities for growth and development. As previously mentioned, significant growth is expected across Africa within the automotive sector. However, the challenge would be to understand what role or significance culture would have on international marketing.

In an era of increasing interdependence by which Chinese, Asian and Western organisations are quickly moving to create more business opportunities across Africa, a greater understanding and sensitivity to African culture should prove beneficial to the success of these organisations (Darley, et al., 2013). To stimulate international business growth, many countries offer significant assistance and research that will greatly benefit their domestic organisations to become more competitive globally (Hult, et al., 2012).

One such example is the work conducted by CIBER (Centres for International Business Education and Research) in the United States which is conducted by leading business schools and funded by the U.S. Government. These centres conduct benchmarking of international best practices which offer significant assistance and knowledge of the internationalisation process to organisations. Within the African context, such centres would serve particularly useful to Africa and African organisations.

The international marketing literature still lacks detailed studies and research into the marketing deliberations and trades in Africa (Johnson, et al., 2010). Therefore, according to Darley 2013, a greater representation of African culture within the international marketing literature would provide relevance and richness in the global market place and offer greater insight to organisations who are seeking to invest and expand their businesses in Africa.

The IMF forecasts that the economies of most African countries will outperform their Asian counterparts as well as being the fastest growing continent in terms of population (Darley, et al., 2013). In addition, Darley (2013) suggests that the foreign policies of most African countries are now similar to most of the emerging countries, which resulted in an increase in foreign direct investment. Therefore, with political and economic liberation currently on the rise across many African countries, prompts organisations to have a closer look at the marketing opportunities that now exists (Darley, et al., 2013). This is significant not only to the automotive industry but also to the development and economic growth of Africa.

The automotive industry is one of the most advanced industries with respect to output levels, employment for both direct and indirect, process standards and diverse managerial skills (Barnes & Morris, 2008). According to Barnes and Morris (2008), the barriers of entry for the automotive sector are very high due to the precise and detailed technical standards which exist throughout the entire value chain.

Despite the high barriers of entry, the emerging success story of Nigeria's automotive industry depicts a brighter picture. The Nigerian government has recently revitalised its policies pertaining to the automotive sector that encourages the semi and complete knockdown kit assembly and hiked tariffs on imported units (du Venage, 2015). This is great news for automotive manufacturers. This will not only stimulate, but also grow the automotive industry in Nigeria and will encourage multinational automotive manufacturers to consider assembling their vehicles in Nigeria. While the growth of Nigerian's automotive industry could threaten South Africa, according to Dr Johan Van Zyl, CEO of Toyota South Africa, experts rather see the economic potential as an opportunity for South Africa (du Venage, 2015).

Although still premature, Nigeria, according to Mike Whitefield, CEO of Nissan South Africa, could become the template for further growth and expansion in Africa (du Venage, 2015). Nissan is the first OEM (Original Equipment Manufacturer) to establish an assembly plant in Nigeria. According to



Whitefield, Africa is seen as the last investment frontier and will have a GDP of \$1.5 trillion by the year 2016 and a population that is double the size of Europe (du Venage, 2015). According to the report, Nigeria has recently been ranked as Africa's biggest economy, overtaking South Africa and has already attracted several automotive assemblers after an absence of almost 20 years (du Venage, 2015). With the fast growing middle class across Africa and poor public transport services, the automotive sector is fast becoming a major draw card for investors on the continent.

According to another report in the African Business, Africa is regarded to have all the requirements for the growth and development of a robust automotive industry (Jacobs, 2014). The African Development Bank states that the African middle class is fast expanding and estimates the size to be approximately 350 million people or 34% of the region's population which has doubled in size since 1980 (Jacobs, 2014). This trend according to the report is validated by the increase in consumer spending.

The rapid expansion of infrastructure and construction in African countries, such as Mozambique and Zambia has increased the demand for commercial vehicles (Jacobs, 2014). This has sparked unparalleled marketing opportunities for automotive manufacturers and the continent is fast attracting major players in this sector. According to the report, Toyota holds a dominant position as market leader on the continent with a market share of 14%, selling 237,000 vehicles in 2012 (Jacobs, 2014).

Auto manufacturers from India and China such as Tata and Foton that offer low-cost variants are rapidly expanding their market share in Africa. Tata Motors have sold 6,500 vehicles in 2012 and is targeting to increase this to 30,000 by 2018 and plan to achieve this by doubling its Associated Motor Holdings dealerships to 100 in 2018 (Jacobs, 2014). According to the research organisation Business Monitor International, vehicle sales in Nigeria dropped by 5.5% in 2012 which was mostly attributed to an unstable economy, sectarian violence and mass flooding.

Major manufacturers such as Ford have been keen to tap into the rising demand and during the first half of 2013; Ford's sales in Nigeria have increased from 1,616 in 2012 to 2,156 vehicles in 2013 (Jacobs, 2014). During the latter part of 2013, Ford announced the intention to launch four new derivatives in Nigeria – Ranger, Focus, Fusion and Escape (Jacobs, 2014).

The global automotive industry can be summarised in three basic market segments (Barnes & Morris, 2008), namely:

1. Original Equipment Manufacturer (OEM) – passenger and commercial vehicles
2. Original Equipment Supply (OES) – these are the automotive parts and accessories
3. Independent Aftermarket – automotive parts and accessories through retailers

### **1.3 Problem Statement**

Africa is diverse in every sense of the word from its different cultures, religious beliefs, political principles, social needs, different levels of economic development, different levels of education and literacy to its wealth in natural resources. All of these factors will be truly challenging even for a multinational organisation such as Ford Motor Company.

The problem is to understand what are the key drivers and mechanisms to ensure success of the Ford brand, the new Business Unit and ultimately the success of Ford Motor Company within this region. The management issue here is to comprehend the diversity and vastness of this region and putting together all spheres to ensure growth and creating brand loyalty. The key challenge here is for management to be able to grasp and understand not only the various cultures but also the way of doing business in such a vastly different region. Significant differences exist with regards to the values and norms of doing business.

Sub-Saharan African countries are generally high in Power Distance and Collectivism. According to Wanasika et al., (2011), power distance and doubt avoidance is closely linked to corruption, the way of doing business and sealing

deals. This clearly underpins some of the major challenges that exist when doing business in Africa and subsequently Nigeria.

It is therefore imperative for Ford Motor Company to fully understand these factors so as to take full advantage associated with entering a market early, which is commonly referred as first-mover-advantage. A case in point is when General Motors entered the Chinese automotive industry in 1997 when the Chinese market was relatively small. General Motors' enthusiasm and commitment back in 1997 was driven by a belief that China would ultimately become an economic powerhouse and emerge as one of the world's largest automotive markets (Hill, 2013, pp. 486-487). By the year 2010 China was one of the world's biggest automotive markets and General Motors was a dominant force in this market (Hill, 2013).

Hill further suggests that one of the key benefits for first-mover advantage is the ability to pre-empt competitors and capture demand by creating a strong brand name. Another benefit is the opportunity to grow sales volume in a new market and ride down the experience curve giving early movers a cost advantage over later entrants (Hill, 2013). These are all opportunities that Ford Motor Company can benefit from in the new region.

This study will therefore aim to establish the nature of the automotive industry in Nigeria, as well as explore the marketing environment to ensure success for Ford Motor Company in Nigeria.

A key challenge for multinational organisations doing business in sub-Saharan Africa and North Africa is the high levels of conflict, ethnic and religious heterogeneous societies, lack of infrastructure, corruption and uncertainty in economic policies that opposition parties will take if elected (Greenwood, June 2008).

While the Greater Middle East and Africa regions are of significant importance to international trade and industry, it remains substantially under researched. Ford Motor Company will have to embark on significant research and consult

various academic scholars with regards to doing business in both the Middle East and Africa it wants to achieve success.

## **1.4 Research Questions**

### **1.4.1 Main research question**

What are the key marketing challenges that Ford South Africa needs to understand to ensure success in the Nigerian automotive market?

### **1.4.2 Secondary questions**

To realise the importance of this study, the following questions need to be answered:

1. What influence does the political environment have on the Nigerian automotive market?
2. What impact does culture have on marketing and business practices in Nigeria?
3. What impact does vehicle price have on the purchase decision in Nigeria?
4. What impact does the country-of-origin of a particular vehicle purchased in Nigeria have on the purchasing decision of a vehicle?
5. What influence does competition have within the automotive sector in Nigeria?

## **1.5 Research Objectives**

### **1.5.1 Primary Objective**

The primary objective of this research treatise is to develop an international marketing framework for Ford South Africa's expansion to Nigeria.

### **1.5.2 Secondary objectives**

The objective will be to:

- 1) To establish what pricing strategy is best suited for Ford South Africa in Nigeria
- 2) To establish what influence social media has on the Nigerian automotive market

- 3) To establish the best distribution channel for Ford products in Nigeria.

### **1.6 Significance of the research**

Africa's middle class is expanding rapidly and according to Jacobs (2014), Africa has all the key elements for the growth and development of a robust automotive market. By studying past experiences and outcomes from empirical studies on international marketing with emphasis on the automotive industry, it will be possible to draw lessons and experience about the potential growth of the automotive sector on the African continent. This study will also be of great significance to other automotive manufacturers and suppliers looking to expand business and market share across Africa due to the increase of the middle class.

The proliferation of infrastructure projects in countries that have recently discovered abundance of natural resource, such as Zambia and Mozambique is fuelling the demand for commercial vehicles (Jacobs, 2014). This is creating massive market opportunities for auto manufacturers and is attracting more interest from the leading brands than ever before. Therefore having a better understanding of the target market and the customer's needs, will be significant in determining a suitable marketing strategy and marketing concept for Africa. This will not only be significant to Ford but also other leading brands.

On a personal note, this study will provide me with greater insight of the various marketing strategies which exist, especially in the automotive sector, the marketing concept which is a philosophy that focuses on satisfying the customers' needs (Hult, et al., 2012) and the various forces in the marketing environment in Africa.

### **1.7 Overview**

International Marketing encompasses developing and performing marketing activity across national boundaries (Hult, et al., 2012). Furthermore, according to Hult, et al. (2012), the marketing strategy should typically incorporate two fundamentals:

- 1) The selection of a target market, which in the case of this study is Nigeria's automotive sector;
- 2) The formulation of a marketing mix. These are generally strategic and tactical variables or action elements.

### **1.7.1 Tentative approach**

Multinational organisations should be focussing on a number of goals in various markets globally so as to maintain its competitive advantage in developed markets while at the same time establishing its presence in emerging markets (Douglas & Craig, 2011). Ford Motor Company therefore needs to adopt a similar approach if it wishes to expand its market share in Nigeria and other emerging markets.

These emerging markets are deemed to be dramatically diverse with regards to the customer base, socio-economic environment and competitors. These markets therefore require different skills and resources while attempting to transfer knowledge from their established markets (Douglas & Craig, 2011). According to Douglas and Craig (2011), strategies for these emerging markets, should be geographically focussed, while acquiring local market knowledge and utilisation of local resources and skills.

Douglas and Craig (2011) prescribes two strategies for emerging markets, one strategy is country-centric marketing strategy which focusses on large emerging markets such as Brazil and India, while the second strategy focusses on targeting affluent consumers and the growing middle class in the emerging-country markets. This second strategy also considers the fact that a sizeable rural and urban population with low income also exists.

Similarly, Kumar, et al., (2013) also makes reference to the fact that multinational organisations should adopt two sets of strategies, namely: standardisation and adaption to guide them in foreign markets. Ford Motor Company should therefore also consider a two pronged marketing strategy for the Nigerian automotive market to ensure success in obtaining large market share and profitable customer loyalty.

This should be a mixture of the country-centric strategy and rural-urban strategy mentioned above. In developing a conceptual international marketing framework for Ford Motor Company, we should consider that Ford is already operating in Nigeria and is looking to increase market share and create profitable customer loyalty. The framework that will therefore be adopted would be similar to the framework prescribed by Kumar, et al.,(2013), which has been developed for emerging economies while it closely reflect the dynamics in the fastest-growing group of emerging markets, namely the BRICS countries (Brazil, Russia, India, China and South Africa) (Kumar, et al., 2013).

### **1.8 Conceptual International Marketing Framework**

The conceptual framework below is based on the framework used by Kumar, et al., (2013). They developed the framework based on the studies of multinational organisations that are operating in emerging economies. According to Kumar et al., (2013), this framework was developed to be used in all emerging economies and closely reflects the market dynamics in the fastest growing group of emerging markets namely the BRICS countries (Brazil, Russia, India, China and South Africa) (Kumar, et al., 2013).

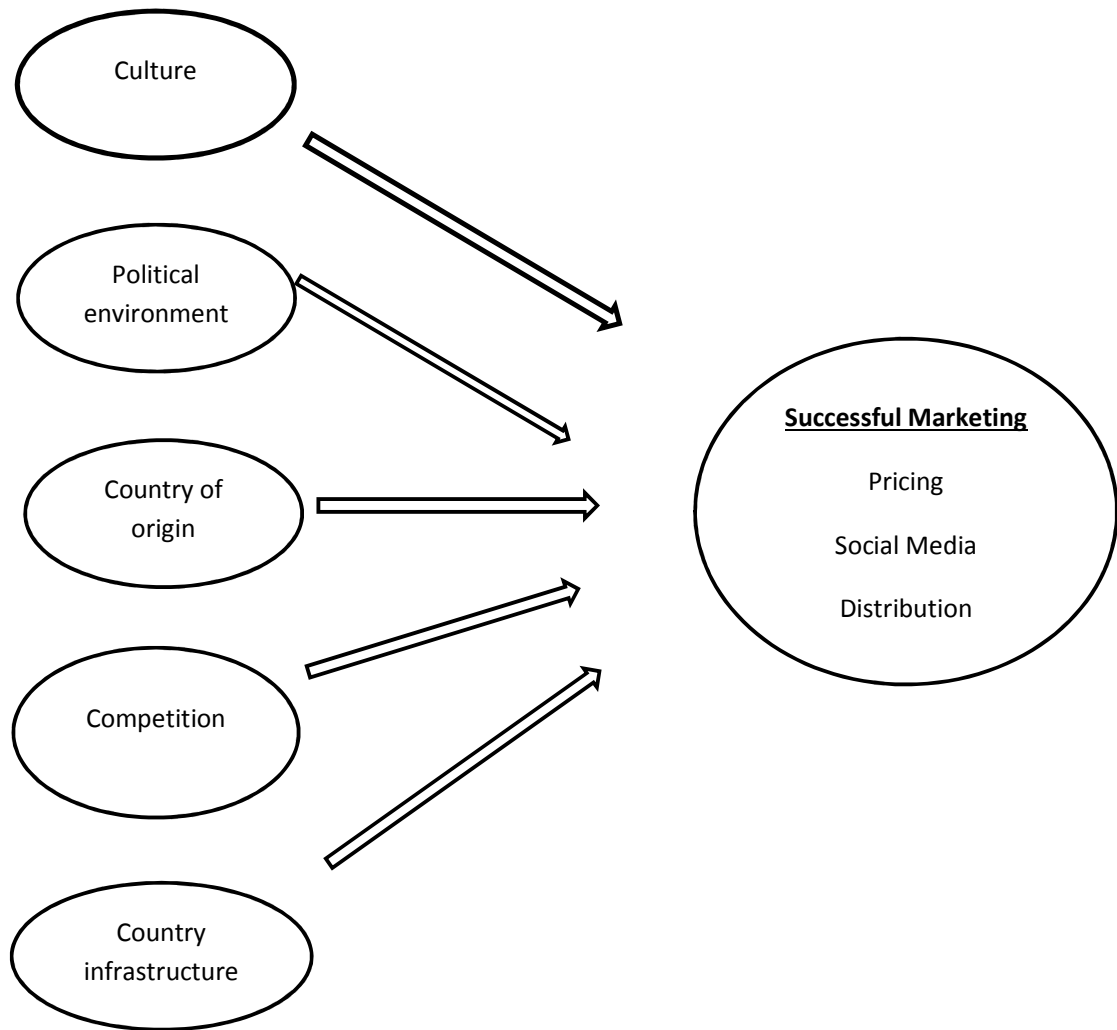


Figure 1.1 Conceptual International marketing framework – based on the framework used by Kumar, et al., (2013)

## 1.9 Independent Variables

### 1.9.1 Culture

Kumar, et al.,(2012), states that if a product’s characteristics aligns with a specific culture or social beliefs of a particular market segment, it will eventually find acceptance and success within that segment or country. In other words if a



service or product appeal to the consumers' cultural or social standing, there will be a natural progression for customer loyalty (Kumar, et al., 2013).

H<sub>01</sub>: There is NO relationship between offering a product that closely resonates with a country's culture and successful marketing.

H<sub>A1</sub>: There is a relationship between offering a product that closely resonates with a country's culture and successful marketing.

### **1.9.2 Political environment**

One of the biggest challenges multinational organisations need to overcome is ensuring that their marketing strategies comply with local government's legal regulations (Kumar, et al., 2013). The political environment of a country can either assist or negatively impact an organisation's marketing strategies (Kumar, et al., 2013).

H<sub>02</sub>: There is NO relationship between the political environment of a country and successful marketing.

H<sub>A2</sub>: There is a relationship between the political environment of a country and successful marketing.

### **1.9.3 Country-of-origin effects**

Research has found that a product's country-of-origin can have a direct effect on consumers' evaluation and product choice (Pharr, 2005). Popular perceptions and influence on consumers' purchase decisions such as Italian supercars, French perfumes and German cars are some examples of the country-of-origin theory (Kumar, et al., 2013).

H<sub>03</sub> There is NO relationship between country-of-origin and successful marketing.

H<sub>A3</sub>: There is a relationship between country-of-origin and successful marketing.

### **1.9.4 Competition**

According to Kumar, et al., (2012), competitiveness among organisations seeking the same target market, plays a significant role in consumer purchase behaviour and customer loyalty creation. Furthermore, Kumar, et al., (2012), states that when a competitor has an advantage over the other, the excess or surplus could be utilised to improve service delivery, research and development as well as market share.

H<sub>04</sub>: There is NO relationship between continuous effort to gain greater market share (increased competitiveness) and successful marketing.

H<sub>A4</sub>: There is a relationship between continuous effort to gain greater market share (increased competitiveness) and successful marketing.

### **1.9.5 Country infrastructure**

Multinational organisations looking to expand its product or service in emerging economies should align their strategies based on the available infrastructure or at least establish facilities to enhance and assist its operations (Kumar, et al., 2013).

Therefore a well-designed infrastructure will greatly assist multinationals with product distribution and innovation which will aid in achieving profitable growth (Kumar, et al., 2013).

H<sub>05</sub>: There is NO relationship between country infrastructure and successful marketing

H<sub>A5</sub>: There is a relationship between country infrastructure and successful marketing

### **1.10 Price**

Emerging markets are known to be price sensitive, so multinational organisations need to pay particular care in designing pricing strategies (Kumar, et al., 2013). According to Hult, et al., (2012), price is the value paid by the consumer for a product or service in a marketing exchange.

### **1.11 Distribution**

Distribution is the decisions and activities that are required to make products available to the consumer as well as defining the marketing channels and institutions that assist in making these products available (Hult, et al., 2012).

According to Kumar, et al.,(2012), the biggest problem organisations face when entering emerging markets is the lack of adequate and functional distribution networks which include both transportation and storage.

### **1.12 Social media**

Organisations in emerging markets are beginning to use social media to better understand their consumer behaviour (Hult, et al., 2012). However, social media in emerging markets are limited, whereas in developed economies, marketers use social media as a prime source for obtaining better insight into consumer behaviour (Kumar, et al., 2013). Therefore the choice of traditional media (newspapers, television, and radio) and social media is important for marketers looking to obtain market share in emerging economies.

### **1.13 Overview of research methodology**

#### **1.13.1 Paradigm**

The choice of research paradigm has significant impact on the choice of methodology and the method for collecting and analysing the research data (Collis & Hussey, 2014). It is therefore crucial for the researcher, according to Collis and Hussey (2014), to assess the selection of the paradigm and reflect on how pertinent it is to the problem statement.

The two research methods or paradigms are namely qualitative and quantitative methods. However, the choice should not be limited to either qualitative or quantitative. Despite the continuing 'paradigm wars' between the selection of qualitative and quantitative research, Kelle (2006) argues that the two methods should be combined to compensate for their common and coinciding weaknesses.

However, to answer the research questions for this study, a quantitative study was conducted to understand the challenges and relevance of developing a successful marketing strategy for Ford South Africa in Nigeria.

### **1.13.2 Sample population and size**

A random sample of Nigerian nationals were used as the target group for the positivistic research. An electronic survey questionnaire was sent to Nigerian nationals living in Nigeria and South Africa using Survey Monkey. A total of 52 respondents participated in the survey. Even though more than 150 surveys were sent out only 52 responses were received. Access to the participants was obtained through the assistance of the Nigerian Embassy to South Africa, the Nigerian Union of South Africa and Ford employees currently residing in Nigeria. Majority of the respondents were based in Nigeria, hence why an electronic survey was used.

According to Kumar, et al., (2013) even though sufficient empirical research exists on promotion and advertising, research is limited in the context of emerging markets. In view if these limitations, the questions for the survey were developed from previous literature in international marketing.

### **1.13.3 Methods of data collection and analysis**

The data will be collected using a survey questionnaire that was specifically developed for this research study was used as the primary research instrument. The measuring instruments addressed by the questionnaire covers the following:

- Demographics
- Impact of the political and legal environment
- Impact of culture in marketing in Nigeria
- Country-of-origin effect
- Country infrastructure
- Distribution
- Competition Automotive specific
- Automotive Market in Nigeria
- Price
- Promotion and advertising
- Social media

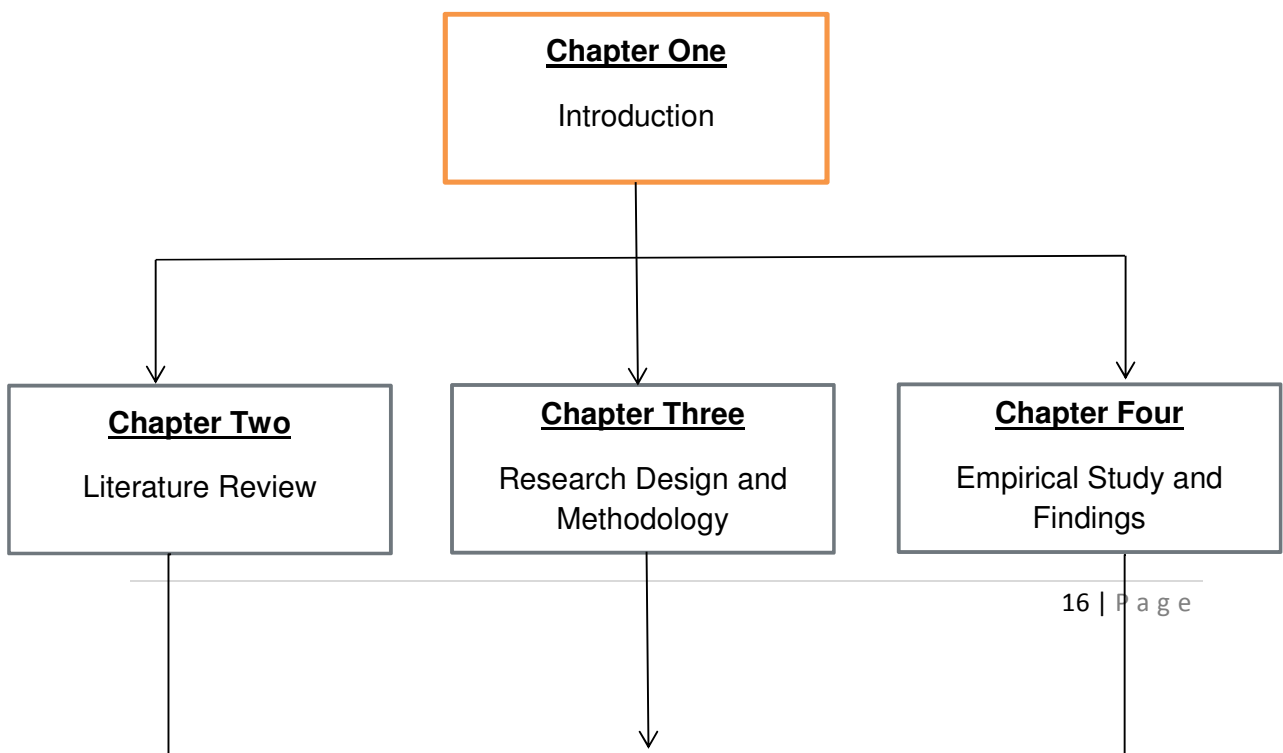
According to Collis and Hussey (2014), descriptive statistics are used to provide a summary of the data collected and can be presented in the form of tables, charts and graphics. Therefore descriptive statistical techniques were used to analyse the data. In order to be sure that the rating scale will be able to measure the views of the respondents accurately, reliability tests were conducted. Cronbach's alpha coefficient was used to test the reliability of the measurements used for each of the scales in this study.

Furthermore, Wagner (2007), states that inferential statistics is used to provide a more generalised conclusion about a population from which random sample statistics have been drawn. Therefore inferential statistical techniques were used to draw certain conclusions from quantitative data related to the random sample of the population. For the purposes of this study, Pearson correlation will be used to test the association of the dependent and independent variables. Correlation offers further information regarding an association between two quantitative variables.

#### **1.14 Limitations and delimitations**

The scope of this study will be limited to Nigerian nationals only. The survey will be sent electronically. Hence only Nigerian nationals with access to email and the internet will be able to participate. This is due to the fact that I am based in Pretoria, South Africa. The focus will be on Ford Motor Company.

#### **1.15 Structure and layout of all chapters**



<p style="text-align: center;"><b><u>Chapter Five</u></b></p> <p style="text-align: center;">Conclusions, Recommendations and Future Research</p>
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Figure 1.2 Structure and layout of all chapters

### **1.16 Summary**

Chapter one provides an overview of the research study and outlines the problem statement, the purpose and the significance of the study. It also provides the background of international marketing within the automotive sector with emphasis around the Nigerian automotive market.

The chapter highlights some of the challenges as well as opportunities that exist within the Nigerian automotive industry. Furthermore, this chapter illuminates the research questions that this study seeks to answer as well as the objectives it endeavours to achieve. Finally it also outlines the research methodology stating the paradigm, the sample size of the population, data collection method as well as the techniques that will be used to analyse the data.

## **Chapter 2**

### **Literature Review**

#### **2.1 Introduction**

The ever increasing competition and complexities in the international marketing environment present tough and complex challenges to organisations looking to invest abroad. The global market place has always been complex and vibrant with regards to change, however according to Cavusgil (2011); the last 20 years have shown exceptional transformation.

With regards to the opportunities that currently exist in the global market, organisations that are targeting international markets, have never before experienced such open markets rise in income and technology for accessing these global markets (Cavusgil & Cavusgil, 2011). This paper will also explore the cultural, political, government regulatory requirements and economic differences that exist and what international marketing strategies would be best suited. The paper will also look at some of the product strategies that organisations adopt when considering market opportunities abroad.

This chapter will discuss some of the major findings from research on international marketing and marketing strategies. It will also endeavour to provide a synopsis of the automotive industry, Ford Motor Company South Africa and its history as well as discuss the Nigerian automotive industry and review some of the key challenges as well as opportunities that may exist.

The literature review focuses on international marketing strategies with emphasis on emerging markets. This is to establish from literature and past

studies as to what some of the key strategies that Ford Motor Company should adopt to gain significant market share in Nigeria. Some of the key literature findings are the importance of understanding cultural diversity, product strategy, pricing strategy, and distribution strategy for the automotive industry in Nigeria and emerging markets.

It is also evident from the literature review that very little research has been conducted into the expansion of the automotive industry in Africa. There is also little evidence as to what the recommended international marketing strategies that organisations should consider for investing in Africa.

## **2.2 The Automotive Industry**

According to Chen (2009), the automotive industry consists of the following categories namely; raw materials, automobile frames (chassis), interior fittings, exterior fittings, human interface systems, indirect materials, electronic systems, suspension, brake systems, transmissions and engines. The industry leaders with regards to global vehicle production is Volkswagen in first place, followed by General Motors in second place and Toyota in third (Zorkociova, et al., 2014). The fourth largest producer in terms of production is Hyundai company which made a significant increase in production output between 2006 and 2011, during the so called crisis years (Zorkociova, et al., 2014).

The automotive industry is characterised as a high precision, high integration and technology intensive industry (Chen, 2009). The product cycle time for bringing a new vehicle to market can take up to 4 years, starting from the initial market survey, product development, manufacture to sales. A medium sized vehicle is generally made from approximately 1500 components which in turn are made from various materials such as steel, non-ferrous metals, glass, rubber, ceramics, fabric and petrochemical components (Chen, 2009). Various manufacturing processes are then used to produce these components for vehicle manufacture and assembly.

The manufacturing processes range from casting, forging, stamping, pressing, machining, heat treatment and plastic injection moulding prior to shipment to the vehicle assembly plant. (Chen, 2009).

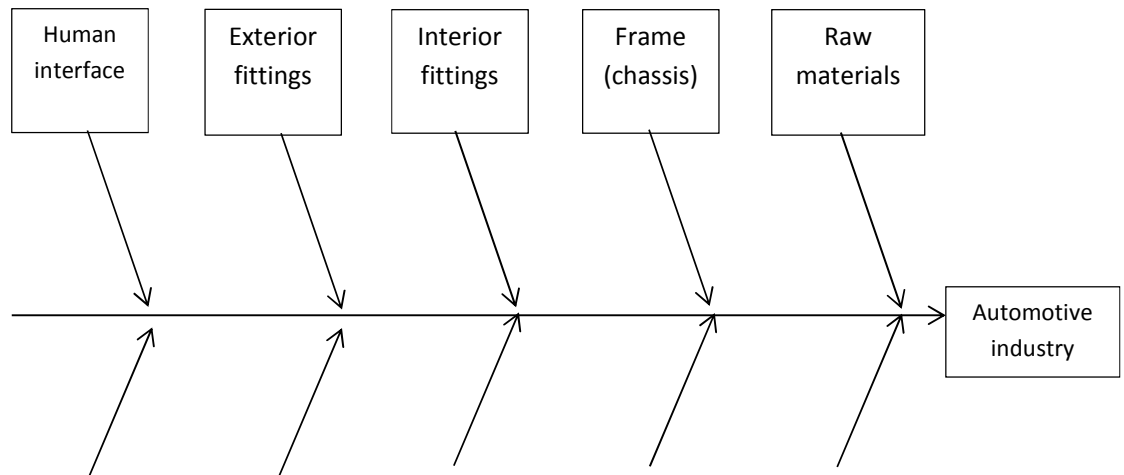


Following rigorous quality control, the finished components from the supply base is then delivered to the vehicle assembly plant where the vehicle assembly process which include frame welding, spray painting and component assembly processes are performed to complete the assembly of the vehicle. Before the finished vehicle can be shipped out to the various dealerships, each unit need to pass a series of inspection and testing processes to ensure it meets the stringent safety and legal requirements. A safe and reliable vehicle is only deemed complete after it has been certified to meet the required engineering and safety standards (Chen, 2009).

The automotive industry is also closely correlated with other industries as well as a wide spectrum of professions which include marketing, procurement, technical and management skills (Chen, 2009).

According to Chen (2009), the automotive industry has a major impact on critical sectors such as steel, rubber, plastic, electronic, electrical, glass and paint industries. This would therefore imply that the continuous growth and expansion of the automotive industry will in turn upgrade and develop the raw material and component industries and thus improve the economy and technical advancement of a country (Chen, 2009).

Figure 2.1 below shows the integration and correlation of the various industries that form part of the automotive sector (Chen, 2009).



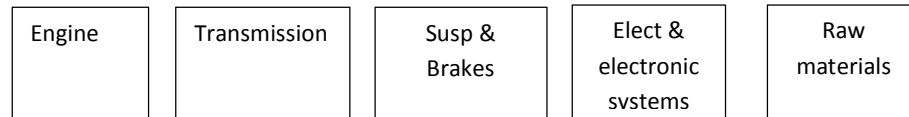


Figure 2.1 – Technology correlation of various industries

According to Zorkociova, et al., (2014), only Volkswagen showed a growing trend with regards to production output between 2006-2011 among the top three producers, while a decreasing trend was evident for General Motors and Toyota's production output. Geographically, within the top 10 car producers, 5 producers are Asian (Hyundai, Toyota, Nissan, Suzuki and Honda), 3 from Europe (Volkswagen, Peugeot Citroen and Renault) and 2 from the United States (Ford and General Motors) (Zorkociova, et al., 2014). It is also evident that the vehicle companies do not produce all their production in their country of origin, but have established manufacturing plants in other countries where they gain lower production costs, for example countries like China, India and Vietnam (Zorkociova, et al., 2014).

In 2008, international oil prices reached historically high levels resulting in many consumers opting to change their mode of transport from private vehicles to public transport. Although the oil prices began to see an improvement over the past years, the effect of the global economic downturn has led consumers to remain sceptical about the future (Chen, 2009). This scepticism affected the consumers' willingness to purchase automotive products resulting in the overall decline in sales within the automotive industry.

In the midst of the economic downturn and challenges, automotive manufacturers have adjusted their strategies and are now increasingly focussed at the development of electric and hybrid vehicles (Chen, 2009).

### **2.3 The South African Automotive Industry**

The automotive industry in South Africa enjoys a relatively long history dating back to the 1920's with General Motors and Ford being the pioneers to establish production facilities in the Eastern Cape (Williams, 2015). South Africa's automotive industry has in the past had relative success in attaining some level of acknowledgment as a regional assembly hub in the global automotive industry (Williams, 2015).

The motor industry forms a major part of the South African manufacturing sector and contributes significantly to the gross domestic product (GDP) as well as job creation (Damoense & Simon, 2004). The automotive industry in South Africa has evolved from a completely-knock-down (CKD) assembly operation, where vehicle components are imported and assembled, to becoming a major component manufacturer and strategic exporter of assembled vehicles (Williams, 2015).

Following the first democratically elected government in 1994, the South African government introduced various policy reforms and tariff adjustments to boost performance and fast track the development of the automotive industry in South Africa (Damoense & Simon, 2004). In 1995, the South African government introduced the Motor Industry Development Programme (MIDP).

The fundamental purpose of the MIDP was to stimulate and enhance the export of vehicles and components from the local manufacturers through government incentives and policies and reduce their import duty obligations (Damoense & Simon, 2004). From as early as the 1960's, the automotive industry was strongly driven by local content policy (Damoense & Simon, 2004). The local content policy (LCP) was intended to stimulate and promote locally manufactured components for the production of automobiles. According to Damoense and Simon, (2004), the local content program was not effective in developing a local automotive industry with jobs, skills and the necessary increased capacity to grow the industry.

As the automotive industry developed, various reform policies were introduced by the South African governments (both old and new). Table 1 below provides a

summary of the evolution of the various automotive policies that were introduced in South Africa from 1961 to present (Damoense & Simon, 2004).

<b>Period</b>	<b>Automotive Policy</b>	<b>Key Policy Instruments</b>
1969-1989	Local content programme	<ul style="list-style-type: none"> <li>• Local content policy introduced with varying content levels</li> <li>• Excise duty rebate scheme introduced</li> </ul>
1989-1995	Structural adjustment programme	<ul style="list-style-type: none"> <li>• Domestic content scheme adjusted for value targets</li> <li>• Import-export complementation (IEC) scheme introduced</li> </ul>
1995-2000	MIDP (first phase)	<ul style="list-style-type: none"> <li>• Local content regulations abolished</li> <li>• Tariff phase-down schedule for imported vehicles (40%) and components (30%) by 2002</li> <li>• IEC scheme continued; export credits increased</li> <li>• Duty free allowance (DFA) and small vehicle incentive (SVI) schemes implemented</li> </ul>
2000-2013	MIDP (second phase)	<ul style="list-style-type: none"> <li>• Tariff phase-down to continue until 2007</li> <li>• IEC phase-down from 2003-2007</li> <li>• Introduction of new production-based DFA in 2000, to be discontinued by 2007</li> </ul>

2013-present	Automotive Development Plan (ADP)	<ul style="list-style-type: none"> <li>• SVI phased down and eventually discontinued by 2003</li> <li>• Increase the annual production output to 1.2 million vehicles per year by 2020</li> </ul>
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Table 2.1: Developments of automotive policy in South Africa

These policy reforms introduced by the South African government, is aimed at increasing the annual production output to 1.2 million vehicles per year by 2020 (Williams, 2015) Seven original equipment manufacturers (OEM's) are geographically spread throughout South Africa namely; Nissan, Ford, Toyota, BMW, Daimler Chrysler, Volkswagen and General Motors (Damoense & Simon, 2004).

Further policy reforms were introduced by the South African government, aimed at increasing the annual production output to 1.2 million vehicles per year by 2020 with the launch of the Automotive Development Plan (ADP) in January 2013 (Williams, 2015).

The Tshwane Auto City development will be the biggest automotive cluster in South Africa with the intention of attracting automotive manufacturers to the development (Williams, 2015). The R50bn (\$4.3bn) cluster is equidistant between South Africa's biggest port in Durban and Mozambique's car terminal in Maputo. Nissan which is one of the founder members of the Tshwane Auto City is also considering Nigeria as a new production location (Williams, 2015). The Japanese automaker in collaboration with the Brazilian auto sector is in negotiations with the Nigerian government on extending its footprint on the African continent (Williams, 2015).

South Africa has a major advantage compared to other African countries and boasts with some of the most advanced engineering facilities on the continent.

#### **2.4 Ford Motor Company, South Africa**

Ford Motor Company (Ford) is one of the major automotive manufacturers globally, which produces and distributes vehicles across six continents. Ford Motor Company of South Africa has been producing vehicles in South Africa

since 1923. This wholly owned subsidiary of Ford Motor Company in the US, remain one of South Africa's leaders in the automotive industry.

Ford has invested significantly to grow the business in South Africa with world-class production facilities in Port Elizabeth and Pretoria. The Silverton Assembly Plant in Pretoria assembles light commercial vehicles namely the Ford Ranger and the Mazda BT-50. The Ford line-up in South Africa is supplemented with passenger vehicle imports from a number of different countries which includes the Figo, Fiesta, Fiesta ST, Ikon, Focus, Focus ST, Fusion, Eco Sport, Kuga, Ranger, Tourneo and Transit Connect, all of which continues to perform exceptionally well (Bernades, 2015) .

Ford Motor Company invested R3.4 billion into South Africa in 2010, transforming both of its local plants into world class facilities to produce the Ford Ranger and Duratorq TDCi engine for local consumption and export. The Ford Ranger is exported to over 100 countries worldwide (Bernades, 2015).

The Struandale Engine Plant significantly upgraded and expanded its machining and assembly capabilities for the Duratorq TDCi programme and also increased its annual production capacity. The plant produces machined component kits, comprising of engine heads, blocks and crankshafts for the Duratorq TDCi engine (Bernades, 2015).

Approximately 90 000 of these are used for local engine assembly to power the Ford Ranger built at the Silverton Assembly Plant. The remaining 160 000 component sets are destined for export to Ford engine assembly plants in both Thailand and Argentina. The turbo diesel engine is also used in the Transit van which joined Ford's North American product line-up in 2014. This increased the annual production capacity of the Duratorq TDCi engine by over 31,000 engines per year (Bernades, 2015).

FMCSA currently employs approximately 3200 people in South Africa and distributes products through 127 dealers, 4 sub-dealers and 1 parts centre in

South Africa. There are a total of 132 dealers in the entire Southern Africa dealer body (Bernades, 2015).

## **2.5 Automotive industry in Nigeria**

Nigeria is regarded as the most populous country in Africa with a population estimated at more than 150 million people. It is the 32<sup>nd</sup> largest country in the world in terms of surface area therefore making it one of the most densely populated countries globally (Angus, 2010). The Nigerian state is relatively new following independence from British colonial rule and the different regions of the country have very little in common (Angus, 2010).

The northern part of Nigeria is mostly arid land as it borders the Saharan desert and has a population that is primarily Muslim compared to the southern region which is adjacent to the Gulf of Guinea that has a hot and tropical climate and a population that is predominantly Christian (Angus, 2010). Nigeria has been plagued by civil war and political turmoil following its unification in 1912 and independence in 1960. These problems hindered Nigeria's growth and development as well as created the reputation as a society marred by violence and corruption. The turmoil in Nigeria was exacerbated following the discovery of oil shortly after independence in 1960, resulting in fierce competition and corruption, destabilising the country to such an extent that by the 1990's, Nigeria was rated as one of the world's most dysfunctional governments (Angus, 2010).

Although Nigeria's turmoil is far from being resolved, the country has made substantial improvement. The political landscape in the country has become relatively stable with major achievements made in the fight against corruption. Furthermore the wealth from the huge oil reserves is now starting to filter down to the rest of the population (Angus, 2010). With a GDP growth rate of 7 percent per annum in 2010, Nigeria was rated 16<sup>th</sup> highest in the world thus showing immense promise for prosperity as an emerging economy (Angus, 2010). This economic growth together with the huge potential of over 150 million consumers who are now benefitting from the political and societal

improvements, make Nigeria a highly attractive, yet daunting proposition for marketers (Angus, 2010).

Similarly, Mayer and Cashman-Pugsley (2013), state that following the consistent GDP growth in excess of 6 percent per annum and a growing population, of which a significant portion is below the age of 30 years further signify Nigeria's potential.

Historically, the gas and oil industry in Nigeria has attracted majority of the foreign direct investment, however the focus by government is shifting towards improving the non-oil sectors (Jeffreys, 2013). Similarly, Angus (2010), states that the oil industry still accounts for the largest contribution to the GDP of Nigeria, however marketers believe that a huge potential exists in other areas of the economy (Angus, 2010).

For example, Nigeria's telecommunications sector is one of the fastest growing sectors globally and is a fundamental market for other emerging market operators (Angus, 2010). Although competition is increasing, there is still so much free space in the market and with a population of over 150 million people; this is set to achieve even greater returns on investment (Angus, 2010).

The key challenge for organisations looking to invest in Nigeria is its huge landmass and diversity. Therefore in order for organisations to achieve success, a thorough knowledge of the local customs, beliefs, cultures as well as the economic practices is crucial (Angus, 2010). Organisations that have adopted marketing strategies and assumptions that emulate that of the developed economies have failed to make a resounding success in Nigeria (Angus, 2010).

The other key challenge, especially in Lagos, the capital of Nigeria, is the lack of reliable transport, high business costs, power outages and unwieldy business practices (Angus, 2010). With the growing middle class, people are now looking to purchase their own mode of transport, both for private and commercial use. Other business risk is the violence shown by Boko Haram, which causes serious concern for any foreign investor looking for new opportunities in Nigeria



(Mayer & Cashman-Pugsley, 2013). Although terrorism is a major consideration for any foreign investment, it is clear that the Nigerian government is taking strong action to address this scourge (Mayer & Cashman-Pugsley, 2013).

As the economy expands, the demand for buses, trucks and cars have increased. Automotive manufacturers in Nigeria are capitalising on increased demand and have scrambled to set-up dealerships across the country (Jeffreys, 2013). Furthermore, with an increase in disposable income from consumers, comes an increase in those households who want to distinguish themselves from the rest by spending lavishly on luxury items (Mayer & Cashman-Pugsley, 2013).

According to a Mayer and Cashman-Pugsley (2013), Nigeria has seen an increase in luxury brands. For example, in 2012, luxury German sports car manufacturer Porsche, opened a dealership in Lagos, followed by super luxury brand Rolls-Royce who awarded exclusive dealership rights to Coscharis Motors in 2013 (Mayer & Cashman-Pugsley, 2013).

The challenge for the Nigerian automotive industry however is ensuring that vehicles sold, whether imported or locally produced, can compete with the vehicles sold on the lucrative grey market (Jeffreys, 2013). According to David Edwards, General Manager of Toyota dealership in Nigeria, 80% of vehicles in Nigeria are purchased on the grey market (Jeffreys, 2013). Majority of these vehicles enter the market either through semi-legal or illegal channels. In 2013 alone, 15 million vehicles were registered in Nigeria, according to Bola Akindede, Managing Director of Courtiville, a private vehicle registration company operating in 20 of the 36 states in Nigeria (Jeffreys, 2013).

According to the National Automotive council in Nigeria, approximately 150,000 second-hand vehicles and 50,000 new vehicles enter into the country annually (Jeffreys, 2013). Toyota dominates the Nigerian automotive market, supplying approximately 70% of new vehicle imports. Korean brands such as Hyundai and Kia are fast growing market share while Porsche and Mercedes Benz are the preferred choice for more affluent Nigerians (Jeffreys, 2013).

India's Tata has made significant in-roads in gaining market share in the commercial sector, with 100% increase in annual sales since their introduction in Nigeria in 2008 (Jeffreys, 2013). With new infrastructure projects earmarked by the Nigerian government, Tata's concrete mixers and tip trucks look set to gain more demand (Jeffreys, 2013).

The formal vehicle retail market consists mostly of sales to large corporations and government, as very few people in Nigeria can afford to purchase a new vehicle (Jeffreys, 2013). Most loans for vehicle financing require a 20% deposit and interest rates often exceeding 20%, which drives consumers to consider the informal grey market (Jeffreys, 2013). The grey market, which is also referred to as "tokunbo", includes both used and new vehicles which enters Nigeria through ports and land borders often bypassing Customs and excise fees (Jeffreys, 2013).

Due to the large number of vehicle imports and virtually non-existent vehicle manufacture, the Nigerian government in 2013 removed the 5% duty on completely knock down components as well as provide loans to the Nigerian automotive industry aimed at developing production of automotive parts (Jeffreys, 2013).

## **2.6 International Marketing Defined**

According to Hult, et al., (2012), marketing can be described as the method of creating, distributing, promoting and pricing of products and services. Furthermore, marketing facilitates a satisfying exchange of relationship with customers as well as maintain a favourable rapport with all stakeholders in a dynamic environment (Hult, et al., 2012).

International marketing aspects of business marketing has a relatively extensive history in research (Reid & Plank, 2000). According to Reid and Plank (2000), international marketing is grouped in five segments namely

- 1) Exporting
- 2) International Strategy

- 3) Countertrade
- 4) Specific Country
- 5) Area Studies

As a mode of entry to an international market, exporting is generally considered as the easiest method to gain market share, therefore according to Reid and Plank (2000), it is not surprising that this area has been researched in some detail. Danko (2000) refers to international marketing if marketing activities are done abroad, if it aims to acquire foreign markets, or considers foreign customer requirements. Similarly, Risko and Wiwczaroski (2014), defines international marketing as the performance of business activities that are developed to plan, price, promote as well provide the organisation's products or services to consumers in more than one country for a profit.

Furthermore, international marketing is the development and the execution of marketing activities across international boundaries and represent enormous opportunities for growth within an organisation (Hult, et al., 2012). According to Hult, et al., (2012), organisations offer significant support and valuable research that will assist their domestic organisations become more competitive globally. According to Risko and Wiwczaroski (2014), the only difference between domestic marketing and international marketing, is where the marketing activity occurs and that the marketing concepts and principles are applicable to any market, irrespective whether local or abroad. Therefore, the difference between local and international marketing lies not in the different marketing concepts but rather in the environment within the marketing strategies must be implemented (Risko & Wiwczaroski, 2014).

The goal is common for any business by ensuring profitable margins through the promotion, pricing and distributing products or service for which there is a market (Risko & Wiwczaroski, 2014). The essence of marketing is to ensure a satiating relationship between both the customer and marketer in which both parties benefit. The customer expects a reward or benefit that exceeds the cost incurred from a marketing transaction. Czuchry, et al., (2009) further argues that customer satisfaction is extremely important to an organisations success, especially in the automotive industry.

These sentiments are confirmed by Grewal and Levy, (2014) as they state that product innovation and service offered by organisations to their consumers, is vital to the prosperity of any organisation. The global automotive industry is fast becoming more competitive therefore shifting the focus by vehicle manufacturers to greater customer service, product innovation, product quality, faster response to customer demands and more agile manufacturing facilities (Czuchry, et al., 2009).

Marketers therefore need to fully understand the relationship among all of their products so as to coordinate the marketing of the collective group of products on offer to the consumer (Hult, et al., 2012). The marketer however, on the other hand also expects to gain something of value in return, which is normally the price of the product or service (Hult, et al., 2012). The specific group of customers that organisations focus their marketing efforts on is called a target market, which either consists of a large number of people or a relatively small group (Hult, et al., 2012).

Cavusgil (2011), however suggest that there are four forces that have come to redefine the nature of marketing in the global context. These four forces that define today's international marketing are made up of a combination of global mega trends, as well as dynamic transformations internal to an organisation (Cavusgil & Cavusgil, 2011). These four forces can be defined as:

- 1) Drastic changes and volatility globally with regards to economy, technology and social standards. This force refers to the drastic shift of economic geography from the developed countries and advanced economies to emerging countries and developing economies. The key factors driving growth include technology advancement, productivity gains, modernisation and rapid industrialisation will continue to fuel these emerging markets (Cavusgil & Cavusgil, 2011);
- 2) Strenuous engagement with turbulence of destructive shocks. This 2<sup>nd</sup> force refers to how the marketer's role has shifted tremendously from domestic marketing to global and international marketing. Cavusgil

(2011), argue that this trend will gain significant momentum in years to come and will position marketing as the cornerstone for change in the business enterprise. Marketing will thus play a significant role in an organisation's transformation as more and more organisations define internationalisation as a business imperative rather than a choice;

- 3) Development of morphing strategies to cope with shifting market forces. This refers to the concept of allocating strategies and diversification so as to better understand the market segmentation. These allocative strategies are intended to advance business performance by transferring ownership of assets to the most competent and proficient owners in the global enterprise. By doing so, the organisation will migrate to a competent and capable-centred asset allocation model instead of the outdated model of investing into the use of resources (Cavusgil & Cavusgil, 2011);
  
- 4) New understanding of marketing performance. This force outlines the need for a paradigm shift in marketing strategies in view of risk management. This came about the recent global economic recession that stunned the corporate world therefore placing the need for risk assessment and risk mitigation as top agenda item in boardrooms across the globe. Leadership in organisations are now demanding detailed information, statistics and analysis of data to predict consequences of adverse events and identify strategies for better preparedness (Cavusgil & Cavusgil, 2011).

## **2.7 International Marketing Strategies**

Organisations enter the international markets and continue to participate in the marketing activities at various levels of international involvement. According to Hult, et al., (2012), organisations have adopted one of four different methods of entering an international market namely:

- 1) Phase 1: No regular export activities;
- 2) Phase 2: Exporting via an independent representative or agent;
- 3) Phase 3: The establishment of one or more sales subsidiaries internationally;

- 4) Phase 4: The establishment of an international production or manufacturing facility.

The table (table 2.2) below shows the various levels of international involvement organisations take from purely domestic marketing to global marketing (Hult, et al., 2012).

<p style="text-align: center;"><b>Global Marketing</b></p> <p>Marketing strategies are developed for the global target market with the emphasis on similarities across the various countries or global markets.</p>
<p style="text-align: center;"><b>Regional Marketing</b></p> <p>Marketing strategies are generated for each of the major regions. The countries within the specific regions are marketed in the same way based on the similarities across these countries.</p>
<p style="text-align: center;"><b>Multinational Marketing</b></p> <p>International marketing strategies are developed with customisation for various country markets based on the critical differences across regions and countries.</p>

<p><b>Limited Exporting</b></p> <p>An organisation develops no marketing strategies. However, acquires the services of international distributors, foreign companies, or from selected customers who are willing to purchase some of its products or services.</p>
<p><b>Domestic Marketing</b></p> <p>All marketing strategies are focussed on the target market in the country of origin.</p>

**Table 2.2** – Various levels of involvement in international marketing (Hult, et al., 2012)

According to Li & Zheng Li (2009), strategies and decision-making regarding international marketing is dynamic and changing rapidly with ever increasing uncertainty and risks. Similarly, Johnson, et al., (2010) argues that many organisations are forced to adapt their marketing strategies to meet the increased competition both domestically and globally due to the rapid globalisation of the marketplace.

According to Johnson, et al., (2010), more multinational organisations are exploring emerging markets due to the relatively saturated western or developed markets. The emerging markets or countries also known as emerging consumer markets (ECMs) include the economies of China, Brazil, India and South Africa and represent approximately 80% of the world’s consumers (Steenkamp & Burgess, 2002).

However, Johnson, et al., (2010) argues that multinationals that aspire to gain access to consumers in ECMs, often fail because they overlook the fact that the ECM markets differ politically, culturally and economically from Western markets. Steenkamp (2005), further states that many of the marketing theories and conceptualisations are founded on the principles of Western requirements and that marketers often assume that international marketing is possible without unequivocal reference to the socioeconomic and cultural contexts. Furthermore, Dos Santos et al., (2006) and Gabrielsson et al., (2012), all conclude that

product diversification is a crucial international marketing strategic initiative for multinationals seeking to expand into global markets.

There is however overwhelming consensus by various scholars that culture has a major influence on marketing and business practices, and organisations should ensure that their marketing strategies are adapted to be more sensitive to cultural differences (Johnson, et al., 2010, Kalliny et al., 2011, Kaynak, et al., 2011). Furthermore, Darley, et al., (2013) states that in an era where growing interest in investing on the African continent is on and increase, a greater sensitivity to African culture should prove beneficial to profitable growth. Qiu (2014) found that cultures with low power distance expedite product diversification of large multinationals. Therefore to endorse product diversification global marketers need to sustain low power distance in order to expedite information sharing within organisations (Qiu, 2014).

Power distance denotes the manner in which people perceive the role of authority in society as well as define their comfort levels with regard to authoritarian control (Hofstede 1980, 1983; Kemper, Engelen and Brettel 2011). Therefore, according to Johnson et al., (2010), a greater understanding of the African cultural realities could serve as a catalyst to facilitate marketing practices within the African market. Given the vast differences among cultures globally, it has become imperative to understand and appreciate not only the cultural differences but equally important their similarities in the context of international marketing (Griffith, et al., 2008). The international marketing literature still requires further research into the marketing considerations in Africa (Darley, et al., 2013).

The World Bank states that Africa is increasingly providing unprecedented opportunities for transformation and growth thus providing favourable return on investment due to its steady economic growth as well as progress on the Millennium Development goals (World Bank, 2010). The World Bank (2010), further states that Africa is on the verge of an economic boom, similarly to what China was 30 years ago and India 20 years ago.



The explosion and rapid growth of the middle class in the emerging market will create a greater and broader requirement for marketing activities (Cavusgil & Cavusgil, 2011). This phenomenon of the middle class is what is powering organisations to seek growth in emerging markets and in turn fuelling global economic activity (Douglas & Craig, 2011). Global marketers are now thriving on the concept of gaining market share in emerging markets by responding to the rapid increase in economic development and the resulting increase middle class income (Cavusgil & Cavusgil, 2011). This rising prosperity is clearly evident due to the escalation of discretionary income of consumers in markets such as Brazil, China, India, Indonesia and the untapped opportunities that of emerging African economies (Cavusgil & Cavusgil, 2011).

Multinationals that are looking to acquire market share in emerging markets should acknowledge the fact that they must be willing to experiment to fit their business models to emerging markets and that they are not likely to get success first time round (Khanna & Palepu, 2012). Secondly, multinationals should become partners in the emerging markets by assisting to develop and build the infrastructure needed for efficient business interactions, for example creating jobs, generating opportunity for tax revenue by government, establish customer services outlets and so on.

Thirdly, multinationals must establish a fine line between striving for business growth and remaining humble when entering an emerging market as well as be sensitive to the legacy of colonial rule and exploitation that some emerging markets endured in the past (Khanna & Palepu, 2012). Due to the significant rise in globalization as well as the increasing trend of countries entering the World Trade Organisation (WTO), growing concern about environmental and climate change issues have become a challenging topic for organisations (Diabat, et al., 2013).

Due to mounting pressure from governmental regulatory requirements, community awareness on the environment and increased pressure from stakeholders, have caused automotive supply chain managers to pursue strategies that are more focussed on Green Supply Chain Management practices (Masoumi K, et al., 2015). Similarly, Styhre and Kohn (2006) states that the automotive industry is being scrutinized and questioned by

environmentalists on the issue of green technology. They go on to state that the consumers are now more likely to ask for more environmentally friendly products (Styhre & Kohn, 2006).

## **2.8 Promotion and Advertising in emerging markets**

According to Kumar, et al., (2013) even though sufficient empirical research exists on promotion and advertising, research is limited in the context of emerging markets. Regional differences exist with regards to culture and economic conditions within an emerging market (Kumar, et al., 2013). These regional differences have impelled multinational organisations such as P&G and Unilever to establish regional advertising and promotional strategies using by utilising local establishments, local celebrities and even in certain campaigns, local dialect which proved immensely successful in China, Brazil and India (Kumar, et al., 2013).

## **2.9 Price**

Emerging markets are known to be price sensitive, so multinational organisations need to pay particular care in designing pricing strategies (Kumar, et al., 2013). According to Hult, et al., (2012), price is the value paid by the consumer for a product or service in a marketing exchange. According to Kumar, et al., (2013), the choice between a market-skimming pricing strategy and a market-penetration pricing strategy depends on an organisation's business objective and the market environment. Price-skimming is when organisations charge the highest possible price that a consumer who most desire a product is prepared to pay (Hult, et al., 2012). Similarly, Kumar, et al., (2013), state that price skimming is designed to reach a target market that is insensitive to price and is willing to pay a premium price for a product.

Therefore in terms of applicability, price skimming strategy would not be the preferred strategy for emerging markets. Conversely, a market-penetration pricing strategy is when product prices are set below those of competing brands to penetrate a market and gain a large market share quickly (Kumar, et al., 2013). The fact that emerging economies are generally characterised by larger

markets, fierce competition and middle-income segments, market-penetration pricing strategy would be best suited (Kumar, et al., 2013).

### **2.10 Distribution**

Distribution is the decisions and activities that are required to make products available to the consumer as well as defining the marketing channels and institutions that assist in making these products available (Hult, et al., 2012).

According to Kumar, et al.,(2012), the biggest problem organisations face when entering emerging markets is the lack of adequate and functional distribution networks which include both transportation and storage.

### **2.11 Social media**

Organisations in emerging markets are beginning to use social media to better understand their consumer behaviour (Hult, et al., 2012). However, social media in emerging markets are limited, whereas in developed economies, marketers use social media as a prime source for obtaining better insight into consumer behaviour (Kumar, et al., 2013). Therefore the choice of traditional media (newspapers, television, and radio) and social media is important for marketers looking to obtain market share in emerging economies.

### **2.12 Competition**

According to Kumar, et al., (2012), competitiveness among organisations seeking the same target market, plays a significant role in consumer purchase behaviour and customer loyalty creation. Furthermore, Kumar, et al., (2012), states that when a competitor has an advantage over the other, the excess or surplus could be utilised to improve service delivery, research and development as well as market share.

### **2.13 Country-of-origin effects**

Research has found that a product's country-of-origin can have a direct effect on consumers' evaluation and product choice (Pharr, 2005). Popular perceptions and influence on consumers' purchase decisions such as Italian supercars, French perfumes and German cars are some examples of the country-of-origin theory (Kumar, et al., 2013).

## **2.14 Culture**

Kumar, et al.,(2012), states that if a product's characteristics aligns with a specific culture or social beliefs of a particular market segment, it will eventually find acceptance and success within that segment or country. In other words if a service or product appeal to the consumers' cultural or social standing, there will be a natural progression for customer loyalty (Kumar, et al., 2013).

## **2.15 Political and legal environment**

One of the biggest challenges multinational organisations need to overcome is ensuring that their marketing strategies comply with local government's legal regulations (Kumar, et al., 2013). Legal and political environment can either assist or negatively impact an organisations profitable growth (Kumar, et al., 2013).

## **2.16 Summary**

The purpose of this study is to understand what international marketing strategies Ford Motor Company should implement to gain significant market share in Nigeria and Africa. This chapter reviewed the current literature on international marketing as well as the opportunities and challenges that multinationals face today in gaining market share in Africa. It also attempted to outline some of the key fundamentals of international marketing that Ford Motor Company should adopt.

International managers and marketers face huge challenges with regards to their international and intercultural competence. In the current global arena it is not sufficient to be well adverse in marketing or business management only, but essential to have thorough knowledge of the specialities and similarities of international markets and their different cultures (Risko & Wiwczaroski, 2014). Therefore to be successful in international markets, it is crucial to understand the differences and similarities of the international markets and cultures in which organisations wish to operate in.

Further findings by Owusu-Frimpong (2008), suggest that brand loyalty in the African cultural context is very strong. According to Owusu-Frimpong (2008), this is due to the African cultural characteristics of uncertainty avoidance and harmony. According to Hofstede (1991) and Thomas (2002) uncertainty avoidance theory is the degree to which cultures focus on means to lessen uncertainty and to create stability. Owusu-Frimpong (2008) therefore recommends that companies that are considering exploring market opportunities in Africa should implement long-term positioning strategies, as brand switching is rare.

A further consideration in successful international marketing, especially by large multinational organisations, according to Qiu (2014), is product diversification. According to Qiu (2014), product diversification has been one of the leading strategies that multinational organisations utilised in gaining new market share in a turbulent and competitive international market place (Bowen and Wiersema 2005; Gabrielsson, Gabrielsson and Seppala 2012; Griffith and Rubera 2014).

The three product strategies namely the product platform, product lines and individual products determines the dimensions of an organisation's product portfolio diversification and the market segment in which marketers wish to operate in (Gabrielsson et al. 2006; Griffith and Rubera 2014). Ford should therefore carefully consider the product line-up and diverse range of vehicles that need to be marketed in Nigeria so as to have a defined scope of market segment.

## **Chapter 3**

### **Research Methodology**

#### **3.1 Introduction**

In the preceding chapter, a literature review was discussed regarding international marketing with emphasis pertaining to the automotive industry. An overview was provided of the research problem, the problem statement, research objectives as well as the conceptual framework. This chapter will build on from this and endeavour to determine the research design. However, according to Collis and Hussey (2014), before you begin the research design, you need to identify the research paradigm.

Chapter 3 will therefore provide a detailed description of the different research methods or paradigms as well as provide an overview of the sampling design and data collection methods. This chapter will also define the methodology and research process that will be utilised to examine the findings from the literature review. It will outline the research design which involves the planning of the

research as well as the research approach that will define the type of data that will be collected and analysed.

### **3.2 Research paradigm and methodology**

The choice of research paradigm has significant impact on the choice of methodology and the method for collecting and analysing the research data (Collis & Hussey, 2014). It is therefore crucial for the researcher, according to Collis and Hussey (2014), to assess the selection of the paradigm and reflect on how pertinent it is to the problem statement. The two research methods or paradigms are namely qualitative and quantitative methods.

However, the choice should not be limited to either qualitative or quantitative. Despite the continuing 'paradigm wars' between the selection of qualitative and quantitative research, Kelle (2006) argues that the two methods should be combined to compensate for their common and coinciding weaknesses. The following paragraphs will attempt to explain and understand the differences between quantitative and qualitative research methods.

### **3.3 Quantitative research method**

Quantitative research or positivistic approach focusses more on the scientific methodology than the social approach (Tewksbury, 2009). Positivism as explained by Collis and Hussey (2014) is grounded on the theory that realism is a standalone entity and that the objective is to conceive new philosophies or theories that are constructed from empirical research either through observation or experiment. Therefore, it could be stated that knowledge is derived from positive information because it can be validated through scientific means (Collis & Hussey, 2014). Quantitative or positivistic research has long dominated management studies with reasonably unchallenged and unquestioned approach to studying behavioural and social sciences since the twentieth century (Jogulu & Pansiri, 2011). Unlike the subjective nature of qualitative research, positivistic research infers that realism or reality is considered tangible and objective (Gammelgaard, 2004).

Quantitative research is motivated by theory and assumes that reality is objectively subscribed to (Tronvoll, et al., 2011). Tronvoll, et al., (2011) also states that the positivistic paradigm focuses on the collection and analysis of data about the phenomena being studied and that the phenomenon consists of pre-defined relationships.

### **3.4 Qualitative research method**

Qualitative research or interpretivism on the other hand is centred on the traits, meanings and describing characteristics of people, events, cultures, interactions and experience (Tewksbury, 2009). As stated by Tewksbury (2009), the term quality with reference to qualitative methods, refers to the what, when, where and how of something in its totality. Similarly, Collis and Hussey (20014) argue that interpretivism (also known as phenomenological approach) or qualitative research is formed through our perceptions and that its substance is based on the belief that social reality is not objective but highly subjective.

Interpretivism, which is grounded on the values of idealism, stemmed from the requirement of social scientists because of their perceived inadequacy of positivism or quantitative methods (Collis & Hussey, 2014). The phenomenological approach is aimed at creating an in depth understanding of first-hand experiences which are based on conscious thoughts and actions (Ziakas & Boukas, 2014). The numerical descriptions or quantity of something that is being studied or researched is not the focus of phenomenological or qualitative research method, but rather the focus of positivistic or quantitative research method (Tewksbury, 2009). This will be focussed on next.

### **3.5 Paradigm selected for the treatise**

According to Kelle (2006), both qualitative and quantitative research methods have their limitations hence recommends that the two methods be combined to compensate for their weaknesses. Collis and Hussey (2014), argues that researches that conduct business research at present, uses the paradigm that stems from a positivism approach and focusses on theories to illuminate their hypothesis.



Positivists apply logical reasoning through objectivity and precision in their approach instead of intuition and subjectivity (Collis & Hussey, 2014). Therefore, in the case of this treatise, only quantitative method will be used. Data was collected by means of a questionnaire survey. This survey was sent electronically to Nigerian nationals only.

### **3.6 Setting of the study**

This study was carried out among a selected sample living in Nigeria and South Africa. All surveys had to be completed on-line using Survey Monkey. This meant that all participants had to have access to the internet.

### **3.7 Research sample**

For the positivistic research, the target group or population was Nigerian nationals in Nigeria or living in South Africa. A population is a body of people or a collection of items which are under consideration for research (Collis & Hussey, 2014). A total of 52 respondents participated in the survey. Access to the participants was obtained through the assistance of the Nigerian Embassy to South Africa, the Nigerian Union of South Africa and Ford employees currently residing in Nigeria.

### **3.8 Sample type**

This study adopted the probability sampling technique commonly referred to as simple random sampling method. A random sample is an unprejudiced subset of a population that is representative of the population (Collis & Hussey, 2014). According to Wagner (2007), this technique is used when the population is relatively homogeneous.

### **3.9 Data Collection**

According to Collis and Hussey (2014), there are two main methods for collecting data which are self-completion questionnaires and interviews. For this study, self-completion questionnaires were used. A questionnaire is a technique for collecting primary data in which a sample of the participants was asked a list

of carefully structured questions with a view to obtaining reliable responses. These questionnaires had to be completed on-line.

For the questionnaire survey, respondents were asked to indicate their level of agreement, using a rating scale of 1 to 5, where 1 is strongly disagree and 5 strongly agree. According to Collis and Hussey (2014) this is known as the five-point Likert scale.

### **3.10 Reliability and validity**

In order to be sure that the rating scale will be able to measure the views of the respondents accurately, a reliability test need to be conducted. According to Collis and Hussey (2014), reliability refers to the precision and accuracy of the measurement as well as the absence of differences in the data if this research were to be repeated. Reliability is crucial even though some of the measurements, concepts and measurement scales were used by other researchers because the sample used in this study is most likely to be different of other samples of other studies (Collis & Hussey, 2014). It is for this purpose, crucial to test for reliability of the data collected.

Cronbach's alpha coefficient will be used to test the reliability of the measurements used for each of the scales in this study. According to Collis and Hussey (2014), Cronbach's alpha coefficient is one of the reliability tests used most often by researchers for validating the reliability of multiple-item scales. For basic exploratory research, Nunnally (1978) recommends that all Cronbach's alpha values above 0.50 are acceptable. Therefore, this study discounted questions for each of the scales with a Cronbach's alpha coefficient below 0.50. The table below (table 4.1) indicates the results for the reliability test for each of the scales and only questions that achieved the recommended Cronbach's alpha coefficient were considered.

### **3.11 Limitations of the study**

- The sample size is not representative of the population due to the poor response rate. Only 52 Nigerian nationals participated in the survey;
- Majority of the surveys were sent via the Nigerian Embassy and the Nigerian Union of South Africa (NUSA), hence there was no interaction or contact with any of the respondents;

- This survey could only be conducted through the internet, however a large portion of the Nigerian population do not have access to the internet. Again, not representative of the entire population;
- The youth or students were not directly targeted and hence were not properly represented in the sample population.
- Limited research and literature is available on automotive marketing in Africa and in particular Nigeria.

### **3.12 Ethical consideration**

According to Collis and Hussey (2014), the term ethics denotes the principles and moral values that form the foundation of a code of conduct. It is imperative that the research study does not cause any harm to the participants or the researcher, whether direct or indirect. Furthermore, participants must not be coerced to perform illegal, unacceptable or immoral acts (Collis & Hussey, 2014).

To avoid any harm or ethical violation that could occur as part of this research, the following mechanisms were instituted:

- Approval received from the university as part of the ethics policy - Ethics clearance Form E;
- The participants were informed of the purpose of the study;
- Participation was voluntary;
- Confidentiality and privacy was assured and no names or personal identifiable information was required to complete the survey.

### **3.13 Summary**

The purpose of this chapter was to provide an overview of the selected paradigm, research sample and data collection methods for this research study. Simple random sampling technique was used for Nigerian nationals living either in Nigeria or South Africa.

The measuring instrument was carefully structured based on the literature review from Chapter 2. The data from the respondents was presented using descriptive statistics. According to Collis and Hussey (2014), descriptive

statistics are used to provide a summary of the data collected and can be presented in the form of tables, charts and graphics. This will then illuminate any patterns or trends that are not apparent in the raw data collected and positively support subsequent hypothesis detection or confirmation (Collis & Hussey, 2014).

Collis and Hussey (2014), define inferential statistics as a collection of statistical approaches used to draw certain conclusions from quantitative data related to a random sample of a population. Similarly, Wagner (2007), states that inferential statistics is used to provide a more generalised conclusion about a population from which random sample statistics have been drawn. It is therefore important to test the correlation between the dependent and independent variables.

For the purposes of this study, Pearson correlation was used to test the association of the dependent and independent variables.

## **Chapter 4**

### **Research Results**

#### **4.1 Introduction**

Chapter two described some of the key factors from literature on international marketing and the automotive market with emphasis on Africa and in more particular Nigeria. Based on literature, an international marketing conceptual framework was developed. This proposed framework is aimed at providing Ford Motor Company with a competitive advantage over rival or competing

automotive manufacturers also looking to gain a stake in the Nigerian automotive market. To validate this conceptual framework, an empirical research study was conducted by soliciting responses from Nigerian nationals via an electronic survey.

This chapter will provide a detailed presentation of the results from the empirical study. It will show the response rate, the data collected and the results from key research questions as well as validate the reliability of the data. Furthermore, this chapter will present the inferential and descriptive statistical analysis of the data collected as well as the interpretation thereof. It will also review some of the responses to the research questions mentioned in chapter one. These are:

- 1) Nature of the automotive industry in Nigeria?
- 2) What is the marketing environment of the automotive sector in Nigeria?
- 3) What marketing framework is suitable for Ford South Africa in Nigeria?
- 4) What are the possible challenges of international marketing In Nigeria?

The chapter will also focus on the research objective which is to develop an international marketing framework for Ford South Africa in Nigeria.

## **4.2 The questionnaire**

The questionnaire (Appendix B) was carefully structured to collect data on the following:

- Demographics
- Impact of the political and legal environment
- Impact of culture in marketing in Nigeria
- Country-of-origin effect
- Country infrastructure
- Distribution
- Competition Automotive specific
- Automotive Market in Nigeria
- Price
- Promotion and advertising
- Social media

### **4.2.1 Response rate**

An electronic survey questionnaire was sent to Nigerian nationals living in Nigeria and South Africa using Survey Monkey. In order to obtain participants for the survey, formal assistance was requested from the Nigerian Embassy to South Africa, the Nigerian Union of South Africa as well as Ford employees currently based in Nigeria.

#### 4.3 Reliability of data

In order to be sure that the rating scale will be able to measure the views of the respondents accurately, a reliability test need to be conducted. According to Collis and Hussey (2014), reliability refers to the precision and accuracy of the measurement as well as the absence of differences in the data if this research were to be repeated. Reliability is crucial even though some of the measurements, concepts and measurement scales were used by other researchers because the sample used in this study is most likely to be different of other samples of other studies (Collis & Hussey, 2014). It is for this purpose, crucial to test for reliability of the data collected.

Cronbach's alpha coefficient will be used to test the reliability of the measurements used for each of the scales in this study. According to Collis and Hussey (2014), Cronbach's alpha coefficient is one of the reliability tests used most often by researchers for validating the reliability of multiple-item scales. For basic exploratory research, Nunnally (1978) recommends that all Cronbach's alpha values above 0.50 are acceptable. Therefore, this study discounted questions for each of the scales with a Cronbach's alpha coefficient below 0.50. The table below (table 4.1) indicates the results for the reliability test for each of the scales and only questions that achieved the recommended Cronbach's alpha coefficient were considered.

Scale	Cronbach's Alpha	Measuring Instruments
Political and Economic Forces	0.59	Political stability in a country is important for business development and investment
		Government regulation and policies is a significant factor when investing in a foreign country
		Information and knowledge about the business etiquette, attitude and habits of a foreign country are essential to successfully compete or cooperate with

		businesses in a market
		Government policy has a direct impact on foreign direct investment
		Knowledge of government trade policies is key for success when investing in a foreign country
Culture	0.74	Culture is a significant factor when conducting business in other countries
		Culture has a significant impact on marketing and business practices
		Culture has a direct impact on the consumer's choice when purchasing a vehicle
		It is important to understand and appreciate cultural differences when marketing a product in a different country
Country of Origin	0.77	Country of origin is an important factor influencing consumer perception of the various vehicle brands
		Country of origin is an important factor when purchasing a vehicle (e.g. German car vs Japanese car vs Korean or Chinese cars)
		Country of origin has an important influence on the perception of quality (e.g. Japanese quality vs Korean or other vehicle makes)
		Vehicles from developing countries for example India and Korea are regarded as inferior to vehicles from developed countries for example Germany or America
Distribution Channel	0.75	Getting a vehicle delivered to a customer on-time is important in maintaining customer loyalty
		It is important to have dealer networks close to the targeted customer base
		A hybrid distribution channel is more effective in an emerging economy than a single distribution channel
		A hybrid distribution system is more likely to create a profitable customer base in an emerging economy than a single distribution system
Competition	0.67	Competition plays a major role in influencing consumer purchase decisions
		Competition creates customer loyalty
		Motor companies in emerging markets should continuously position themselves distinctively and

		<p>uniquely in relation to their competitors in order to remain competitive</p> <p>Consumer attitudes are significantly influenced by factors such as consumer preferences, satisfaction and trust</p>
Nigerian Automotive Market	0.75	<p>Nigerian Car Market represents the biggest opportunity for carmakers in Africa</p> <p>Nigeria represents the largest regional market for the automotive industry</p> <p>Due to infrastructure development the demand for commercial vehicles will increase</p>
Nigerian consumer preferences	0.51	<p>Nigerians prefer to purchase new vehicles instead of 2nd hand or pre-owned vehicles</p> <p>Nigerian consumer prefer commercial vehicles(e.g. trucks and mini vans and 4x4 vehicles)</p> <p>Nigerian consumer prefer purchasing a vehicle through a bank loan</p> <p>Nigerian consumer prefer their own transport to public transport</p> <p>Nigerian consumer is loyal to a specific brand of vehicle</p> <p>Nigerian consumer is loyal to a specific brand of vehicle</p>
Price	0.62	<p>Price of a vehicle is very important when buying a new vehicle</p> <p>Price indirectly influences customer loyalty</p> <p>Price has a significant impact on the consumers' evaluation of the vehicle they wish to purchase</p> <p>A market-penetration pricing strategy is more effective in creating a profitable customer base in emerging markets (developing countries)</p>
Social Media	0.63	<p>Social media platforms such as Facebook, Twitter and YouTube have become tremendously important for a company's interaction with its customers</p> <p>In Nigeria, traditional media (TV &amp; Radio) is more effective</p> <p>In Nigeria, advertising using social media such as Facebook and Twitter is more effective</p>
Infrastructure	0.57	<p>Basic infrastructure is important for business development</p>



		Africa is perceived to have poor basic infrastructure and hampers economic development
		Technology in Africa is crucial for economic development
		Lack of reliable transport, power interruptions and high business costs negatively impact development of a country

Table 4.1 Reliability test – Cronbach’s Alpha

#### 4.4 Descriptive statistics

In this chapter the data from the respondents will be presented using descriptive statistics. According to Collis and Hussey (2014), descriptive statistics are used to provide a summary of the data collected and can be presented in the form of tables, charts and graphics. This will then illuminate any patterns or trends that are not apparent in the raw data collected and positively support subsequent hypothesis detection or confirmation (Collis & Hussey, 2014).

The following sections of this chapter will present through descriptive statistics the data that was collected about the demographic distribution of the sample population and the responses obtained from the survey questionnaires.

##### 4.4.1 Demographic distribution of respondents

Table 4.2 on the next page illustrates the biographical and socio-economic distribution of the sample that participated in the survey. A total of 52 people responded to the survey all of which are Nigerian nationals with 87% (n=45) being male and 13% (n=7) female. The electronic survey questionnaire was sent to Nigerian nationals living both in South Africa and in Nigeria.

The table also illustrates the age distribution of the respondents and shows that the majority of the respondents are between the ages of 30 and 49 with 52% (n=27) between the ages of 30-39 and 31% (n=16) between the ages of 40-49. As with many emerging markets both in Africa and elsewhere, the majority of Nigeria’s population is below the age of 24 which according to the Nigeria Report (2013), forms 60% of the population. As this was an electronic survey

and the fact that majority of the respondents were over the age of 30 might suggest that the greater population does not have access to the internet.

Majority of the respondents had some level of tertiary education with 29% (n=15) have a bachelor's degree and 48% (n=25) stating they have a Graduate degree or higher. Employment status of the sample indicate that 31% (n=16) are employed and working between 1-39 hours per week and 65% (n=34) are employed, working 40 or more hours per week. The unemployment rate in Nigeria, measured as the percentage of the working-age population employed for fewer than 40 hours per week, grew from 13.4% in 2004 to 23.9% in 2012 (Nigeria Report, 2013). The table also indicates that 85% (n=44) of the respondents live in the city centre or urban communities. However, the limitations of this study i.e. the survey could only be conducted electronically so as to target Nigerian nationals only need to be taken into consideration and not necessarily representative of the entire population.

Category	Variable	Distribution	Percentage Responses (%)	Sample (n)
Biographical Data	Age	21-29	6%	3
		30-39	52%	27
		40-49	31%	16
50-59		10%	5	
60-69		2%	1	
	Gender	Male	87%	45
		Female	13%	7
	Population Group	Nigerian Nationals	100%	52
Socio-Economic Data	Highest Level of Education	High School degree or equivalent	4%	2
		Some College but no degree	12%	6
		Diploma	8%	4
		Bachelors Degree	29%	15
		Graduate Degree or higher	48%	25
	Employment Status	Employed, working 1-39 hours per week	31%	16
		Employed, working 40 or more hours per week	65%	34
		Not employed, looking for work	0%	0
		Not employed, NOT looking for work	2%	1
		Retired	2%	1
	Disabled, not able to work	0%	0	
Type of community in which respondents live	City or urban community	85%	44	
	Suburban community	13%	7	
	Rural community	2%	1	
	Other (please specify)	0%	0	

Table 4.2: Demographic data

#### 4.4.2 Impact of Political environment

Many multinational organisations face huge challenges in aligning their marketing strategies in accordance with the government regulations, especially with western organisations looking to expand in emerging markets. The respondents were asked whether political stability in a country is important for business development and investment.

The data shown in figure 4.1 below show that 71% (n=37) of the respondents agree and 29% (n=15) strongly agree that a country's political stability is

important for business development and investment. None of the respondents disagreed with this statement.

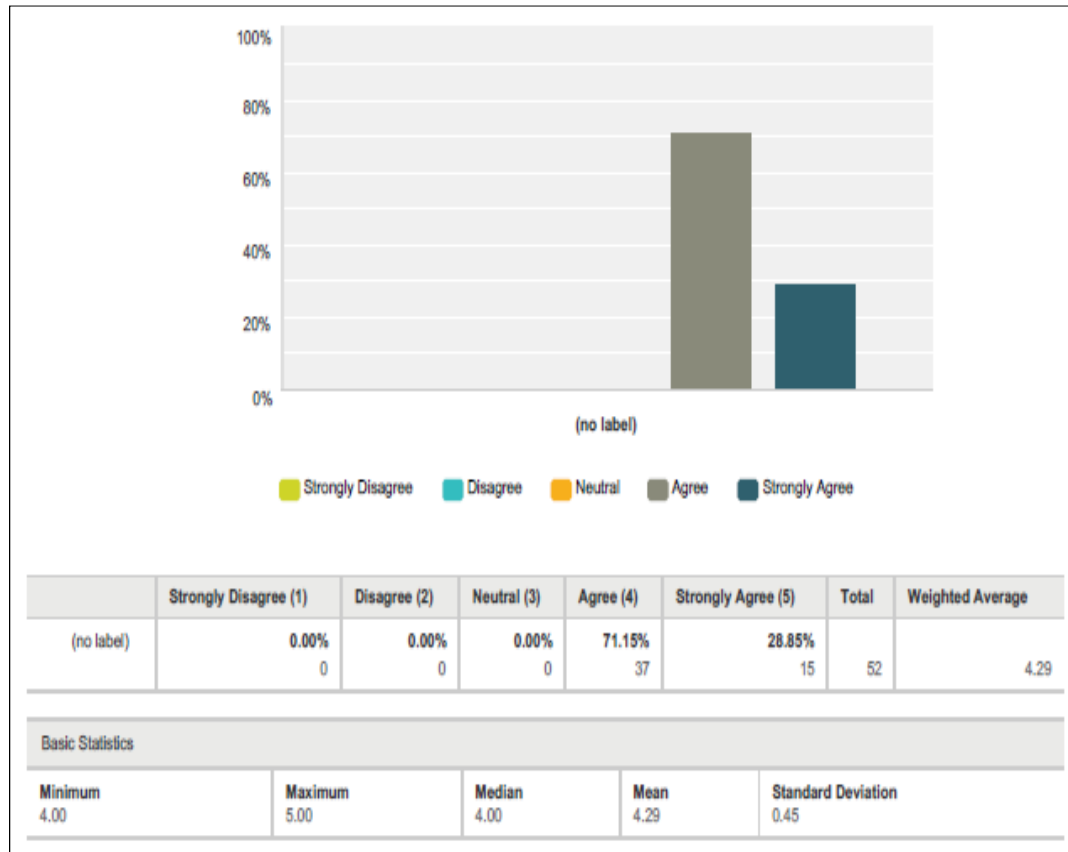


Figure 4.1 Importance of political stability in a country

The respondents were also asked whether government regulation and policies is a significant factor when investing in a foreign country. Figure 4.2 below indicate that 69% (n=36) and 31% (n=16) agree that government regulation and policies is a significant factor when investing in a foreign country, while none of the respondents disagreed.

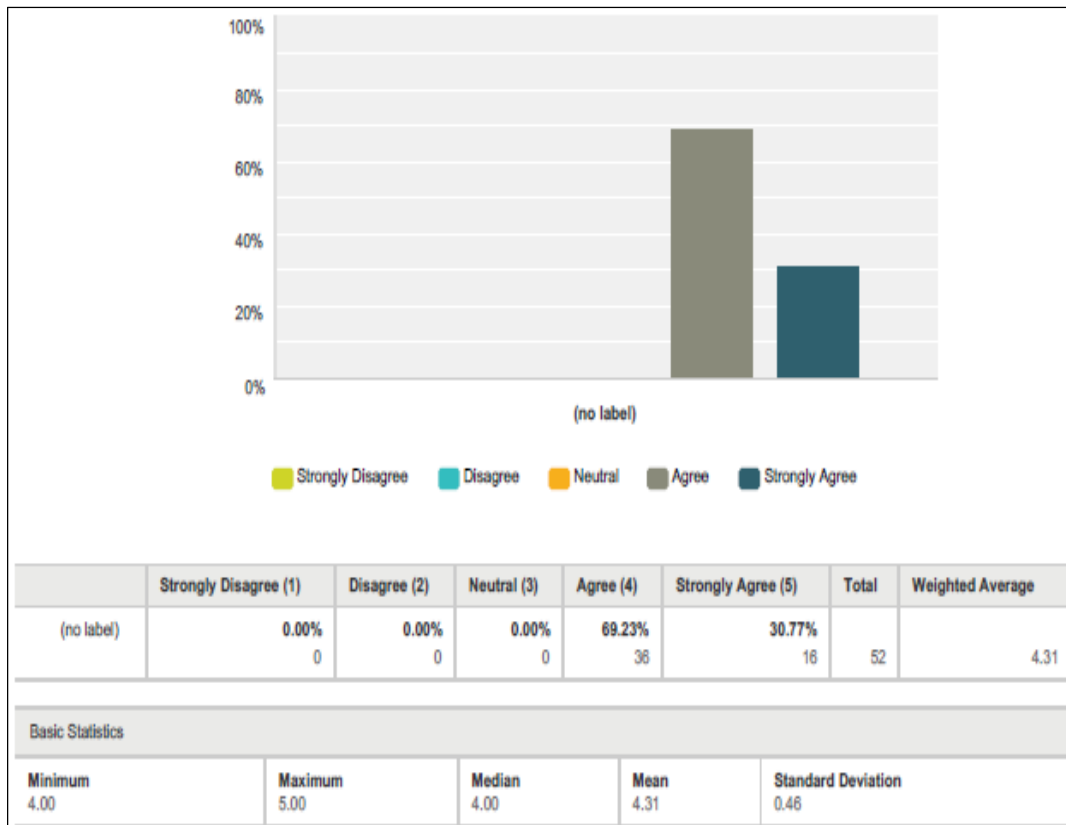


Figure 4.2 Impact of government regulation and policies

Furthermore, the study also wanted to establish from the respondents whether they believe it is important for organisations to have information and knowledge about business etiquette, attitude and habits of a foreign country are essential to successfully compete or cooperate with businesses in a market.

From the responses, 77% (n=40) and 23% (n=12) agree that organisations should be familiar about the business etiquette, attitude and habits of a foreign country in order to be successful. None of the respondents disagreed with the statement. Figure 4.3 below details the responses from the participants.

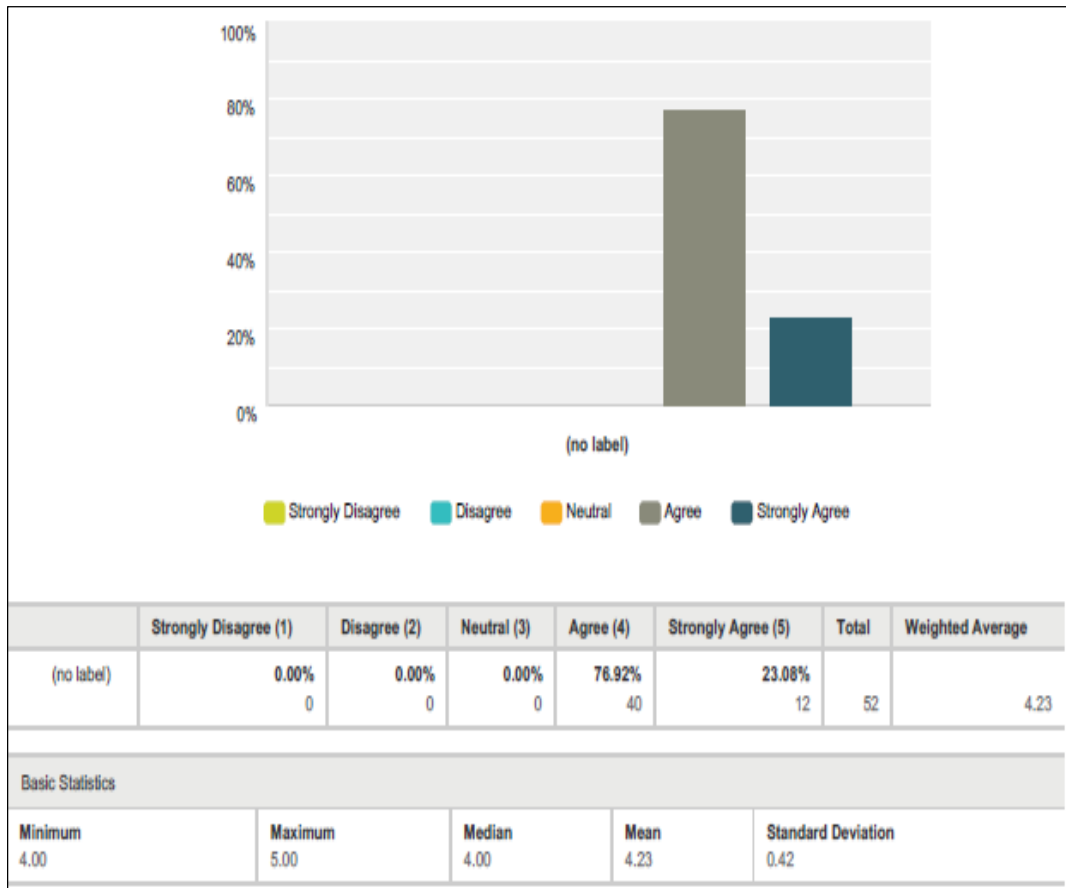


Figure 4.3 Knowledge about business etiquette, attitude and habits of a foreign country

#### 4.4.3 Impact of culture in marketing

The respondents were asked whether culture has a significant impact on marketing and business practices especially when doing business in a foreign emerging market. Figure 4.4 below show that 96% (n=50) of the respondents agreed that culture does play a significant role on marketing and business practices. Less than 4% (n=2) remained neutral while none of the respondents disagreed.

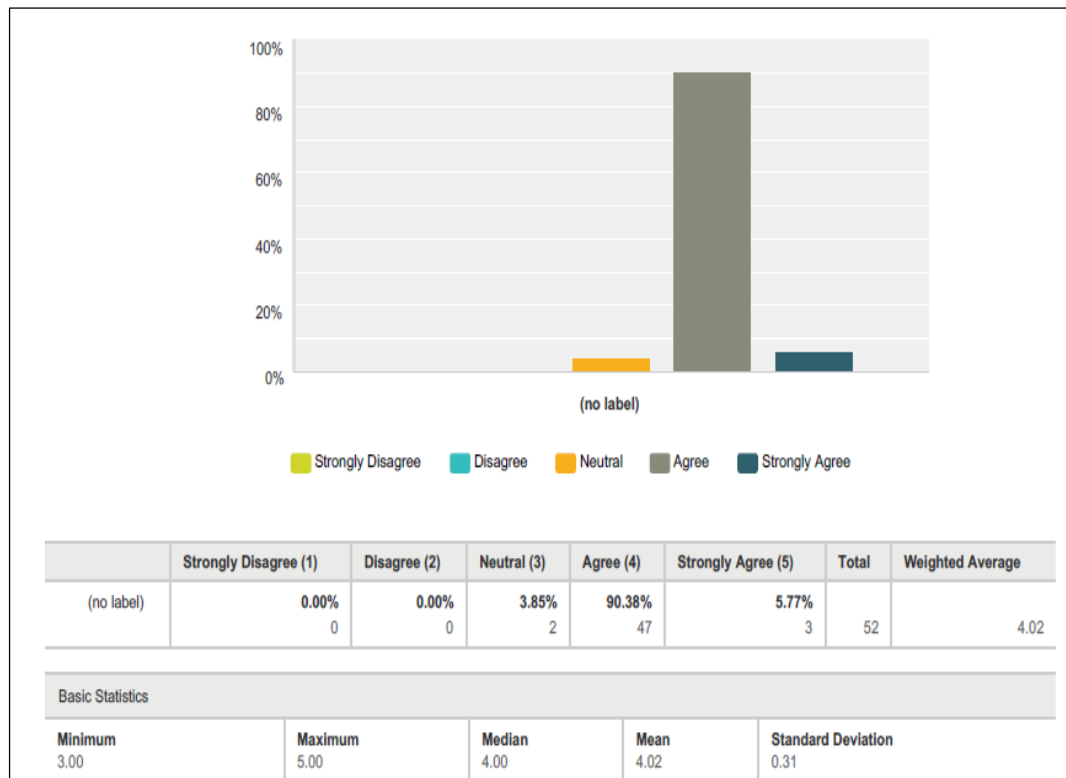


Figure 4.4 Culture has a significant impact on marketing and business practices

The respondents were also asked whether it is important to understand and appreciate cultural differences when marketing a product in a different country. From the literature review in chapter two, Angus (2010) stated that the key challenge for organisations looking to invest in Nigeria is its huge landmass and diversity. Therefore in order for organisations to achieve success, a thorough knowledge of the local customs, beliefs, cultures as well as the economic practices is crucial (Angus, 2010).

In figure 4.5 below, it is quite evident that the respondents believe that it is important for any organisation to appreciate and understand the cultural differences when marketing a product in a different country as 98% (n=51) agree that it is important while less than 2% (n=1) remained neutral and no respondents disagreed.

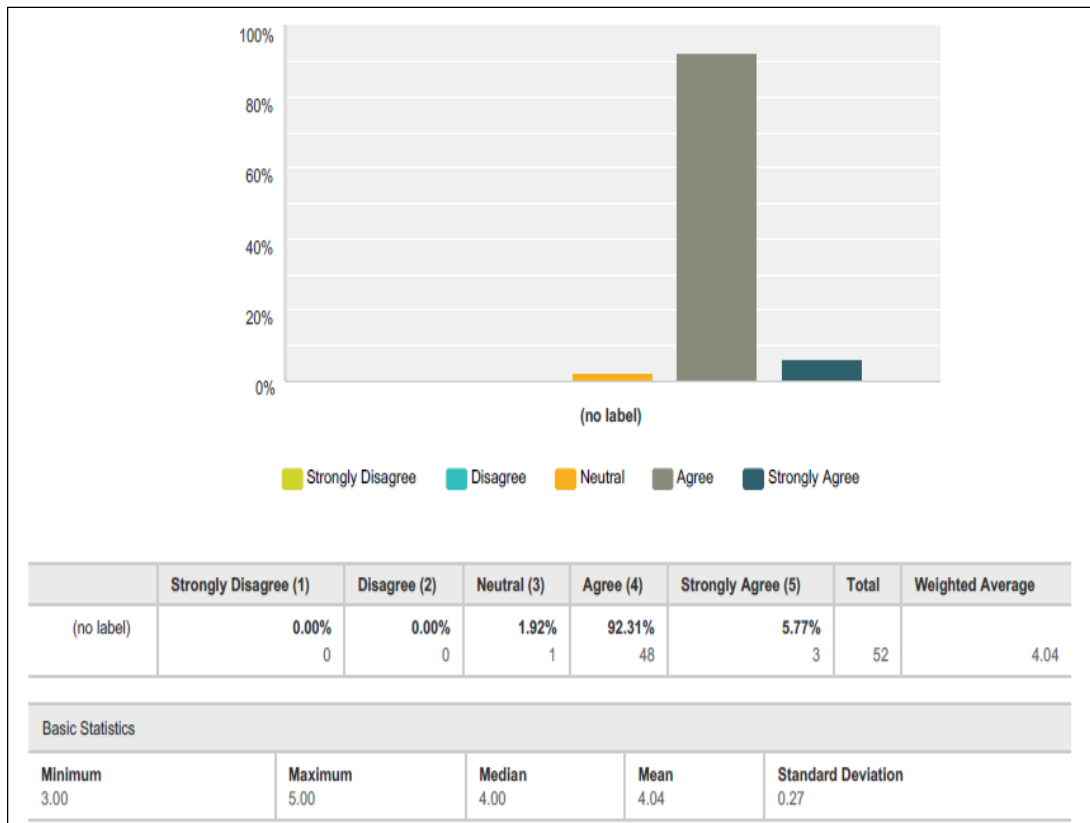


Figure 4.5 It is important to understand and appreciate cultural differences when marketing a product in a different country

#### 4.4.4 Country-of-origin effect

To understand whether the country of origin of a particular vehicle purchased in Nigeria has any influence in the purchasing decision, the respondents were asked to respond to the following statement:

Country of origin is an important factor when purchasing a vehicle (e.g. a German car versus a Japanese, Korean or Chinese cars). The responses are shown in figure 4.6 and indicate that 53% (n=27) agree and 8% (n=4) strongly agree while 40% (n=20) disagree with this statement.



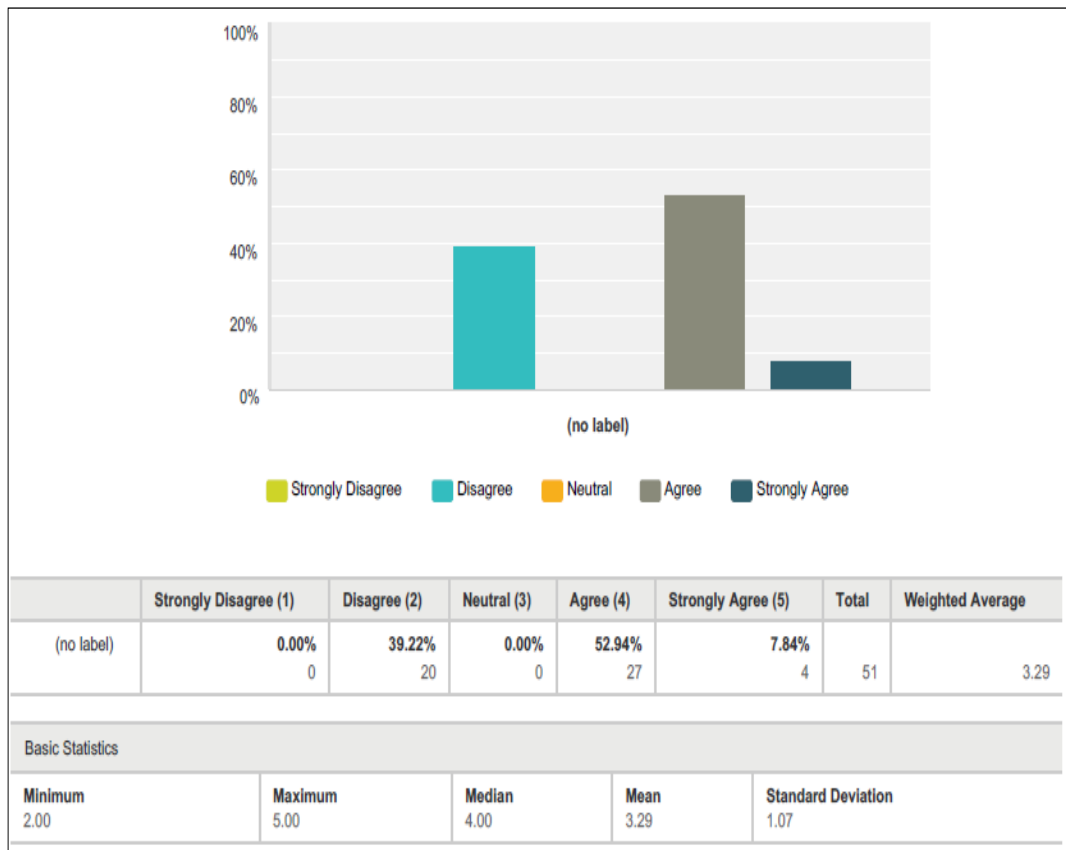


Figure 4.6 Country of origin is an important factor when purchasing a vehicle (e.g. German car vs Japanese vs Korean or Chinese cars)

Similarly the respondents were asked whether they believe that the country of origin of a particular vehicle is an important factor influencing consumer perception of the various brands. This is to understand whether a particular brand of vehicle and its country of origin have any influence on the consumer’s purchasing decision in Nigeria.

Figure 4.7 below show that 63% (n=32) of the respondents agree and 4% (n=2) strongly agree while 31% (n=16) of the respondents disagree that country of origin of a vehicle is an important factor influencing consumer perception of the various brands. Less than 2% (n=1) of the respondents elected to remain neutral.

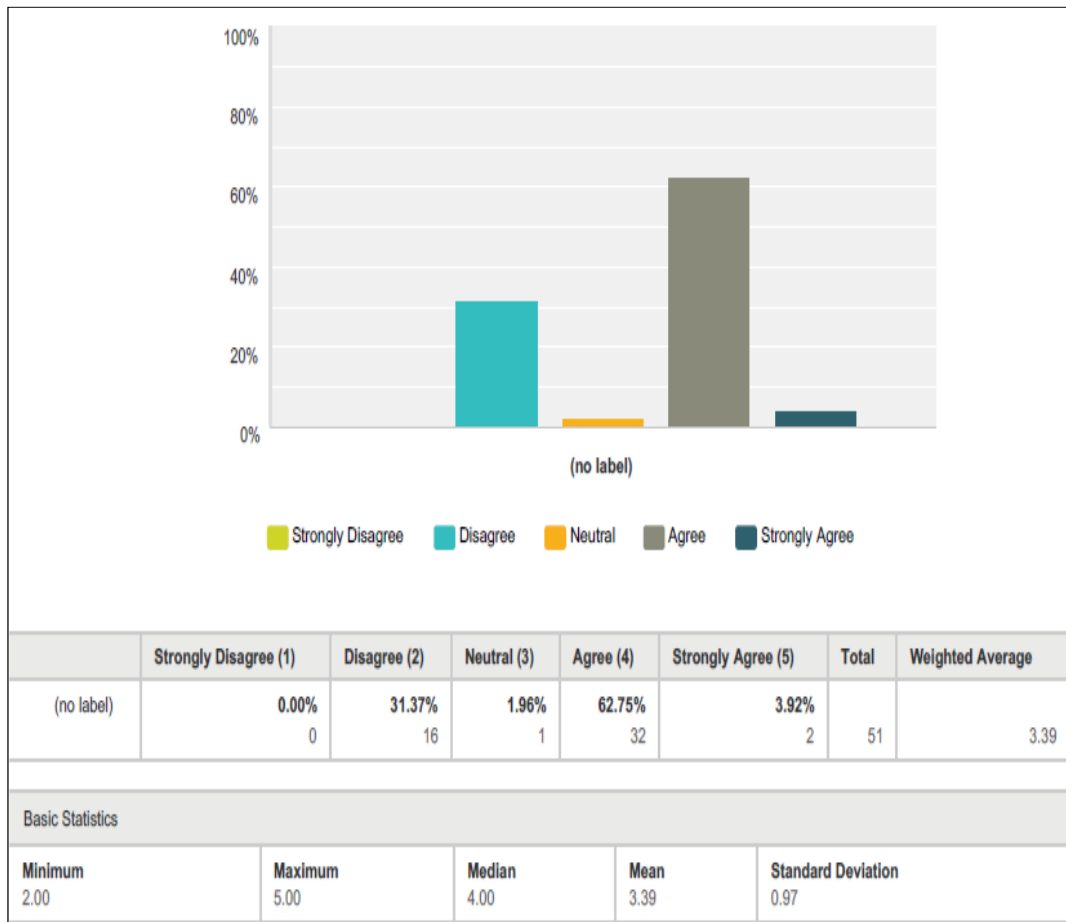


Figure 4.7 Country of origin is an important factor influencing consumer perception of the various brands

#### 4.4.5 Distribution Channel

The respondents were asked whether they believe that having a vehicle delivered to a customer on-time is important in maintaining customer loyalty. The responses shown in figure 4.8 below indicate that 81% (n=42) agreed and 19% (n=10) strongly agreed to the fact that delivering a vehicle to a customer on-time is important in maintaining customer loyalty. None of the participants disagreed with the statement.

The respondents were also asked if the location of dealer networks close to the targeted customer base is important. The responses in figure 4.9 below show that 88% (n=46) agree while 12% (n=6) strongly agrees that the location of dealer networks close to the targeted customer base is important.

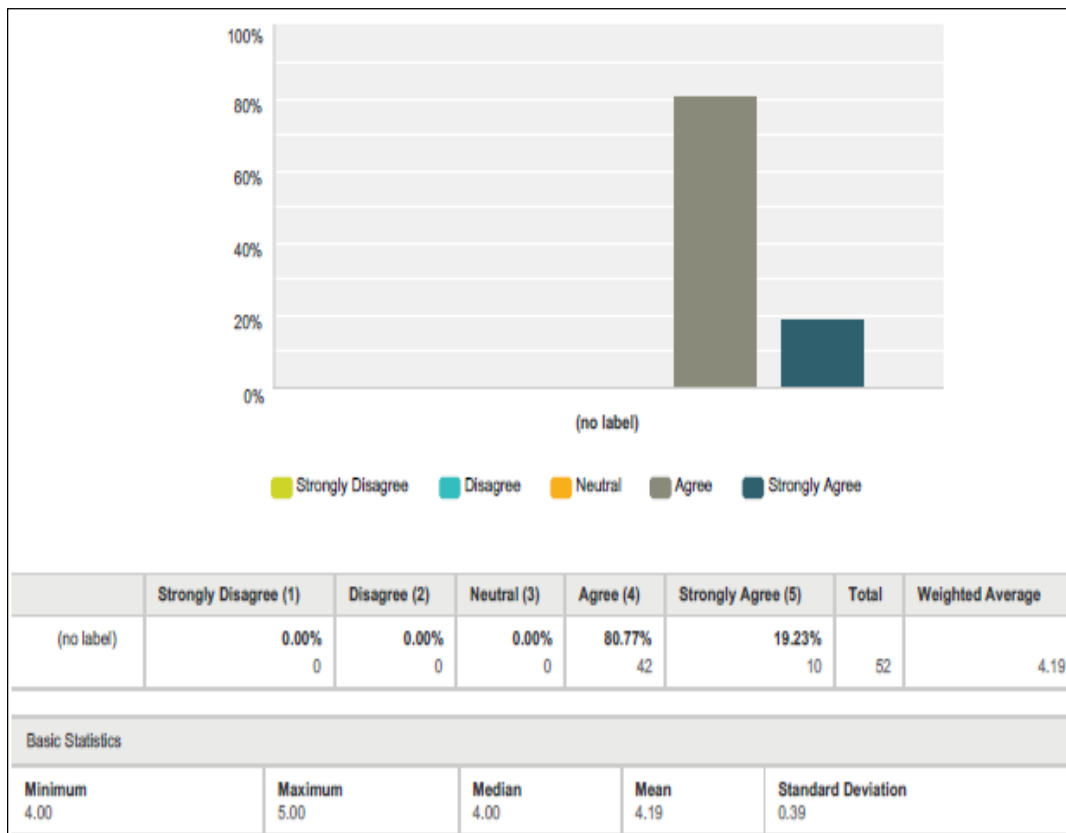


Figure 4.8 On-time delivery of a vehicle is important to customer loyalty

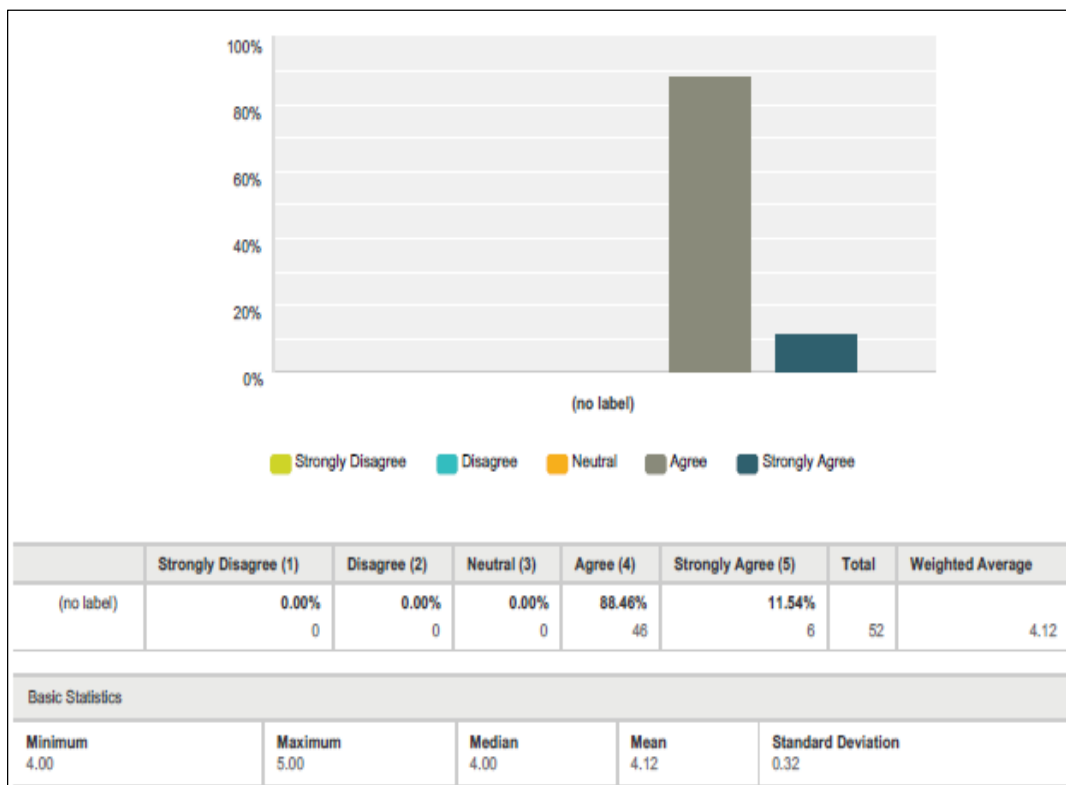


Figure 4.9 Importance of dealer network location close to targeted customer base

The study was also aimed at establishing what distribution channel would best suit Ford Motor Company in Nigeria. According to Kumar, et al., (2013), a single distribution channel may not be appropriate for multinationals in an emerging market. A hybrid distribution channel is best suited for gaining market share in an emerging economy (Kumar, et al., 2013). Kumar, et al., (2013) suggest that a hybrid distribution channel in an emerging market will enable on-time delivery, create quicker information flow and serves as a back-up reserve channel in the event of any problems that may occur in any of the other channels.

The respondents were therefore asked whether they agree or disagree that a hybrid distribution channel is more likely to create profitable customer base in Nigeria as an emerging economy than a single distribution channel (note: the definition of what a hybrid distribution channel is, was provided to the respondents).

The figure 4.10 below show that 79% (n=41) agree and 17% (n=9) strongly agree that a hybrid distribution channel is more likely to create a profitable customer base, while 4% (n=2) remain neutral in their response.

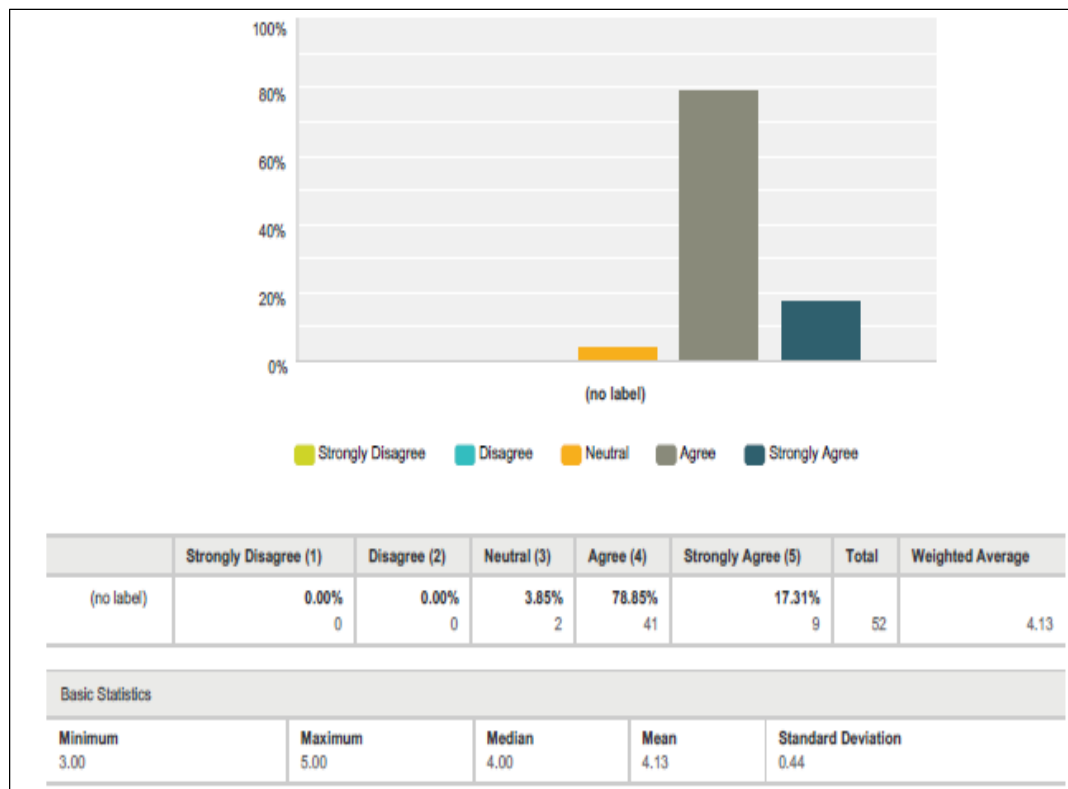


Figure 4.10 Is a hybrid distribution channel more likely to create a profitable customer base in Nigeria

#### 4.4.6 Competition within the automotive sector in Nigeria

Respondents were asked whether competition between rival automotive brands plays a role in influencing consumer purchase decisions in Nigeria.

Figure 4.11 show that 94% (n=49) of the respondents either agree or strongly agree that competition does play a role in influencing their decisions to purchase a particular vehicle. Of the other respondents, 4% (n=2) remain neutral and less than 2% (n=1) disagrees that competition influences their purchasing decisions.

The challenge for the Nigerian automotive industry however is ensuring that vehicles sold, whether imported or locally produced, can compete with the vehicles sold on the lucrative grey market (Jeffreys, 2013).

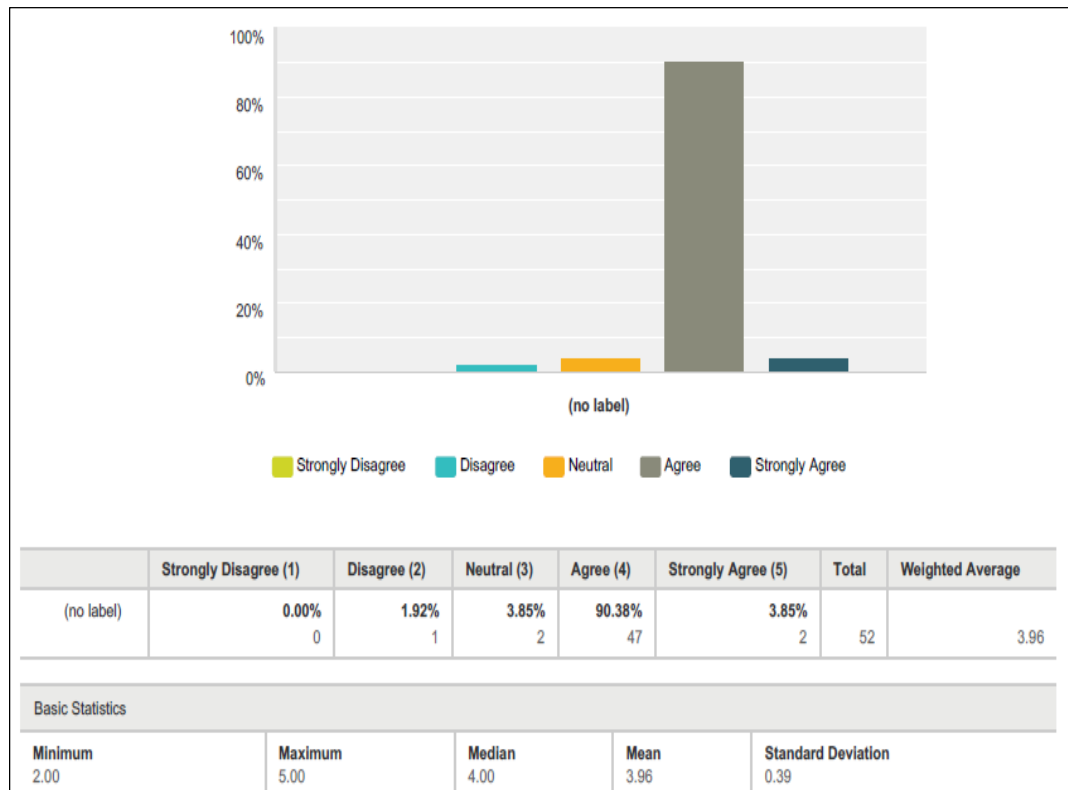


Figure 4.11 Competition plays a major role in influencing consumer purchase decisions

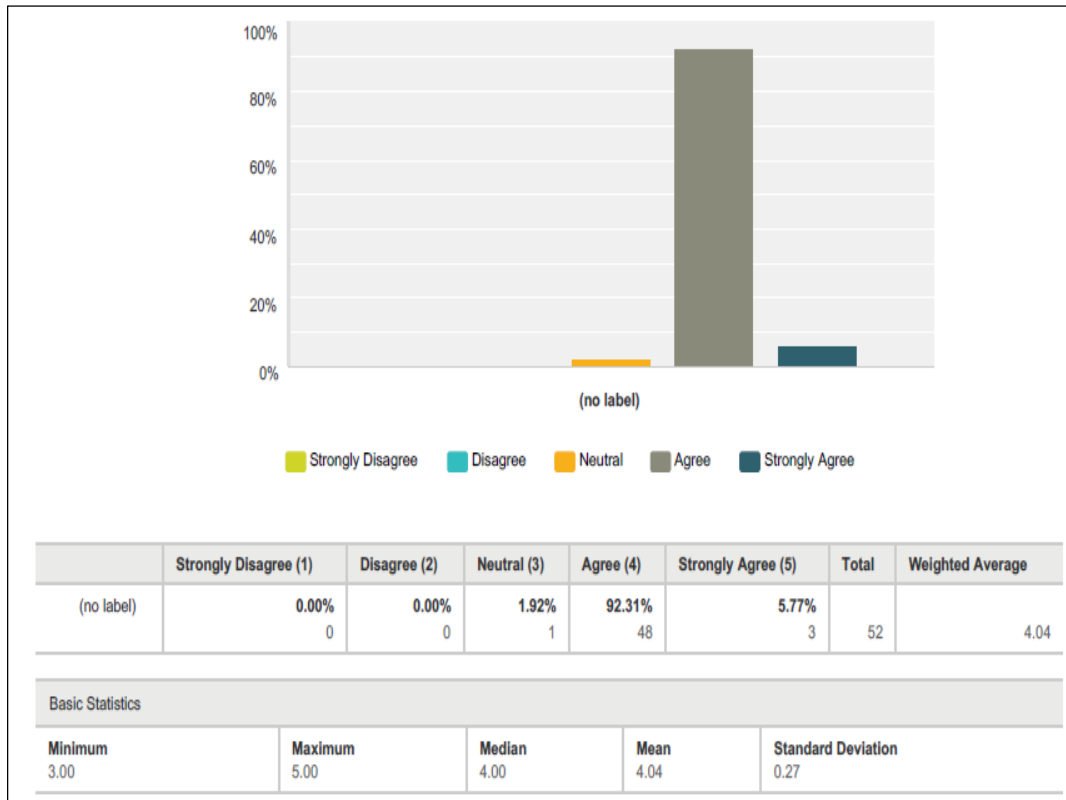


Figure 4.12 Motor companies in emerging markets should continuously position themselves in order to remain competitive

Furthermore respondents were asked whether automotive companies in emerging markets should continuously position themselves distinctively and uniquely in relation to their competitors in order to remain competitive.

Figure 4.12 above show that 98% (n=51) respondents either agree or strongly agree that automotive companies in emerging markets should continuously position themselves in order to remain competitive in Nigeria.

#### 4.4.7 Nigerian automotive market

The respondents of the survey were asked whether they believe that Nigeria represents the biggest opportunity for carmakers in Africa. From the responses in figure 4.13, 84% (n=42) agree and 4% (n=2) strongly agree that Nigeria offers the biggest opportunity for investment for carmakers in Africa. While 4% (n=2) disagrees with this statement and 8% (n=4) remained neutral in their response.

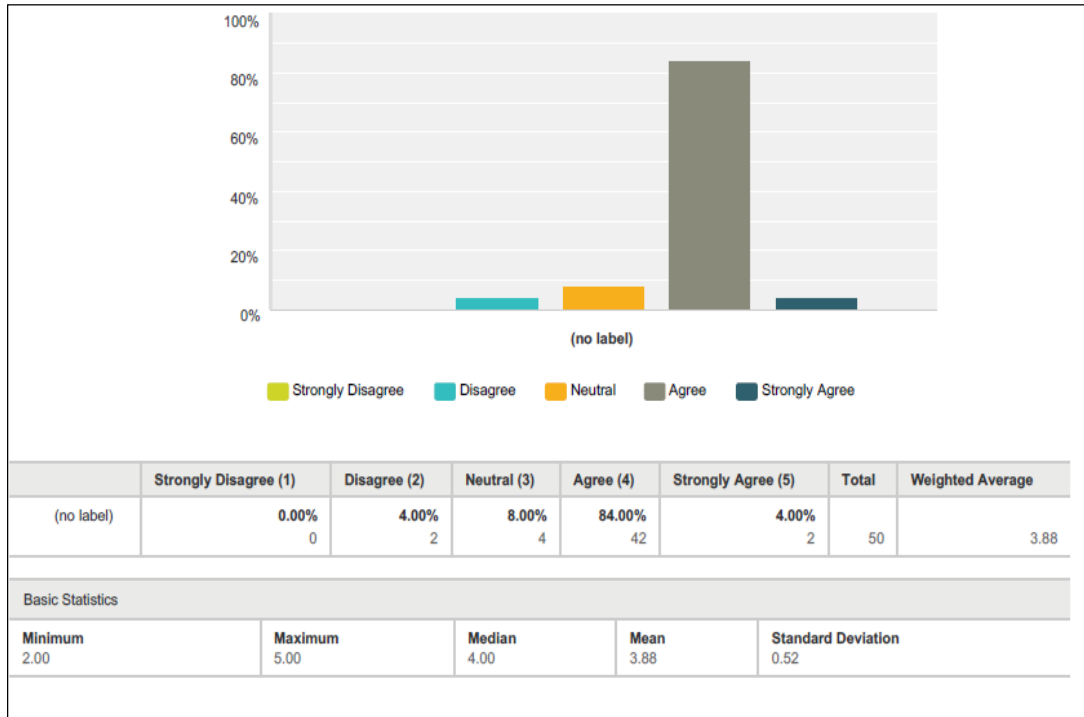


Figure 4.13 Nigeria represents the biggest opportunity for carmakers in Africa

From the literature review in chapter two, it was noted that Nigeria has more than 170million people and has a huge potential to grow. It is rated the biggest economy in Africa and is rich in natural resources, in particular crude oil. The respondents were therefore asked whether they believe that Nigeria represents the largest regional market for the automotive industry in Africa.

The data shown in figure 4.14 below indicate that 78% (n=40) agree and 18% (n=9) strongly agree that Nigeria represents the largest regional market for the automotive sector in Africa. Less than 2% (n=1) of respondents disagree with the statement while 2% (n=1) remained neutral.

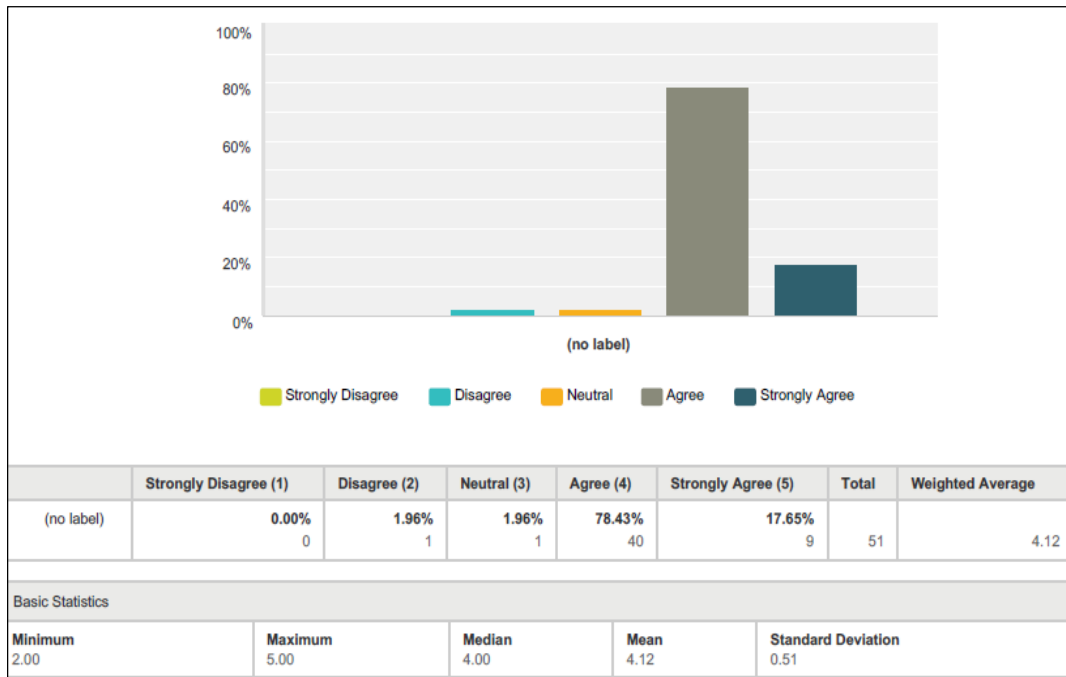


Figure 4.14 Nigeria represents the largest regional market for the automotive industry in Africa.

The increase in demand for infrastructure development, will normally fuel the demand for commercial vehicles. The participants were therefore asked whether they agree or disagree with the fact that commercial vehicles will increase with an increase demand for infrastructure development. This question was important due to the fact that Ford Motor Company, South Africa assembles the Ford Ranger which is classified as a commercial vehicle.

From the responses in figure 4.15 below, it is evident that 84% (n=43) agree and 14% (n=7) strongly agree to the fact that due to that due to infrastructure development, the demand for commercial vehicles will increase. While none of the participants disagreed with this view.



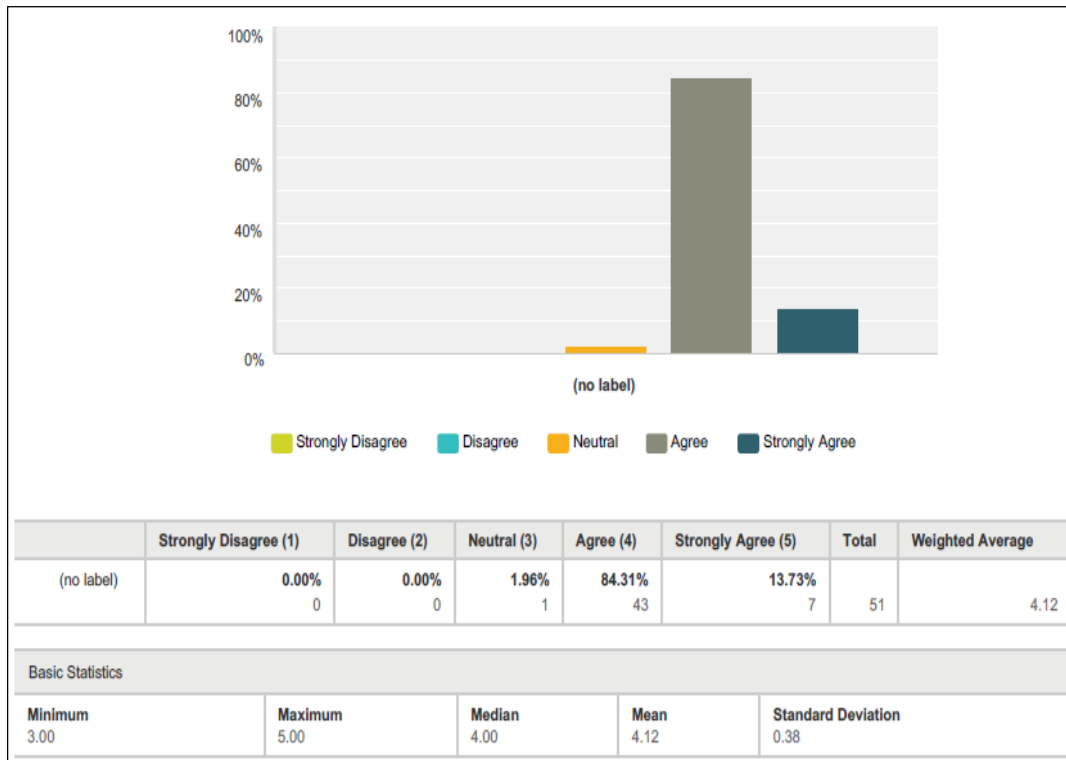


Figure 4.15 Due to that due to infrastructure development, the demand for commercial vehicles will increase

#### 4.4.8 Vehicle Price

The respondents were asked whether the price of a vehicle has a significant impact on their evaluation of the vehicle they wish to purchase. Figure 4.16 below show that 100% (n=52) of the participants of the survey either agreed or strongly agreed that the price of a vehicle has a significant impact on their evaluation of the vehicle they wish to purchase. This further strengthens the notion that the Nigerian consumer is not loyal to any particular vehicle brand as reviewed in section 4.4.7 above.

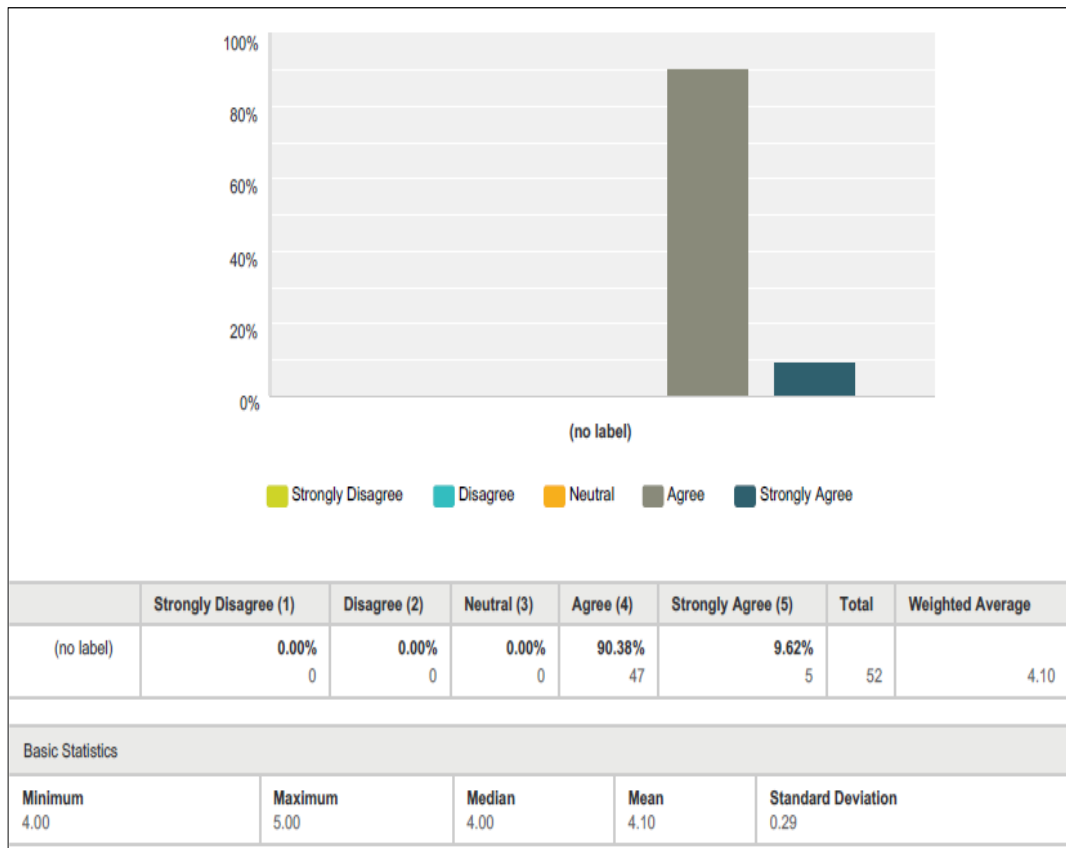


Figure 4.16 Price has a significant impact on the consumers' evaluation of the vehicle they wish to purchase

The purchase price of any product and in particular purchasing a vehicle is extremely important factor to be considered especially in an emerging market like Nigeria. An organisation pursuing market share in an emerging market should therefore have a clear pricing strategy if they wish to gain a competitive advantage over their rivals.

Following the literature review in chapter two, a market-penetration pricing strategy is regarded as an effective means in creating a profitable customer base in an emerging market. Market-penetration pricing strategy is when product prices are set below those of competing brands so as to penetrate a market and gain a large market share quickly. The participants of the survey were therefore asked to respond to whether they believe a market-penetration pricing strategy will be a more effective way of creating a profitable customer base in Nigeria. The responses in figure 4.17 below show that 78% (n=40) agree and 18% (n=9) strongly agree that a market-penetration pricing strategy is more effective in creating a profitable customer base in Nigeria. Four percent

(n=2) of the respondents remained neutral in their response while none of the respondents disagreed.

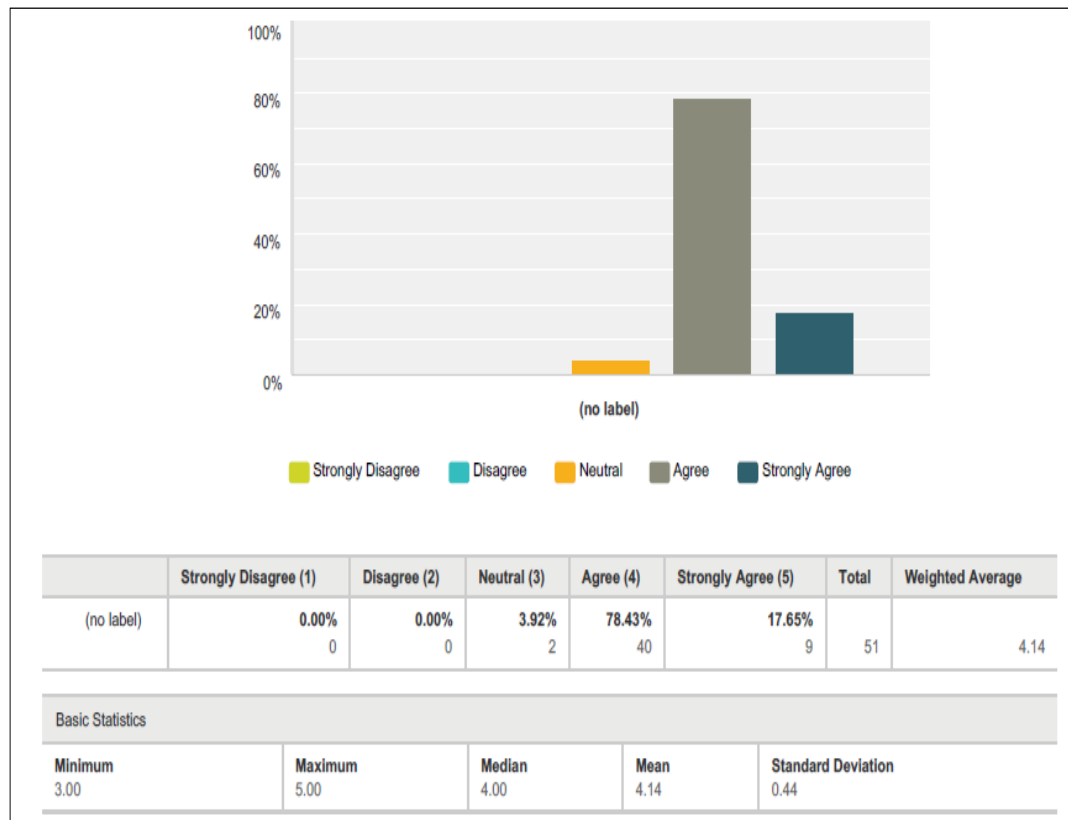


Figure 4.17 Market-penetration pricing strategy is more effective in creating a profitable customer base in emerging markets (developing countries)

#### 4.5 Inferential statistical analysis

Collis and Hussey (2014), define inferential statistics as a collection of statistical approaches used to draw certain conclusions from quantitative data related to a random sample of a population. Similarly, Wagner (2007), states that inferential statistics is used to provide a more generalised conclusion about a population from which random sample statistics have been drawn. It is therefore important to test the correlation between the dependent and independent variables.

For the purposes of this study, Pearson correlation was used to test the association of the dependent and independent variables. Correlation offers further information regarding an association between two quantitative variables

as it measures both the strength as well as direction of a linear relationship between variables (Collis & Hussey, 2014). The correlation coefficient is a measure of the linear dependence of one numerical random variable on another variable (Upton & Cook, 2006).

The correlation coefficient is measured between the range of -1 to +1, where 1 represents a positive association, 0 represents no association and -1 represent a negative association (Collis & Hussey, 2014). Furthermore correlations are significant where the p value < 0.05 (Collis & Hussey, 2014).

#### **4.5.1 Association between culture and successful marketing**

##### Hypothesis

H<sub>01</sub>: There is NO relationship between offering a product that closely resonates with a country's culture and successful marketing.

H<sub>A1</sub>: There is a relationship between offering a product that closely resonates with a country's culture and successful marketing.

##### Correlation results:

The correlation coefficient (r) = 0.314

p-value < 0.05

Decision: reject H<sub>01</sub>

The above data indicate a positive relationship between culture and marketing success within the Nigerian automotive market. This indicates that if an organisation understands the culture of a country, and aligns the marketing strategies accordingly, it will achieve greater market share and customer loyalty.

Kumar, et al.,(2012), states that if a product's characteristics aligns with a specific culture or social beliefs of a particular market segment, it will eventually find acceptance and success within that segment or country. In other words if a service or product appeal to the consumers' cultural or social standing, there will be a natural progression for customer loyalty (Kumar, et al., 2013)

#### **4.5.2 Association between the political environment of a country and successful marketing**

##### Hypothesis

H<sub>02</sub>: There is NO relationship between the political environment of a country and successful marketing.

H<sub>A2</sub>: There is a relationship between the political environment of a country and successful marketing.

##### Correlation results:

The correlation coefficient ( $r$ ) = 0.257

p-value < 0.05

Decision: reject H<sub>02</sub>

Based on the above correlation data, there is a positive association between political environment of a country and successful marketing. This would imply that an organisation will be successful in a given country if the marketing strategies align with the political and government regulations.

One of the biggest challenges multinational organisations need to overcome is ensuring that their marketing strategies comply with local government's legal regulations (Kumar, et al., 2013). The political environment of a country can either assist or negatively impact an organisation's marketing strategies (Kumar, et al., 2013).

#### **4.5.3 Association between the country-of-origin of a vehicle and successful marketing**

##### Hypothesis

H<sub>03</sub> There is NO relationship between country-of-origin and successful marketing.

H<sub>A3</sub>: There is a relationship between country-of-origin and successful marketing.

Correlation results:

The correlation coefficient (r) = 0.353

p-value < 0.05

Decision: reject H<sub>03</sub>

The data above indicate that a positive association exists between the country-of-origin of a vehicle and successful marketing.

Research has found that a product's country-of-origin can have a direct effect on consumers' evaluation and product choice (Pharr, 2005). Popular perceptions and influence on consumers' purchase decisions such as Italian supercars, French perfumes and German cars are some examples of the country-of-origin theory (Kumar, et al., 2013).

#### **4.5.4 Association between competition and successful marketing**

Hypothesis

H<sub>04</sub>: There is NO relationship between continuous effort to gain greater market share (increased competitiveness) and successful marketing.

H<sub>A4</sub>: There is a relationship between continuous effort to gain greater market share (increased competitiveness) and successful marketing.

Correlation results:

The correlation coefficient (r) = 0.426

p-value < 0.05

Decision: reject H<sub>04</sub>

A positive association exists between increased competitiveness and successful marketing. This would therefore imply that an increase in a

company's competitiveness will result in greater market share thus outperforming the rivals.

#### **4.5.5 Association between country infrastructure and successful marketing**

##### Hypothesis

H<sub>05</sub>: There is NO relationship between country infrastructure and successful marketing

H<sub>A5</sub>: There is a relationship between country infrastructure and successful marketing

##### Correlation results:

The correlation coefficient (r) = 0.310

p-value < 0.05

Decision: reject H<sub>05</sub>

Based on the data above, a positive association exists between a country's infrastructure and successful marketing. This indicates that the more advanced a country's infrastructure is, the easier it is to implement some of the key marketing strategies such as distribution networks.

Multinational organisations looking to expand its product or service in emerging economies should align their strategies based on the available infrastructure or at least establish facilities to enhance and assist its operations (Kumar, et al., 2013).

Therefore a well-designed infrastructure will greatly assist multinationals with product distribution and innovation which will aid in achieving profitable growth (Kumar, et al., 2013).

## 4.6 Conceptual International Marketing Framework

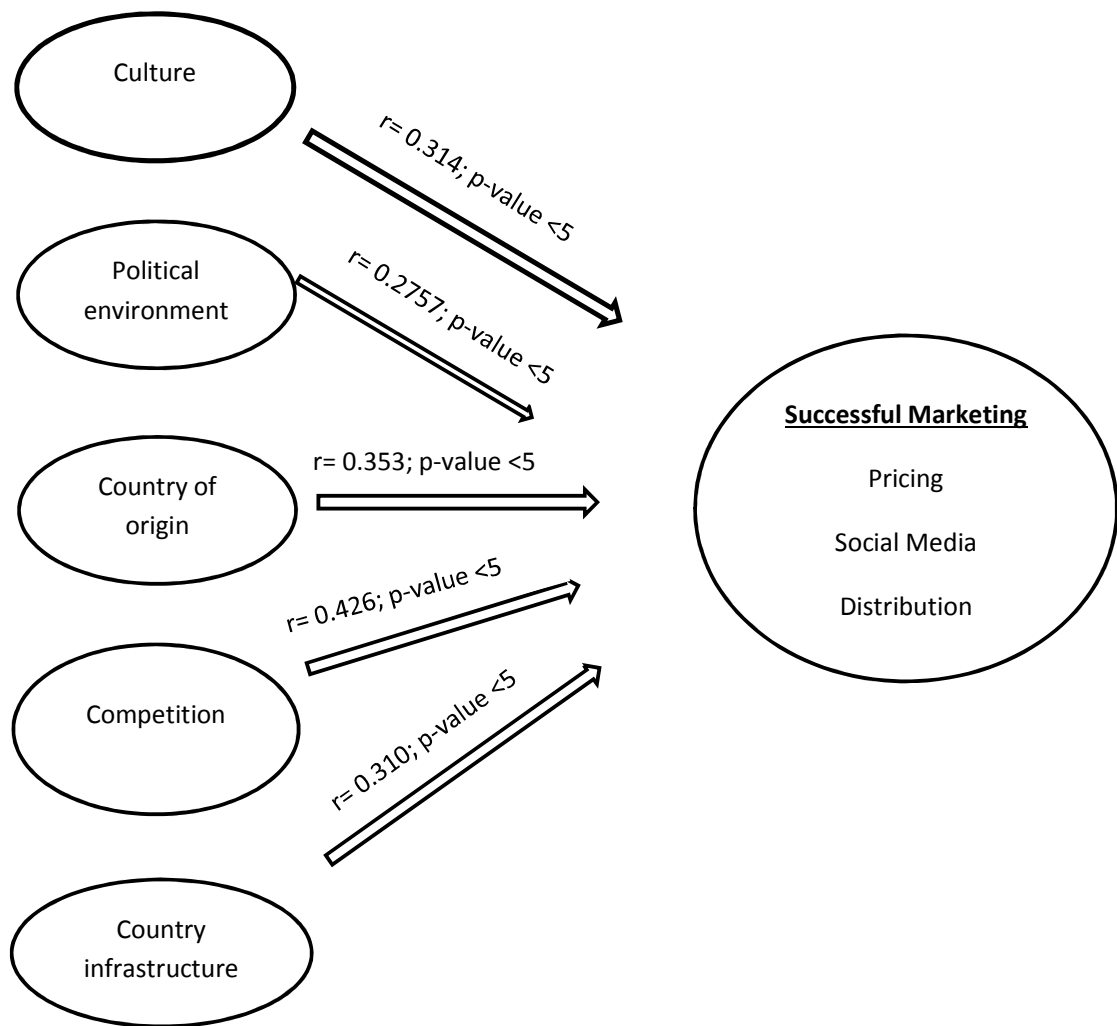


Figure 4.18 Conceptual international marketing framework

Findings from this study indicate that the conceptual international marketing framework which was adopted from literature for emerging markets is applicable to the Nigerian automotive market. This would imply that Ford Motor Company can use this framework in order to obtain greater market share in the Nigerian automotive market.



## 4.7 Summary

Chapter four presented and analysed the data collected from the responses using quantitative data analysis techniques. This chapter validates the reliability of the data prior to analysing using descriptive statistics. The descriptive statistics showed that not only does the data collected support the need of a marketing framework, but also provides greater insight into some of the expectations and requirements of the consumers within the automotive market in Nigeria.

To test the hypotheses, Pearson's correlation was used to establish association, strength and direction between the quantitative variables. The data showed that positive association exists between these variables as well as the importance of having a price-penetration strategy and a hybrid distribution channel for an emerging market such as the Nigerian automotive sector. This study collected empirical data from Nigeria, the most populous country and largest economy on the African continent.

The focus was to establish the impact that pricing strategies, distribution strategies and social media have on the automotive market in Nigeria. The findings from this study contribute to the literature of international marketing for emerging economies.

Theoretically and practically, the findings of this study have made some important contributions to the implementation of a marketing framework. Ford Motor Company of South Africa can utilise this framework in order to gain greater market share within the automotive industry in Nigeria.

## **Chapter 5**

### **Discussion of Findings, Recommendations and Conclusions**

#### **5.1 Introduction**

The literature review in Chapter 2 discussed some of the important factors that multinational organisations should consider when developing their marketing strategies for investing abroad, in particular emerging markets. This is to establish from literature, what strategies Ford Motor Company of South Africa should consider to gain significant market share in Nigeria. The literature review focused on the international marketing strategies with emphasis on emerging markets.

According to this study, pricing strategy, distribution channel and social media are key factors that Ford Motor Company of South Africa should pay particular attention to, when formulating or adjusting their marketing strategies for the automotive sector in Nigeria. It is also evident from literature that very little research has been conducted into the expansion of the automotive industry in Africa. There is also limited empirical research on recommended international marketing strategies that organisations could consider for acquiring market share in Africa. Chapter 3 outlined the research methodology used for this study and Chapter 4 presented, interpreted and analysed the data from the empirical study.

Chapter 5 will outline some of the main findings, key lessons and recommendations from this research study. This chapter will attempt to answer the research questions and address the research objectives which were outlined in Chapter 1.

The chapter will also provide a summary of the shortcomings as well as opportunities to improve on these shortcomings for future research studies.

#### **5.2 Summary of Research**

In Chapter 1 the main research question is “What are the key marketing challenges that Ford South Africa needs to understand to ensure success in the

Nigerian automotive market?” In order to answer and provide a solution to the main research question, a detailed review of the secondary research questions that were investigated is required.

Similarly for the main research objective, which is to develop an international marketing framework for Ford South Africa’s expansion to Nigeria, a detailed review of the secondary objectives is required. These will be broken down into subsections which will be reviewed next.

### **5.2.1 Research question 1 - What influence does the political environment have on the Nigerian automotive market?**

From the literature review in Chapter 2, it is evident that multinational organisations are faced with numerous challenges in aligning their marketing strategies with the political and government regulations, especially in emerging markets. This diverse business conditions create further pressure on these multinational organisations.

Findings from the empirical study indicate that it is crucial for Ford South Africa to fully understand the political environment and governmental regulations of Nigeria. It was also discovered that the Nigerian government has changed their trade policies which will allow automotive manufactures to establish semi-knocked down assembly operations in Nigeria. Therefore, it is highly recommend that Ford’s marketing strategies be aligned or modified to these regulations so as to avoid any adverse effects on Ford’s organisational policies.

### **5.2.2 Research question 2 - What impact does culture have on marketing and business practices in Nigeria?**

The literature review has shown that there is overwhelming consensus by various scholars that culture has a major influence on marketing and business practices, and that organisations should ensure that their marketing strategies are adapted to be more sensitive to cultural differences (Johnson, et al., 2010, Kalliny et al., 2011, Kaynak, et al., 2011). Furthermore, Darley, et al., (2013) state that in an era where growing interest in investing on the African continent is on and increase, a greater sensitivity to African culture should prove beneficial to profitable growth.

Findings from this study indicate that it is quite evident that the respondents believe that it is important for any organisation to appreciate and understand the cultural differences when marketing a product in Nigeria. It is therefore recommended that Ford;

- 1) Ensure that their marketing strategies are adapted to be more sensitive to cultural differences;
- 2) Have a greater understanding of the Nigerian culture, beliefs and customs.

### **5.2.3 Research question 3 - What impact does vehicle price have on the purchase decision in Nigeria?**

According to literature, emerging markets are known to be price sensitive, so multinational organisations need to pay particular care in designing pricing strategies (Kumar, et al., 2013). According to Hult, et al., (2012), price is the value paid by the consumer for a product or service in a marketing exchange.

The purchase price of any product and in particular purchasing a vehicle is extremely important factor to be considered especially in an emerging market like Nigeria. An organisation pursuing market share in an emerging market should therefore have a clear pricing strategy if they wish to gain a competitive advantage over their rivals. The findings from the research indicate that Nigerians are sensitive to the price of the vehicle they which to purchase and will rather purchase a vehicle based on price alone.

The recommendation is for Ford, to firstly compare the prices of vehicles in Nigeria to similar vehicles within their product line-up. Ford then needs to enter the Nigerian market at a lower price for a similar vehicle class than their rivals. This will ensure that Ford obtains greater market penetration and in so doing obtain greater market share.

#### **5.2.4 Research question 4 - What impact does the country-of-origin of a particular vehicle purchased in Nigeria, have on the purchasing decision of a vehicle?**

From the literature review, research has found that a product's country-of-origin can have a direct effect on consumers' evaluation and product choice (Pharr, 2005). Popular perceptions and influence on consumers' purchase decisions such as Italian supercars, French perfumes and German cars are some examples of the country-of-origin theory (Kumar, et al., 2013). Although majority of the respondents believe that country-of-origin is an important factor in their purchasing decision, a large number of Nigerians believe that this is not a factor.

This would imply that a large proportion of Nigerians will consider purchasing cheap imports from the likes of China and India, irrespective of the brand image or quality of these vehicles. In developed markets, Ford would normally tend to only focus their attention on the top brands such as Toyota and Volkswagen. However, the recommendation in Nigeria is that Ford should not discount the other less known brands and should consider these as equally strong rivals.

#### **5.2.5 Research question 5 – What influence does competition have within the automotive sector in Nigeria?**

According to Kumar, et al., (2012), competitiveness among organisations seeking the same target market, plays a significant role in consumer purchase behaviour and customer loyalty creation. Furthermore, Kumar, et al., (2012), states that when a competitor has an advantage over the other, the excess or surplus could be utilised to improve service delivery, research and development as well as market share.

Findings from this study indicate that the Nigerian consumer is not loyal to any particular brand and that competition does play a role in influencing their decisions to purchase a particular vehicle. Ford should therefore focus a great deal on promotion and advertising in Nigeria. Due to the fact that the Nigerian market has a significant portion of its population in the low to mid-income brackets, it is recommended that Ford offer sales promotions and discounted

products, which can be a valuable strategy in obtaining greater market share in Nigeria.

### **5.3 Summary of objective**

#### **5.3.1 Research objective 1 - To establish what pricing strategy is best suited for Ford South Africa in Nigeria**

Emerging markets are known to be price sensitive, so multinational organisations need to pay particular care in designing pricing strategies (Kumar, et al., 2013). Market-penetration pricing strategy is when product prices are set below those of competing brands to penetrate a market and gain a large market share quickly (Kumar, et al., 2013). The fact that emerging economies are generally characterised by larger markets, fierce competition and middle-income segments, market-penetration pricing strategy would be best suited for emerging markets (Kumar, et al., 2013).

From the study, it was found that all respondents in the survey believe that the price of a vehicle has a significant impact on their evaluation of the vehicle they wish to purchase. This would imply that the lower the price, the easier the decision would be for the Nigerian consumer to purchase a vehicle.

This confirms therefore that a market-penetration pricing strategy is an effective pricing strategy in emerging market such as Nigeria. Furthermore, from the inferential statistical analysis, there is a positive association between vehicle price and the purchasing decision of consumers in Nigeria. The recommendation therefore is for Ford to adopt a market-penetration pricing strategy for the Nigerian automotive market. This strategy would be best suited for Nigeria and will deliver greater market share within the automotive market.

#### **5.3.2 Research objective 2 - To establish what influence social media has on the Nigerian automotive market**

Organisations in emerging markets are beginning to use social media to better understand their consumer behaviour (Hult, et al., 2012). However, social media in emerging markets are limited, whereas in developed economies, marketers

use social media as a prime source for obtaining better insight into consumer behaviour (Kumar, et al., 2013). Therefore the choice of traditional media (newspapers, television, and radio) and social media is important for marketers looking to obtain market share in emerging economies

From the inferential statistical analysis, there is a positive association between the size of the Nigerian market and the influence of social media. The results show that the bigger the Nigerian market, the more or effective social media is used. Although there is a positive association with the size of the Nigerian market, the recommendation for Ford is to utilise both traditional as well as social media to interact and communicate with the Nigerian consumer in the automotive sector.

### **5.3.3 Research objective 3 - To establish the best distribution channel for Ford products in Nigeria**

Distribution is the decisions and activities that are required to make products available to the consumer as well as defining the marketing channels and institutions that assist in making these products available (Hult, et al., 2012).

According to Kumar, et al.,(2012), the biggest problem organisations face when entering emerging markets is the lack of adequate and functional distribution networks which include both transportation and storage.

A hybrid distribution channel is more effective in an emerging economy than a single distribution channel (Kumar, et al., 2013). According to Kumar, et al.,(2013) a hybrid distribution channel refers to a multichannel network aimed at improving (1) on-time delivery, (2) creating faster information flow and (3) serves as a back-up channel. The inferential statistical analysis indicates that there is a positive association between a hybrid distribution strategy and the Nigerian automotive market. This would imply that the Nigerian consumer would more likely purchase a vehicle depending on the availability of that vehicle or brand. According to Gorsch (2000), a hybrid distribution channel significantly affects the consumer's purchasing decision and promotes customer loyalty.

The recommendation for Ford would be to adopt a hybrid distribution channel for the Nigerian market as this will allow for expanded market coverage and the multiple distribution channels will complement each other to prevent any distribution delays.

#### **5.4 Contribution to literature**

This study contributes to the empirical evidence that culture has a direct influence to the purchasing decision of consumers in a given market. The empirical validation of this study will provide greater insights into some of the international marketing strategies that could be applied not only in Nigeria but other emerging countries. Lastly, the practical contributions of the proposed framework contribute to the literature for international marketing in emerging markets.

#### **5.5 Managerial Implications**

In order for organisations to achieve success, marketers should have a thorough knowledge of the local customs, beliefs, cultures as well as the economic practices of the market in which they wish to enter. Empirical evidence from this study also provides marketers with insight into the pricing strategies and distributions channels that should be considered as part of the marketing mix when entering an emerging market such as Nigeria.

#### **5.6 Limitations of the study**

- The sample size is not representative of the population due to the poor response rate. Only 52 Nigerian nationals participated in the survey;
- Majority of the surveys were sent via the Nigerian Embassy and the Nigerian Union of South Africa (NUSA), hence there was no interaction or contact with any of the respondents;
- This survey could only be conducted through the internet, however a large portion of the Nigerian population do not have access to the internet. Again, not representative of the entire population;
- The youth or students were not directly targeted and hence were not properly represented in the sample population.
- Limited research and literature is available on automotive marketing in Africa and in particular Nigeria.



## **5.7 Future research**

Although adequate study in the field of international marketing has been conducted, empirical research in the context of African economies is limited.

- Future research should consider exploring automotive markets of other emerging African countries;
- From this study, it was evident that culture has a significant role to play with regards to both a profitable and a loyal customer base. Further research should therefore be conducted to better understand the impact of culture in gaining greater market share within an emerging African market;
- Social media is one of the most significant modes of communication and is receiving great interest in research at present. Future research should look to explore not only the evolution of the social media in Africa but also quantitatively gather the large amount of data that exists;
- Large income disparity exists among consumers in emerging markets especially in Africa. Further research should consider developing a marketing framework that would cater for the needs of all consumer segments.
- Future studies may look to split the African continent into sections (for example, Sub-Saharan Africa compared to North Africa or West Africa compared to East Africa) then discuss their differences in culture or consumer preference.

## **5.8 Summary**

The primary objective of this research treatise was to develop an international marketing framework for Ford South Africa's expansion to Nigeria. From the literature discussed in Chapter 2, a conceptual frame work from a study conducted by Kumar, et al., (2013) on emerging markets, was considered for replication for Ford's expansion to Nigeria. The literature suggested that key independent variables, such as culture, political environment, country-of-origin,

competition and country infrastructure can be linked to successful marketing in emerging markets.

It is for this reason that this framework was considered to be replicated for Ford South Africa's expansion to Nigeria. Findings from this research study validated the fact that a positive association between the independent variables and the dependent variable exist and confirms that this framework is suitable for its application in the Nigerian automotive market.

Data from the quantitative study suggest that culture, political environment, country-of-origin, competition and country infrastructure in Nigeria, are essential factors to the development of a successful international marketing strategy for Ford South Africa. This study therefore concludes that Ford Motor Company of South Africa can utilise this framework in order to gain greater market share and ultimately success in Nigeria. Recommendations were also made for future research studies that can contribute to the international marketing literature with emphasis on the African market.

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## List of Appendices

### Appendix A: Cover Letter

Dear Respondent

I am studying towards my MBA (Masters in Business Administration) degree at the Nelson Mandela Metropolitan University Business School. I am conducting research to understand the key drivers to ensure success of Ford Motor Company in Nigeria.

You are part of our selected sample of respondents whose views we seek on the above-mentioned matter. We would therefore appreciate it if you could answer a few questions. It should not take more than fifteen minutes of your time and we want to thank you in advance for your co-operation.

There are no correct or incorrect answers. Please answer the questions as accurately as possible. For each statement, tick the number which best describes your experience or perception. For example, if you strongly agree with the statement, tick the number 5. If you strongly disagree with the statement, tick the number 1. Tick only one answer for each statement and answer all questions please. Please note also that the word "firm" refers to Ford Motor Company.

Please note also that your participation in this study is entirely voluntary and that you have the right to withdraw from the study at any stage and is entirely anonymous.

Thank you very much.

*Pedro Adams*

*Student # 9650077*

Contact details:

To verify the authenticity of the study, please contact Prof. L. Njomo at (041) 504 4906 and [louis.njomo@nmmu.ac.za](mailto:louis.njomo@nmmu.ac.za).

## Appendix B: Questionnaire

### SECTION A – Demographics

Please make a cross (X) or enter the relevant information in the blocks provided.

GENDER:                      Male  Female

Please indicate your JOB TITLE:

Please indicate age group? (Check all that apply)

- 17 or younger
- 18-20
- 21-29
- 30-39
- 40-49
- 50-59
- 60-64
- 65 or older

3. What is your highest level of school or the highest degree obtained?  
(Check all that apply)

- Less than high school degree
- High school degree or equivalent (e.g., Matric)
- Some college but no degree
- Associate degree
- Bachelor degree
- Graduate degree

Which of the following categories best describes your employment status?  
(Check all that apply)

- Employed, working 1-39 hours per week
- Employed, working 40 or more hours per week

- Not employed, looking for work
- Not employed, NOT looking for work
- Self-employed / own business
- Retired
- Disabled, not able to work

### **SECTION B – Possible Challenges for marketing in Nigeria**

No.	Statement	1=strongly disagree 5= strongly agree				
		1	2	3	4	5
	<b>Culture</b>					
1	Culture is a significant factor when conducting business in other countries					
2	Culture has a significant impact on marketing and business practices					
3	Culture has a direct impact on the consumer’s choice when purchasing a vehicle					
4	It is important to understand and appreciate cultural differences when marketing a product in a different country					
		1=strongly disagree 5= strongly agree				
	<b>Political and Legal environment</b>	1	2	3	4	5
1	Political stability in a country is important for business development and investment					
2	Government regulation and policies is a significant factor when investing in a foreign country					
3	Information and knowledge about the business etiquette, attitude and habits of a foreign country are essential to successfully compete or cooperate with businesses in a market					
4	Knowledge of government trade policies is key for success when investing in a foreign county					
		1=strongly disagree 5= strongly agree				
	<b>Country infrastructure</b>	1	2	3	4	5
1	Basic infrastructure is important for business development					
2	Africa is perceived to have poor basic infrastructure and hampers economic development					
3	Technology in Africa is crucial for economic development					
4	Skilled labour is important for emerging markets					
5	Literacy and education is critical to reducing un-employment and poverty					
6	Lack of reliable transport, power interruptions and high business costs negatively impact development					
		1=strongly disagree 5= strongly agree				
	<b>Automotive Market in Nigeria</b>	1	2	3	4	5
1	Nigerian Car Market represents the biggest opportunity for carmakers in Africa					
2	Based on the facts below, Nigeria represents the largest regional market for the automotive industry					

	Facts: Nigeria has more than 170million people. It is rated the biggest economy in Africa. Nigeria is rich in natural resources (especially oil). Nigeria has a huge potential to grow					
3	Due to infrastructure development the demand for commercial vehicles will increase					
		1=strongly disagree 5= strongly agree				
		1	2	3	4	5
4	Nigerians will tend to purchase new vehicles instead of 2 <sup>nd</sup> hand or pre-owned vehicles					
5	Nigerian consumer prefer commercial vehicles(e.g. trucks and mini vans and 4x4 vehicles)					
6	Nigerian consumer prefer luxury passenger vehicles (e.g. Mercedes Benz, BMW)					
7	Nigerian consumer prefer Sports Utility Vehicles (SUV's)					
8	Nigerian consumer prefer purchasing vehicles cash instead of credit					
9	Nigerian consumer prefer purchasing a vehicle through a bank loan					
10	Nigerian consumer prefer large vehicles compared to compact small vehicles					
11	Nigerian consumer prefer their own transport to public transport					
12	Nigerian consumer is loyal to a specific brand of vehicle					
13	Nigerian consumer is not loyal to any specific brand and prefers to choose from a selection of vehicle brands					
	<b><u>SECTION C – Marketing Strategy</u></b>					
	<b><u>Marketing Framework</u></b>	1=strongly disagree 5= strongly agree				
	<b>Product</b>	1	2	3	4	5
1	Perceived Product Value and Product Quality is positively related to customer loyalty					
2	Customer loyalty is established when a product exceeds his or her initial expectations					
3	If a perceived value of a product is low, a customer will easily switch to a competing brand					
4	By focussing on a products core benefits (e.g safety levels of a car), it is possible to create a profitable customer base					
5	Ford is a popular brand in Nigeria					
		1=strongly disagree 5= strongly agree				
	<b>Price</b>	1	2	3	4	5
1	Price of a vehicle is very important when buying a new vehicle					
2	Price indirectly influences customer loyalty					
3	Price has a significant impact on the consumers' evaluation of the vehicle they wish to purchase					
4	A market-penetration pricing strategy is more effective in creating a profitable customer base in emerging markets (developing countries). <i>Market-penetration pricing is when product prices are set below those of competing brands to penetrate a market and gain a large market share quickly.</i>					
		1=strongly disagree 5= strongly agree				
	<b>Country specific - Country of Origin (German, Japanese, Korean, American vehicles etc)</b>	1	2	3	4	5

1	Country of origin is an important factor influencing consumer <u>perception</u> of the various brands					
2	Country of origin is an important factor when purchasing a vehicle (e.g. German car vs Japanese car vs Korea or Chinese cars)					
3	Country of origin has an important influence on the perception of quality (e.g. Japanese quality vs Korean or other vehicle makes)					
4	Vehicles from developing countries for example India and Korea are regarded as inferior to vehicles from developed countries for example Germany or America					
		1=strongly disagree 5= strongly agree				
	<b>Promotion and advertising</b>	1	2	3	4	5
1	Consumers will consider purchasing a vehicle if advertised at a discounted price					
2	Advertising on TV, Radio or social media is an effective method to attract more customers					
3	Region-specific advertising is more effective than national advertising campaigns					
4	Advertising using local celebrities are more effective than using normal sales people					
		1=strongly disagree 5= strongly agree				
	<b>Distribution</b>	1	2	3	4	5
1	Getting a vehicle delivered to a customer on-time is important in maintaining customer loyalty					
2	In Nigeria, it is important to have dealer networks close to the targeted customer base					
3	A hybrid distribution channel is more effective in an emerging economy than a single distribution channel. <i>A hybrid distribution channel refers to a multichannel network aimed at improving (1) on-time delivery, (2) creating faster information flow and (3) serves as a back-up channel.</i>					
4	A hybrid distribution system is more likely to create a profitable customer base in an emerging economy than a single distribution system					
		1=strongly disagree 5= strongly agree				
	<b>Competition Automotive specific</b>	1	2	3	4	5
1	Competition plays a major role in influencing consumer purchase decisions					
2	Competition creates customer loyalty					
3	A product's country of origin (e.g Japanese vehicles, German vehicle, American vehicles), can influence consumers' purchase decision, especially in an African context					
4	A company's efforts can overcome negative country of origin effects					
5	Motor companies in emerging markets should continuously position themselves distinctively and uniquely different in relation to their competitors					
		1=strongly disagree 5= strongly agree				
	<b>Attitudinal Characteristics (refers to the feelings that consumers express toward a company and its offerings)</b>	1	2	3	4	5
1	Consumer attitudes are significantly influenced by factors such as consumer preferences, satisfaction and trust					
2	Demographic variables such as age, income, gender and location tend to influence attitudinal characteristics					
3	Consumers will tend to purchase a vehicle due to costs only					
4	Consumers will tend to purchase a vehicle based on tried-tested-and trusted results					

5	Consumers will tend to purchase a vehicle due to personal association to a particular brand					
6	Consumers will tend to purchase a vehicle due brand loyalty					
		1=strongly disagree 5= strongly agree				
	<b>Social Media</b>	1	2	3	4	5
1	Social media platforms such as Facebook, Twitter and YouTube have become tremendously important of firm and customer interaction					
2	Social factors have a significant impact on consumers’ decision to purchase a vehicle					
3	In Nigeria, traditional media (TV & Radio) is more effective					
4	In Nigeria, advertising using social media such as Facebook and Twitter is more effective					

**Appendix C: Ethics Clearance**



**ETHICS CLEARANCE FOR TREATISES/DSSERTATIONS/THESIS**

Please type or complete in black ink

FACULTY: Business and Economic Sciences

SCHOOL/DEPARTMENT: Business School

I. Surname and initials of supervisor: Dr. Ngweni, L.

the supervisor for (surname and initials of candidate) Adams, P.D.

(student number) 9650077

a candidate for the degree of MBA

with a treatise/dissertation/thesis entitled (full title of treatise/dissertation/thesis):

DEVELOPING AN INTERNATIONAL MARKETING FRAMEWORK FOR FORD SOUTH AFRICA'S EXPANSION TO NIGERIA

considered the following ethics criteria (please tick the appropriate box):

	YES	NO
1. Is there any risk of harm, embarrassment of offence, however slight or temporary, to the participant, third parties or to the commercialisation of results?		<input checked="" type="checkbox"/>
2. Is the study based on a research population defined as 'vulnerable' in terms of age, physical characteristics and/or disease status?		<input checked="" type="checkbox"/>
2.1 Are subjects/participants/consentants of your study:		
(a) Children under the age of 18?		<input checked="" type="checkbox"/>
(b) NMMU staff?		<input checked="" type="checkbox"/>
(c) NMMU students?		<input checked="" type="checkbox"/>
(d) The elderly/persons over the age of 60?		<input checked="" type="checkbox"/>
(e) A sample from an institution (e.g. hospital/school)?		<input checked="" type="checkbox"/>
(f) Handicapped (e.g. mentally or physically)?		<input checked="" type="checkbox"/>



3. Does the data that will be collected require consent of an institutional authority for this study? (An institutional authority refers to an organisation that is established by government to protect vulnerable people)		✓
3.1 Are you intending to access participant data from an existing, stored repository (e.g. school, institutional or university records)?		✓
4. Will the participant's privacy, anonymity or confidentiality be compromised?		✓
<p>4.1 Are you administering a questionnaire/survey that:</p> <p>(a) Collects sensitive/identifiable data from participants?</p> <p>(b) Does not guarantee the anonymity of the participant?</p> <p>(c) Does not guarantee the confidentiality of the participant and the data?</p> <p>(d) Will offer an incentive to respondents to participate, i.e. a lucky draw or any other prize?</p> <p>(e) Will create doubt whether sample control measures are in place?</p> <p>(f) Will be distributed electronically via email (and requesting an email response)?</p> <p><b>Note:</b></p> <ul style="list-style-type: none"> <li>• If your questionnaire <b>DOES NOT</b> request respondents' identification, is distributed electronically and you request respondents to return it manually (print out and deliver back); <b>AND</b> respondent anonymity can be guaranteed, your answer will be <b>NO</b>.</li> <li>• If your questionnaire <b>DOES NOT</b> request respondents' identification, is distributed via an email link and works through a web response system (e.g. the university survey system); <b>AND</b> respondent anonymity can be guaranteed, your answer will be <b>NO</b>.</li> </ul>		✓

Please note that if ANY of the questions above have been answered in the affirmative (YES) the student will need to complete the full ethics clearance form (FEC-F application) and submit it with the relevant documentation to the Faculty RESEARCH Ethics representative.

and hereby certify that the student has given his/her consent: ethical consideration and full ethics approval is not required.

  
 \_\_\_\_\_  
 PROFESSOR

22/07/15  
 \_\_\_\_\_  
 DATE

  
 \_\_\_\_\_  
 HEAD OF DEPARTMENT

21/07/15  
 \_\_\_\_\_  
 DATE

  
 \_\_\_\_\_  
 STUDENT(S)

22/07/15  
 \_\_\_\_\_  
 DATE

Please ensure that the research methodology section from the proposal is attached to this form.

Please note that by following this Proforma ethics route, the study will NOT be allocated an ethics clearance number.

## Appendix D: Turn-it-in Similarity Report

Similarity Index 11%

http://incoko.nmmu.ac.za/mod/turnitintool/view.php?id=1121&do=submissions

T711TR0: Treatise (Moodle 96238... MBA Treatise Final Submission - Part 1...

Originality GradeMark PeerMark

P Adams MBA  
BY PEDRO ADAMS

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### Match Overview

Match Number	Source	Similarity
1	www.tomorrowleaders... Internet source	1%
2	S. Tamer Cavusgil, "R..." Publication	1%
3	iols.ukzn.ac.za Internet source	<1%
4	Submitted to University... Student paper	<1%
5	Submitted to KDU Coll... Student paper	<1%
6	Submitted to University... Student paper	<1%
7	www.africanbusinessm... Internet source	<1%

**Title**  
**An international marketing framework for Ford South Africa in Nigeria**  
**Chapter 1**  
**1.1 Introduction**

In January 2014 Ford Motor Company embarked on an historical journey, the establishment of an entire new region called Middle East and Africa (MEA). A truly diverse region which consists of 67 countries, each with its own currency, culture and language will be both challenging as it is exciting. Growth in the region's automotive industry is expected to increase by 40% to 5.5 million vehicles within the next five years (Ford News Publication, 2014).

The focus of this treatise will be to establish a suitable marketing framework and marketing strategies for Ford South Africa in order to gain significant market share within the automotive sector in Nigeria. This treatise will also attempt to research and develop mechanisms to ensure the success not only of the Ford brand but also to catapult the organisation to become the market leader in Nigeria and the rest of Africa.


In September 2013, Ford announced that they intend to launch four new models in Nigeria namely the Ranger, Focus, Escape and Fusion (Jacobs, 2014). The Nigerian government also wants to encourage automakers to establish semi and complete knockdown kit assembly plants in the country. This was confirmed recently when the Nigerian government changed automotive

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Text-Only Report

## Appendix E: Permission to submit treatise for examination

2020-2021  
 2020-2021  
 2020-2021



**Nelson Mandela  
University**  
for education

**PERMISSION TO SUBMIT A TREATISE FOR EXAMINATION FOR  
EXAMINATION**

**NAME:** Rene A. Adams

**STUDENT NUMBER:** 965 00 77 candidate for

**REGISTRATION:** MBA in the

**FACULTY:** Faculty of Education **SCHOOL/DEPARTMENT:** Education Studies

See also page 11 of the Handbook for the Bachelors in Education.

1. Has the NO   been submitted with your knowledge and support?

YES       NO  
Please tick the appropriate response clearly!

2. Submission Recommendation:

A. Permission Granted for submission for examination:	✓
B. Permission Granted for submission for examination with reservations:	
C. Submission against advice of Supervisor:	

Please tick the appropriate response clearly!

3. Did the candidate's research involve animal experimentation or human subjects as defined in the NMU's Policy on Ethics in Research?

YES       NO  
Please tick the appropriate response clearly!

REVIEW (11.01.2014\_10:25)  
10/19/14 (20-43-001\_0718)  
Priority 03/02/14

N/A

If YES, has clearance been obtained from the relevant Ethics Committee?

YES NO

(Please tick the appropriate response clearly) If YES, kindly provide ethics clearance reference number

Name of supervisor:	Prof. L. Njomo
Signature:	
Date:	15/11/15

Name of Co-supervisor:	
Signature:	
Date:	