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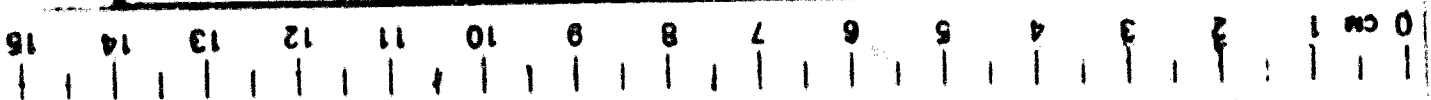
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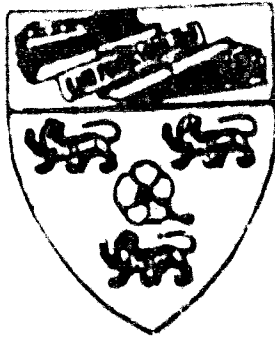
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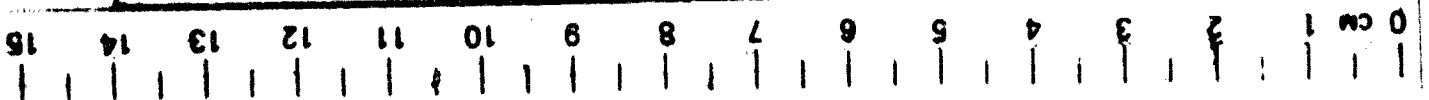




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"The Marketing of Automobiles in Malaya
with Special reference to Ford Automobiles"

by

Gurdarshan Singh

403555

A Graduation Exercise presented to the
University of Malaya in part fulfilment
towards the degree of Bachelor of Arts
with Honours in Economics

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CHAPTER I

INTRODUCTION

Objectives of Study. The writer had two objectives in mind before under-taking this study - (1) to study the market of cars in Malaya through evaluating the pattern of trade, the pattern of distribution of cars and the study of the consumer and (2) to study the marketing mix of product, place, price and promotion of a selected company in relation to the market. The Ford Motor Company was chosen for this purpose after a suggestion by Mr. Chong Sin Jee.

Scope of Study. The study considers the marketing of passenger cars - private and public service - and geographically it is restricted to the States of Malaya with occasional reference to Singapore. Only new passenger cars are discussed throughout the study. The market of used cars is also important but this would require a different market analysis and has thus been left out. Furthermore this is just a case study of a selected company.

Research Methodology. Statistical information was mainly obtained from the statistics department Federation of Malaya and the Road Transport office, while some other statistical data were extracted from publications. Information on the 4 P's of marketing was obtained from the Vehicle Marketing Manager of the Ford Company. A questionnaire was prepared and a formal interview was conducted. The Ford dealer in Kuala Lumpur too was interviewed. This information was supplemented by interviewing a number of salesmen and retailers. Magazines and periodicals too were a help in this case.

Limitations of Study. The information obtained for the study depends both on the ability of the writer to elicit information from car-dealers and also on their willingness and co-operation. Because of the experience of businessmen in dealing with prying into their business the writer found it difficult to obtain such information as the

past sales of the company and the potential market of cars, the company's market share and information on the consumer and the four P's of marketing is not substantiated by facts and figures. There is also the lack of statistical information for the analysis of the market for cars, e.g. the import of cars by make, geographical distribution of per capita income for the states of Malaya and the latest per capita income figures by race and regions. Data on the output and capacity of automobile assembly plants was neither available from the ministry of commerce and industry nor was the company willing to provide such information even upon assurances that it was only meant for academic purposes.

Acknowledgements. I am very grateful to the Vehicle Marketing Manager of Ford and the dealers of the company for their permission to study the 4 P's of their company and providing me with the necessary information on these. I also wish to express my gratefulness to the librarian of the Statistic department and the Secretary of the Road Transport office Federation of Malaya for furnishing me with available statistical data. The writer is also indebted to Mr. Chong Sin Jee and Professor H.C. Wilkinson for their aid, encouragement and general advice.

Pattern of Car Registration in States of Malaya

The Increasing registration of cars

The market in Malaya for car manufacturers shows a tremendous potential. The registration of new passenger cars has shown more than a constant increase every year since 1955. Indications are that this trend would continue for years to come.

Malaya enjoys a high standard of living in South-East Asia, the per capita income though fluctuating from year to year (because of the varying tin and rubber prices) has been increasing slowly since 1955, (Figure 2) a 1 per cent increase per year since 1955. This will enable more and more people to own a car. Coupled with this is the large number of school and college leavers - graduates from teacher training colleges, and technical and agricultural colleges - and the increasing number of graduates from local and overseas universities who have an income of at least sufficient for the purchase of cars on cash or hire purchase terms.

The government and civil servants who are already in the middle income group and the higher income bracket form an important group of car users. Besides their high incomes which enables them to purchase a car on their own they have easy access to interest-free loans once every three years from the state and Federal treasuries for the purchase of a car.

Credit is available to the private individual who is unable to obtain a loan for the purchase of a car. The finance companies or the car retailers themselves are willing to provide credit upon a small down-payment. Instalments are spread over 36 months period and the down-payments are sometimes as low as $\frac{1}{5}$ th, $\frac{1}{4}$ th or $\frac{1}{3}$ rd the list price of the car, e.g. the Champion Motors (M) Ltd. distributors of Volkswagen 'beetle' offer the above mentioned period of instalments and only $\frac{1}{5}$ th down-payment for that particular car. Most of the

distributors of Japanese cars offer similar instalment period and 1/4 the list price as down-payment. Furthermore discounts are sometimes as much as 15% of list price.

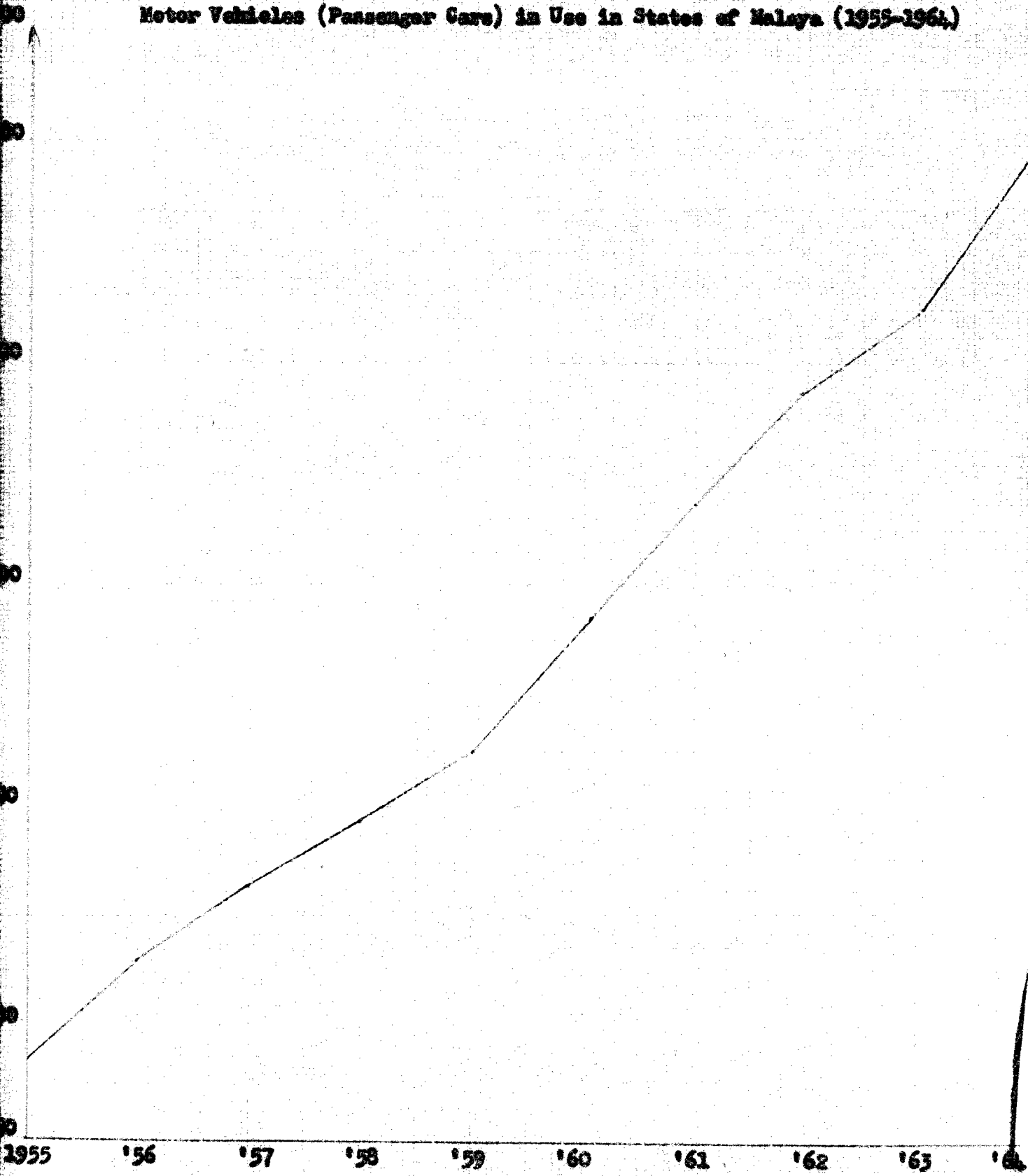
The vast industrialisation schemes in progress and in the planning stages which will take years to complete. The developing manufacturing firms are going to be an important market for cars of the 'Estate' or the station wagon type. These seem to be the favourite vehicles for the transport of goods and staff in urban centres. This is clearly seen from the large number of such vehicles already in use by the established firms like Rothmans and Esso.

There is also the possibility of more families having two or three cars as in the United States where the average motorist "long in the habit of buying a new car every four years. Now buys one every three years - often the family's second or third car."¹ Similarly as the standard of living increases in Malaysia the upper middle class families who have till now owned only one car will add a second car to the family and we will find more two and three car families. Also "more and more wives are seeking employment and in many cases they run their own cars. In these families with both husband and wife working and where they work in different localities a car for each is quite essential."²

The motor car sales potential is greater in Malaya than in Singapore. Statistically the increase in passenger cars in Malaya has been greater over the last ten years than in Singapore. The passenger cars registered in Malaya have more than doubled since 1955. In Singapore the increase in passenger cars is just twice since then. Indications are that this trend would continue.

-
1. "U.S. Business" - Time - the weekly news magazine - Asia Edition January 8 1965. Page 47.
 2. Sunday Times Staff writer - "Will car imports decrease?" - Sunday Times Automobile survey Feb. 28 1965, Page 3.

Motor Vehicles (Passenger Cars) in Use in States of Malaya (1955-1964)

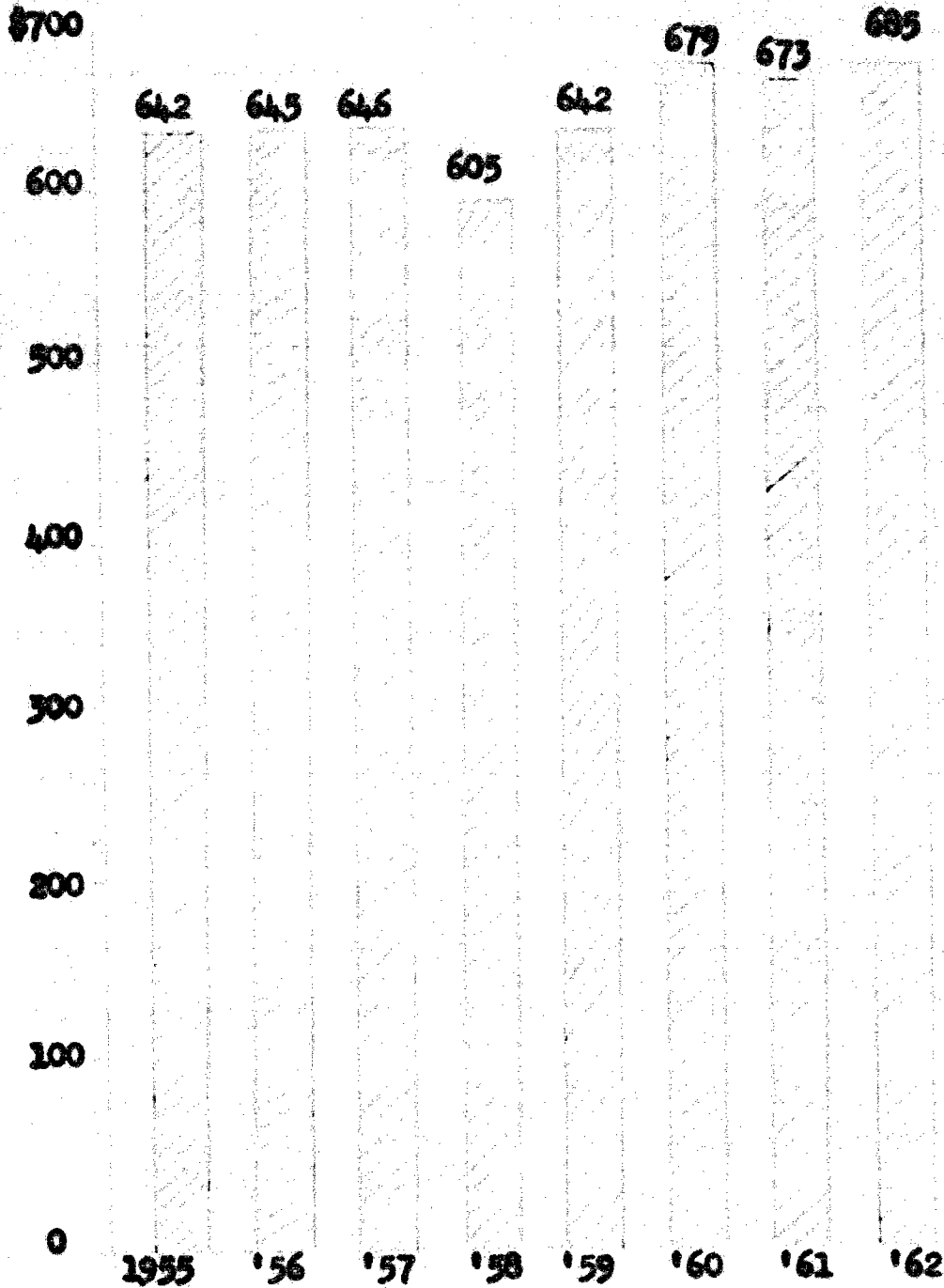


Sources: 1. United Nations Statistical Yearbook 1963, page 382-3.
 2. Statistic of Motor Vehicles Registered in Malaya from RIMV Dept.

Note: Passenger Cars as defined by United Nations Statistical Yearbook: Motor cars seating less than 8 persons including taxis, Jeeps and Station-wagons.

FIGURE 2

Per Capita Income States of Malaya, 1955-62



Source: Department of Statistics.

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Table 1**Private Cars and Taxis Registered as on
December 1964 - States of Malaya**

State	Private Cars		Public Service Vehicles		Total
	Petrol	Deisel	Petrol	Deisel	
Selangor	43,748	2,794	327	593	47,462
Perak	21,511	1,528	303	738	24,080
Penang & Province Wellesley	18,276	717	4	205	19,202
Johore	14,860	910	282	996	17,048
Negeri Sembilan	8,926	408	143	219	9,696
Kedah/Perlis	6,618	235	2	392	7,247
Malacca	7,683	753	149	287	8,873
Pahang	4,671	95	5	140	4,911
Kelantan	3,147	27	-	210	3,384
Trengganu	2,053	89	7	90	2,239
Total	131,493	7,556	1,222	3,870	144,141

Source: Statistics of motor vehicles registered as on
Dec. 31st 1964. Road Transport Department,
States of Malaya.

There were 71.5 persons per passenger car in Malaya in 1960 and 24.5 persons in Singapore in the same year. But in 1962 there were 60 persons per passenger car in Malaya and only 22 persons per passenger car in Singapore. This indicates a greater increase in passenger cars in Malaya with its greater road mileage and population. About 15,000 cars are sold annually in Malaya whereas only about 1/2 of this number are sold in Singapore.

Distribution of Passenger Cars in Malaya

The largest concentration of passenger cars is to be found in the state of Selangor which alone has about 1/3 of all the cars in Malaya. If Perak was to be included then the percentage of cars in these two states increases to 54%. Even the other west coast states of Malaya show greater car numbers than the east coast states (See table 1).

This distribution of cars can be related to the development of these states and to the historical as well as economic reasons. Historically the west coast states of Malaya have always been favourable to international trade. They were the first to be colonized and developed by the British Colonizers and Chinese and Indian immigrants. It was in the states of Perak and Selangor that British hegemony was first established. When the British had control over these states law and order was restored and economic progress became a reality.

The discovery of large alluvial deposits of Tin in the Kinta and Kuala Lumpur area led to its extensive exploitation and the 'Tin Revolution' in the late 19th century led to the development of roads and railways in these states.

-
3. Annual Review of Malayan Trade - 1960, 1962.
Edited & Published by H.T. Wong of Selangor
Chinese Chamber of Commerce.

In the 20th century it was the 'Rubber Revolution' along the foot-hill zones of Perak, Selangor and Negri Sembilan that contributed to their development. Rubber and Tin the 'twin-pillars' of the Malayan economy have therefore played an important part in the economic development of Western Malaya.

For the transport of these two commodities extensive road and rail construction was under-taken, harbours developed - Malacca, Port Swettenham, Telok Anson and Penang - immigrant groups supplied the labour for economic exploitation and development of these states. Large urban centres developed to supply the needs of trade and administration, e.g. Johore Bahru, Malacca, Seremban, Kuala Lumpur, Klang, Ipoh and Taiping. These urban centres also served the business communities. Kuala Lumpur as the Federal capital and the headquarters of many financial and business organisations and also the headquarters of many government departments. These urban and the Western States of Malaya today have large Chinese and Indian populations with per capita incomes higher than the rural and the urban minority Malays.

Table 2

Distribution of individual incomes under \$12,000 per annum between urban and rural districts and between races 1957

	Malays		Chinese		Indians	
	Urban	Rural	Urban	Rural	Urban	Rural
Total Population ('000)	350	2,800	1,050	1,300	200	500
Average family income per month	\$229	128	285	260	216	212
Annual Income Per Head	\$482	307	561	473	513	499

Source: Silcock & Fisk: The Political Economy of Independent Malaya. Eastern University Press
Table A.4 Appendix A.

The Western States of Malaya have also the raw materials, labour, finance and entrepreneurship for the industrial development of the country. Large industrial estates are coming up in Petaling Jaya, Batu Tiga, Seremban, Ipoh and Taiping. This further contributes to the economic well being of the already developed states of Malaya.

As a result of urban development in the West Coast particularly Selangor and Perak, a higher proportion of Chinese and Indian population with high per capita incomes, and the present industrial development, these states have a high proportion of passenger cars and contribute a greater potential for manufacturers and distributors.

Petrol and Deisel cars. The ratio of petrol cars to deisel in Malaya in 1964 was 17:1. Certain factors explain this feature. An individual when purchasing a car might consider the comfort of personal transport and the cost of the vehicle. Deisel cars have high initial outlay when compared to petrol cars, e.g. Ford Zephyr 4 Saloon Mark III petrol costs \$7,295/-. The same car with a deisel engine costs \$9,440/-. Another example is a British Motor Corporation, Austin A60 deluxe saloon petrol costs \$7,050/- but deisel costs \$8,100/-.

Another economic consideration is that of Road Transport license fees. These are higher for deisel cars - in fact five times the rates for petrol cars per annum.

Table 1**Road Transport License fees (annual) for
Private Cars (not exceeding 7 seats)**

	Petrol	Deisel
Not exceeding 7 horse power	\$ 40/-	\$ 200/-
Exceeding 7 H.P. Not exceeding 11 H.P.	\$ 80/-	\$ 400/-
Exceeding 11 H.P. Not exceeding 16 H.P.	\$ 93/-	\$ 465/-
Exceeding 16 H.P. Not exceeding 20 H.P.	\$106/-	\$ 530/-
Exceeding 20 H.P. Not exceeding 30 H.P.	\$132/-	\$ 660/-
Exceeding 30 H.P.	\$185/-	\$ 925/-

Source: Federation of Malaya Road Traffic Legislation
1958 and 1959. Page 236 - item 1(1).
Government Printers.

These are the fixed costs of petrol and deisel cars. However we also have to consider the variable costs particularly that of fuel consumption. Deisel costs only 69¢ per gallon (Shell). Compared to gasoline it is cheaper. The latter costs \$2.01 (ordinary Shell).

To get economy from a deisel car one has to use it more than 40 miles per day - considering the above difference in capital outlay, the annual road tax fees and fuel consumption.

Difference in price of Austin deisel and petrol is	\$ 1,050/-
Take it over a period of 5 years	
∴ annual cost is	\$ 210/-
Annual Road transport license fees	\$ 465/-
Extra cost of tyre wear for deisel (tyre wear is normally double the rate for deisel than petrol)	\$ 100/-
Cost of Fuel (assuming 30 M.P.G.), x miles travelled	\$ <u>0.023 x</u>
∴ total cost	\$ 775 + 0.023x

For Petrol Car

Road tax	\$ 93/-
Fuel consumption at x miles	0.067 x

$$\begin{aligned} \therefore 0.044 x &= 682 \\ x &= \frac{682}{0.044} = 14,591 \text{ miles per year.} \end{aligned}$$

The break-even point on using petrol and deisel cars reached is at about 14,600 miles per year and it works out at about 40 miles per day. It would only be profitable to buy the above deisel car if it is going to be used more than 40 miles per day on the average.

The average motorists - office workers, public and civil servants on the average travel about 30 miles at the most per day therefore they do not buy a deisel car.

Petrol and Deisel - Taxis. But when one considers taxis the situation is reversed. 76% of taxis are deisel. Though the initial cost of deisel cars is high, list prices are lower for taxis in Malaya. The list price of Nissan Cedric deisel is \$9,680/- (private) but taxis are priced at \$9,150/- a difference of \$530. They are priced lower because taxis are public service vehicles and as such they are exempted from the 10% registration fee. This 10% exemption also applies to petrol vehicles. But because deisel are priced higher than petrol cars the 10% exemption would be more favourable to those buying deisel cab.

To the taxi-owners the taxi-cabs are a means of livelihood. They will therefore lower their operating costs as much as possible so as to increase profits. Even if they pay high road transport license fees it is profitable for them to use deisel cabs. (Deisel cab owners have to pay \$12.50 per month more than petrol cab owners, besides the already higher fees they pay for running a deisel car.) As stated in the Road traffic legislation taxi-drivers have to pay "The rates applicable to a vehicle of equivalent horse-power under 1(1) above plus \$5 for each month in respect of each passenger authorised to be carried in the Vehicle." For deisel cabs. "The rates applicable to a vehicle of equivalent horse-power under 1(1) above plus \$7.50 for each month or part thereof in respect of each passenger authorised to be carried in the vehicle.

It can be shown by simple arithmetic that operating costs, i.e. costs of fuel and road transport license fees are low for deisel cabs.

Assumptions (a) a taxi-cab exceeding 11 but not exceeding 16 horse power - petrol and deisel.

(b) a taxi-cab carrying passengers to and fro from Seremban to Kuala Lumpur twice daily - covering an estimated 165 miles per day.

(c) fuel consumption for both 30 miles per gallon.

Diesel Cab

$$\frac{546}{365} = \$1.496 \text{ Cost of Road Transport license fee per day.}$$

$$\frac{120}{165} = 0.9 \text{¢ Cost of Road Transport license fee per mile.}$$

$$\frac{48}{30} = 2.3 \text{¢ Cost of fuel per mile}$$

∴ total Cost 3.2 ¢ per mile.

Petrol Cab

$$\frac{120}{365} = \$0.913 \text{ daily cost of Road Transport fees.}$$

$$\frac{21.1}{165} = .56 \text{¢ per mile cost of Road Transport fees.}$$

$$\frac{302}{30} = 6.73 \text{¢ per mile petrol cost.}$$

∴ total cost 7.29 ¢ per mile.

It is cheaper to use diesel cab by 4 ¢ per mile at the above estimate. Therefore the preference for diesel cars as taxi-cabs.

CHAPTER III

PATTERN OF TRADE IN PASSENGER CARS

Imports of Cars

The technical complexity of the motor vehicle has made its manufacture possible only by the industrial and technologically advanced countries. The continental countries including Britain and the United States are the most highly developed industrial nations which after catering for the home market of passenger cars, export some vehicles to other countries. Though some of the Asian nations, India, China, Soviet Union and Japan have the capability of producing motor-cars, the late entry into the automobile market by these nations and the political differences between Malaya and the two communist countries have made it impossible for them (except Japan) to export vehicles to Malaya. India at the moment is producing motor vehicles only for the home-market and Japan is the only Asian country increasingly exporting motor vehicles overseas.

Table 4

Imports of Passenger Cars (Complete) New 1960-1964 - Malaya

	1960	1961	1962	1963	1964 Jan-Oct.
United Kingdom	6,322	5,822	7,127	8,354	6,972
Canada	153	161	89	91	69
Australia	494	253	508	767	410
France inc. Corsica	1,183	1,593	1,375	1,469	1,396
Fed. Republic of Germany	2,769	2,859	2,358	3,007	2,826
Italy inc. Sardinia	728	877	1,058	985	976
Sweden	92	600	456	451	313
U.S.A.	55	52	30	43	
Japan	500	955	847	2,009	2,415
Other Countries	-	29	5	26	42
TOTAL	12,296	13,198	13,876	17,202	15,419

Note: Other countries include Netherland & Austria.

Source: Annual Statistics of External Trade 1960-1964,
Compiled by Dept. of Statistics, Fed. of Malaya,
Kuala Lumpur. Commodity Code Number 732101.

The major suppliers of passenger cars to Malaya are the Continental and the highly developed British Commonwealth countries. Japan is now becoming one of the leading exporters of cars to Malaya.

Just as the registration of cars is on the increase in Malaya so are our imports. In fact an increase in car imports is a prerequisite to an increase in car registration since all our cars (completely built-up - or semi-knocked-down) are imported from overseas.

Imports of British Cars. Malayan imports of cars from Britain during the last five years have been between 44 and 52 per cent of the total car imports. During the last three years however car imports from Britain have been on the decline (in percentage terms).

Malaya was a British colonial territory until independence was achieved in 1957 and as such tariffs were clearly designed to allow imports from the Commonwealth countries open access to the Malayan market. Most goods were allowed in completely free of duty under the preferential system, but tariffs averaging 10-25% were imposed on non-British Commonwealth imports. Malaya though independent today is still a member of the British Commonwealth and as such gives preferential treatment to goods entering the Malayan market from Commonwealth countries.

There is no purchase tax in Malaya in case of motor vehicles, but certain registration fees have to be paid. "On the registration of a motor vehicle a fee equal to fifteen per centum of the value of the vehicle unless the vehicle is.....

(e) a motor vehicle proved to the satisfaction of the registrar to have been manufactured in the Commonwealth."⁴

In addition all vehicles pay a 10% ad valorem registration fee. Therefore non-Commonwealth vehicles -

4. Federation of Malaya Road Traffic Legislation 1958 and 1959, Page 234, Item 5.

only 10%.

This therefore serves as an inducement for people to buy a British Commonwealth car.

Overseas exporters - the British and their agents in Malaya under the protective wing of the British government had a long period in which they could build up a high degree of brand consciousness and loyalty. Ford Motor Co. of Malaya has been in business since 1926, the BMC too has been here for a long period. British cars were therefore and are still the prestiged cars of consumers in Malaya. The standard and efficiency of British cars is known and the new entrants into the market find it difficult to have a large share of the market.

One other way by which the colonial rulers encouraged the imports of British cars into Malaya was that the government and civil servants who obtained loans from the treasury to purchase a car had no option but to buy a British manufactured or a Commonwealth car. It was clearly stated in the Financial General Orders of Federation of Malaya that advances "will only be granted for the purchase of a vehicle manufactured within the British Commonwealth." Though such legislation only existed until 1974, the brand preference which it helped to build is still predominant.

Large number of British Servicemen on active duty in Malaya also account for the large imports of British cars. The British Servicemen have always shown their preference for a car manufactured in their home country, even more so now since their country is facing balance of payment difficulties. Distributors of non-British cars find it difficult to sell to them. Dealers in German cars have reported difficulty in making sales to British Servicemen.

Imports of Japanese Cars. One reason for the decline of imports of British cars is probably the entry into the market by Japanese car manufacturers. Since 1960 imports of Japanese cars have been increasing rapidly.

The imports last year were five times that of 1960, amounting to nearly 20% of the total car imports of last year.

"In Singapore up to as recently as last May, 300 new Austin and Morris 1100^s were sold each month. Then the Japanese moved in. Sales of these British cars dropped to 124 a month while 161 Datsuns were sold ignoring duties which gave British cars preference, Japanese sales figures are rocketing in Singapore, the Federation, Sabah and Sarawak."

Japanese car manufacturers have entered the market in a big way. A number of the major Japanese car manufacturers have applied for setting up automobile assembly plants, with increasing trade between Malaysia and Japan, the latter will probably export more and more cars to Malaysia.

What appeals to Malaysians about Japanese cars is that they are elegantly styled - being stream-lined preferred by consumers -. Even if they are smaller in size Toyota 700, the Mazda, Datsun Bluebird and other smaller Japanese cars have their advantages - convenience of parking and manouvering through heavy traffic. They are spacious too (seating 5 passengers including driver). Some well-to-do people besides having one reputed British or a German car often own a smaller Japanese model for its advantages.

Japanese cars also have economy in purchase and use. They are lower priced than cars of the same class, e.g. Toyota 700 list price \$4,195/-, a Mini-Minor on the other hand is priced at \$4,750/- and the Italian Fiat 600 is priced at \$4,790/-. The discounts offered by retailers of Japanese cars are greater than the dealers in British or Continental cars. Asia Motor Co. Ltd., Kuala Lumpur gives 15% discounts on Toyota deluxe and super. The retailers of B.M.C. and Ford cars only offer 10% discount on list price.

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5. The Asia Magazine - Jan.10, 1965 Volume 5 No.2, Page 10.
(a weekly supplement of Sunday Times of Malaya and Overseas Asian Newspapers).

There are also the lower down-payments for Japanese cars. Just about a $\frac{1}{4}$ of the list price. British and Continental car dealers insist on $\frac{1}{2}$ down-payments. In fact the Asia Magazine reported "Japanese cars arrive with no fixed costs, but are sold for what they can fetch. Japanese dealers accept smaller deposits, offer larger higher-purchase terms than Western dealers would contemplate."⁶ Some Japanese cars are more economical in use than the British and Italian cars. The Japanese Mazda has low fuel consumption, 45 M.P.G. and the Toyota 700 too offers 55 M.P.G. Mini-Minor and Fiat 600 give up to a maximum of 40 miles per gallon only. Insurance costs of Japanese cars are lower too because of their lower list prices.

Another factor which has helped to push the sales of Japanese cars is that they can be fitted with spare-parts of British and Continental cars, e.g. the Datsun Bluebird can use the spare-parts of Austin a product of British Motor Corporation. In fact the Japanese Toyota Crown is fitted with a reputed Mercedes engine. This has influenced many taxi-drivers to switch over to Japanese cars.

Japanese motor-bikes have indirectly assisted to push the sales of Japanese cars. During the last few years they have proved to be up to the standard or even better than British bikes. This reputation has enhanced the sale of their cars. In 1958, Malaya imported from Japan 264 motor cycles out of a total of 5,484 just about 5%. In that year the principal supplier was U.K. By 1962 Japan had captured more than $\frac{1}{2}$ the motor-bike market in Malaya (Malaya imported 28,003 motor-cycles from Japan out of a total of 53,138).

Perhaps another reason for the increasing share of the motor-car market being captured by the Japanese is because of their big sales drive. Japanese car dealers are to be found even in the smaller urban areas. Besides dealers in Kuala Lumpur, Seremban, Malacca, Ipoh and other

6. *ibid.*

7. Annual Review of Malayan Trade - 1960 and 1962.
Published by Selangor Chinese Chamber of Commerce.

state capitals Japanese dealers are to be seen in smaller towns like Klang, Klang, Batu Pahat, Sitiawan, Telok Anson and a number of other smaller urban areas.

Japanese cars however though having gained the confidence of the consumers have yet to prove themselves to the retailers of non-Japanese cars. They fetch very little resale value and some retailers do not accept them as trade-ins, e.g. the Cycle and Carriage Co. Malaya Ltd. and the Ford Malaysia do not accept them. This is one of the factors that is working against Japanese cars.

Continental Cars. The major continental suppliers of cars to Malaya are the Federal Republic of Germany, France and Italy. About $\frac{1}{3}$ of our total car imports annually come from these countries.

From Germany comes the reputed Mercedes Benz in a range of models, diesel as well as petrol cars. The car has technical superiority of design and engineering and a number of safety factors. It also has a certain amount of snob-appeal so it is able to sell to the richer and well-to-do car consumers.

Another well-known German car is the Volkswagen. Again a range of models and catering for the needs of those who prefer smaller economical type.

The well-known Fiat cars are imported from Italy whereas French Peugeot is also well accepted car in the Malayan market.

Assembly of Passenger of Cars. Malaya though one of the highly motorised nations in Asia imports all of its cars. However the assembly of semi-knocked-down or completely knocked-down car packs is being done in Singapore and Kuala Lumpur.

Overseas manufacturers and suppliers of cars to Malaya have already acknowledged the potential of the Malayan market by setting up assembly plants. The Ford Motor Company of Malaysia which has been in the

our business for nearly 40 years, assembles the whole line of its cars and trucks in Singapore (except Ford Falcon and Galaxie imported from Australia and Canada) for the Malayan market. Similarly the Wearne Bros. Ltd. and Bernice Motors Co. Ltd. - dealers in British cars - have their own assembly plants in Singapore and Kuala Lumpur and the assembly plants of other firms - the Cycle and Carriage Co. Ltd. are already under construction.

"So far a total of 16 well-known International car manufacturers have applied to the government to establish Assembly plants in various parts of the country."

Keen competition among the car distributors is one of the factors responsible for this rush to set up assembly plants. The entry into the market by Japan means greater competition for the British and German car dealers. Also the demand for certain cars particularly the German and British is increasing rapidly and there is the difficulty in fulfilling orders, e.g. the Champion Motors (M) Ltd. dealers in German Volkswagen cars receive a shipment of about 60-70 cars once a fortnight and these are sold out before the next shipment arrives. There is a risk that the shipment may be late due to some circumstances, and sales may be foregone. The demand for the reputed German Mercedes too is great, hence the Cycle and Carriage Company setting up an Assembly plant at Jurang and Petaling Jaya.

Of course the stable and sound economy and good investment prospects are an attraction to the oversea motor car manufacturing firms in setting assembly plants. The government towards this end has declared its intention to give pioneer status to the various firms producing motor car components and accessories. Further than the government in a policy statement has stated that it is "prepared to give reasonable tariff protection by imposing duty up to a maximum of 30% ad valorem and 15% ad valorem respectively on imported completely built up and semi-

8. Sunday Times - Automobile Survey, Feb. 28th. 1965.
Page 2.

knocked-down passenger cars."⁹ This statement has made the car dealers think seriously with regard to the assembly of motor vehicles and their manufacture in Malaya.

The Vehicle Marketing Manager of Ford Motor Co. of Malaysia Ltd. believes that Malaysians given the facilities and the training can do equally well if not better than oversea personnel in the manufacture of motor vehicles. The setting up assembly plants besides meeting the demands of consumers, and the competitors moves is the first and an important step in the training of personnel for manufacture of cars.

Cars assembled in Malaya and Singapore are not only for the Malayan and Singapore market but for other South-East Asian countries as well including our Malaysian partners across the Straits - Sabah and Sarawak.

Export of Cars - Malaya and Singapore

Malaya and Singapore are not the manufacturers of cars. Only the components are put together at the assembly plants in these two countries. (Some would define this as manufacture but for the purpose of this study I would not define it as such.) Thus the cars that are exported from the States of Malaya and Singapore are manufactured elsewhere but assembled here. Of course completely-built-up cars which need no assembling are also exported.

Malaya exports more than a thousand cars annually to nearby territories. More than 90 per cent of these go to Singapore. This is because some wholesaling agents for Malaysia as a whole are to be found in Kuala Lumpur. The other important customer of Malaya is Thailand. However, exports to this country are less than a 100 cars annually. Some Siamese businessmen are to be found in Penang and a number of Malayan businessmen have connections in Thailand and northern Malaya. These people are likely to purchase cars in Malaya for use in Thailand.

9. "Policy Statement on the Development of the Motor Vehicle Industry Locally" - Ministry of Commerce and Industry.

The export trade in cars of Singapore is more important. Singapore exports between 45 to 55 per cent of the total cars imported by her. During the last few years her exports have been on the increase in numbers as well as in percentages - 45% in 1961 increasing to 55% in 1963.

Large number of cars for Malaya are imported via Singapore. This is because of the assembling plants and whole-selling agents in Singapore.

Singapore has been supplying more than $\frac{1}{2}$ the needs of Sabah and Sarawak. The former has been importing up to 65% of her cars from Singapore and latter about 60%. Brunei, Java, Rhio Lingga are the other important customers of Singapore.

The export-trade of cars of the state is in the traditional lines of the entrepot trade of the region. Singapore as an important entrepot centre, imports, handles, stores, grades, whole-sales finances and exports the commodities of South East Asian countries. Similarly, it supplies these countries with their requirements. Singapore therefore imports, assembles, finances and wholesales cars to some of the South-East-Asian countries.

The smallness of the market in the Borneo states has rather encouraged the overseas manufacturers to have wholesalers in Singapore for the Malaysian market. Sarawak imports less than 1,000 cars annually - just about 400 over from Britain. Similarly imports of Sabah too are small, though increasing yearly only 2,043 cars were imported by Sabah in 1964. Also because these countries are away from the main trade-route and the smallness of the market of cars and other consumer goods may not prove so profitable for ocean-going steamers to dock at.

Table 5**Exports of Passenger Cars Malaya, 1960-1964**

	1960	1961	1962	1963	1964
Singapore	1,316	1,084	1,298	1,157	1,124
Thailand	36	44	60	76	-
Others	11	6	17	19	44

Source: Annual Statistics of External Trade, 1960-1964 - compiled by Dept. of Statistics, Fed. of Malaya.

Table 6**Exports of Passenger Cars - Singapore, 1960-1963**

	1960	1961	1962	1963
Malaya	3,991	5,059	4,663	6,377
Sabah	477	497	662	903
Sarawak	387	377	408	486
Brunei	229	2	314	438
Java	50	84	208	242
Sumatra	17	11	38	75
Thailand	18	19	19	87
Others	163	408	84	187
TOTALS	5,332	6,457	6,376	8,795

Source: Singapore External Trade Statistics. Commodity Code 732011.

CHAPTER IV

THE CONSUMER

Consumers - Where are they ?

Estimated population by regions will emphasise the geographic areas where sales efforts could be concentrated. But population size alone is not important for a large market. Large population does not mean a large market for all commodities. If the product is suitable for all consumers regardless of income or it is a basic commodity like matches or salt then the obvious course would be to market the product in areas with greatest population density. But for expensive products like refrigerators, television-sets and automobiles a marketer would in addition look for the purchasing power of the consumer because it is the wealthier ~~group~~ people who form the potential customers for such expensive items.

The heavily populated states of Malaya are along the West Coast - Perak, Selangor, Johore and Kedah. These states have about 60% of the total population of Malaya and they would be thus first singled out for the marketing programme. However the per capita income statistics would specify whether these heavily populated states are good markets for automobiles.

In Malaya we also have to study the racial distribution of the population and the per capita income by race since it varies with each race. As suggested in an earlier chapter per capita incomes are higher for Chinese and Indians when compared to the Malays. Secondly, urban incomes are also higher when compared to rural incomes not only for Chinese and Indians but also for the Malays. This means that urban areas form a better market than rural areas example Malacca, Kuala Lumpur, Ipoh and Penang are the highly urbanised centres. Other state capitals too are urban areas.

Table 7

**Malayan Population Statistics
Estimated Population by Race and Regions as on 30th June 1964**

	Malays	Chinese	Indians	Others	Totals
Johore	580,000	485,000	89,000	25,000	1,179,000
Kedah	577,000	173,000	81,000	19,000	850,000
Kelantan	567,000	35,000	7,000	9,000	618,000
Malacca	187,000	150,000	30,000	5,000	372,000
Negeri Sembilan	197,000	187,000	70,000	10,000	464,000
Pahang	220,000	134,000	28,000	4,000	386,000
Penang	201,000	399,000	83,000	13,000	696,000
Perak	604,000	661,000	222,000	21,000	1,508,000
Perlis	85,000	20,000	2,000	3,000	110,000
Selangor	375,000	611,000	252,000	38,000	1,276,000
Trengganu	319,000	22,000	4,000	1,000	346,000
States of Malaya	3,912,000	2,877,000	868,000	148,000	7,805,000

Source: Department of Statistics, Federation of Malaya, Kuala Lumpur.

Since Chinese and Indian per capita incomes are higher therefore look for geographic regions which are heavily populated by these two groups. Perak, Selanger and Penang are heavily populated by these two races. Of course we have to look for the various income levels too. The appeals for car sales would be made to the wealthier Chinese and Indians.

The heavily populated states are Perak, Selanger, Johore and Kedah. The first two mentioned states and Penang have also large Chinese and Indian populations, with higher per capita incomes and the major urban towns are Ipoh, Kuala Lumpur, Penang and Malacca. These areas therefore form the major market for cars in Malaya.

Statistics of registered motor vehicles too suggest a similar pattern. From January 1963 to December 1963, 4,400 cars were registered in Selangor, and in the following year 5,700 cars were registered. Perak, Penang and Malacca have also shown high registration of cars in the last two years. These are therefore the high sales areas and are the most important potential regions.

Sex and Income of Consumers. Most of the salesmen interviewed reported that while looking for prospective buyers they always look for men since more than 90% of their sales are to them. This is largely because of the structure of the labour force in Malaya. In 1961, 70% of the labour force in selected industries in Malaya were men and more than 50% of the women employed were working in estates. Because of this ratio of the labour force one would expect only men to buy automobiles. But this is now changing because more and more wives are now getting employment and in a few years time large number of ladies too would be buying cars.

"Recent research reveals that ownership of motor cars is feasible as household incomes exceed \$300 a month."¹⁰ Salesmen however, report that when looking for prospective buyers they look for those with slightly

10. Sunday Times - Automobile Survey, Feb. 28 1965, Page 3.

higher incomes at least those earning from \$400-\$500 per month. A person owning a car while earning only \$300 a month will find it difficult to make both ends meet. Secondly because people with smaller incomes will prefer a scooter or a motor-bike because of its economy. Hence only people in the middle and higher income groups would purchase a car. This would mean that in the estates, mines and manufacturing industries only Administrative, Managerial and Supervisory, some clerical labour would be able to purchase a car. In the government and quasi-government department those in the divisions I, II and III will be able to buy a car too. Similarly only officers in the Armed forces and well-to-do businessmen will buy cars.

Demand for Credit. Demand for goods and services depends on the purchasing power. Purchasing power is composed of income and credit. Businessmen therefore pay attention to personal income and credit. Credit broadens market and enables tomorrows consumption today. The provision of credit is important for the purchase of an automobile.

Passenger cars have high initial outlay and high maintenance cost. The cheapest Ford car is priced at \$4,985/- - Ford Anglia. It would require about \$5,000/- to get it on the road. This would mean that a person earning from \$400-\$500 a month would have to tighten his belt for a number of years unless he has some other source of cash, i.e. obtain a loan. Therefore credit in this case has to be provided if one wishes to make a sale of the car. Even well-to-do businessmen would require credit. Contractors and businessmen when purchasing a car have one consideration in mind, i.e. to use the capital in business and have it invested in goods rather than pay the total price of the car all at once. Hence a businessman will purchase a car on hire purchase (unless he has a large and idle supply of cash on hand) even if he has to pay the high rates of interest to an Automobile Finance Corporation.

To the taxi-drivers a car is a producer's good - which satisfies his wants indirectly. He purchases a car to provide a service to individuals and thereby earn an income to satisfy his needs. He would probably acquire a car on credit and finance its payments from subsequent profits.

The government and civil servants on the other hand do not need credit to purchase a car. They have constant incomes and can obtain interest free loans from the Federal or State Treasuries for buying a car once in three years. "Advances may be granted free of interest to assist an officer in the purchase of a motor car, motor-cycle or bicycle. Such advances will not ordinarily be granted more than once in three years." 11

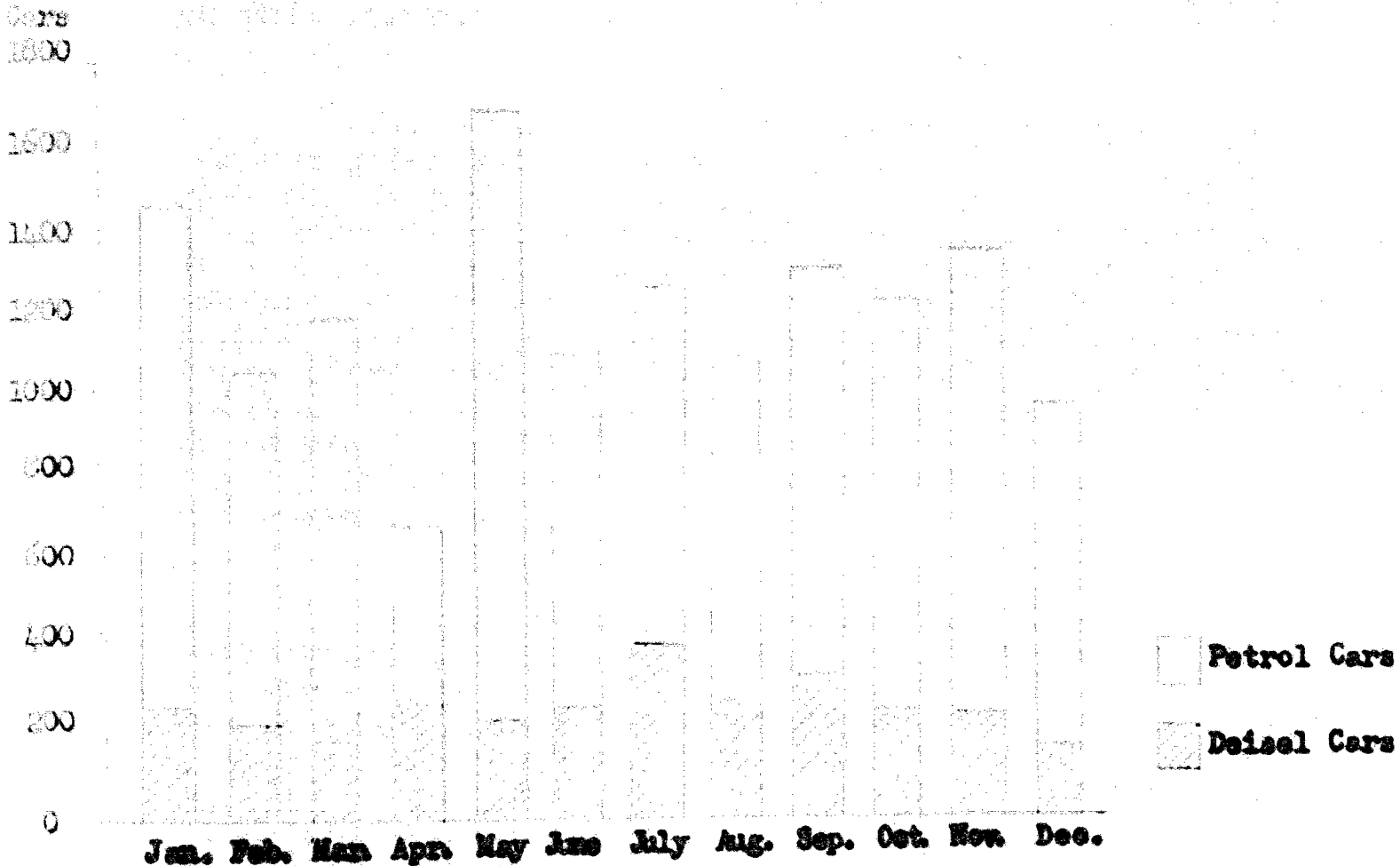
Therefore credit must be provided for the purchase of a motor-car. Because businessmen, contractors, taxi-drivers and other buyers of cars except the government and civil servants need credit to purchase a car. In fact the dealers in Mercedes Bens and Volkswagen reported that nearly 70% of their purchases are on credit.

Consumers - when do they buy ? Sales of new cars are a feature of the whole year in Malaya and Singapore. There are no seasonal or spring sales of cars in Malaya as in Western countries or in Japan. In Western countries sales of cars may increase just before Christmas or in the early part of the year when new models appear on the market. The Ford Motor Company of Malaysia hopes for constant sales throughout the year. The registration of cars for 1964 was fluctuating from month to month showing no definite trend. The number of cars registered in any month is a net between the registration of new cars and those knocked off the roads in that month (about 10% of the cars are knocked-off annually by the Road Transport Department). Therefore the registration of cars does not give a definite indication of cars purchased by consumers but this however gives some idea of car sales. The fluctuations in the sales of cars from month to month may be due to the fact that the number of loans for purchase of cars, approved for government and civil servants vary from month to month.

Consumer Tastes. Certain groups of consumers need special mention here because of their particular desire for buying a certain car. Opinions expressed here are the result of interviews with salesmen and retailers but no survey was carried out to verify this.

FIGURE 3

Number of Passenger Cars Registered in States of Malaya, 1964



Source: Extracted from, Statistics of Motor Vehicles Registered in States of Malaya 1964. RIMV DEPT.

I would first mention the officers in the British Armed Forces who are commissioned in Malaysia for short service because of Britain's defence commitments. These troops though serving in Malaysia are citizens of Britain and hence owe their loyalty to U.K. They would therefore like to promote the economy of their home country consciously or sub-consciously and would purchase a car manufactured in Britain. British cars furthermore are exempted from 15% registration fee. This would further encourage them to purchase a home made car. Dealers of Ford Company and British Motor Corporation noting this particularly make their appeal to this group.

With Malaysia's emphasis on industrialisation, manufacturing enterprises are on the increase. These enterprises besides using other classes of automobiles also make extensive use of passenger cars for transport of staff and goods. The firms that can be cited as examples are "Rothman's" - has a fleet of 250 Ford Anglia Estate type of cars - Esso, and 'State Express'. These firms prefer the Estate and Station-Wagon type of models. The trend having been set by these well-known firms other firms will soon follow and one can expect these private enterprises to be major consumers of passenger cars.

Taxi-drivers, well-to-do businessmen and contractors would like to keep their operating costs low since they use the car more for business than for family recreational transport. They wouldn't mind paying a high initial cost and higher road transport license fees as long as the deisel cars prove profitable to them. As proved earlier deisel cars are cheaper over long distances. That is why we find a large percentage of Taxi-drivers owning a deisel vehicle. Government and civil servants on the other hand do not buy deisel because they do not travel as much as these people and it would prove uneconomical to them.

One of the largest single buyer of cars is the government. Last year the Federation government purchased about 175 cars - about 2% of the total cars sold. The government purchases the car for transport of ministers and Diplomatic and consular personnel. Bearing in mind the social status of such personnel the higher priced luxury cars are preferred.

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Government departments purchase cars for the transport of their staff, e.g. The Royal Malaysia Police (Malaya). The cars are also used for petrol duties in the large towns by the department just mentioned. This department is purchasing the Estate and Station Wagon type of cars, and these are replacing the traditional Land Rover Jeeps and $\frac{1}{2}$ ton trucks because of their elegance, economy and performance. They also could be said to be improving the conditions of work of staff and project a better image of the police to the public.

Summarising consumer preferences the businessmen, taxi-drivers and contractors prefer diesel vehicles, firms and business organisations and certain government departments prefer the Estate type of cars whereas the private consumer likes to buy the petrol sedans.

CHAPTER V

PRODUCT

"A product is defined by most modern marketers as the sum of physical and psychological satisfactions the buyer receives when he makes a purchase."¹² Women buy lipstick not only to make their lips red but for the hope of what it does to them and what it may lead them to. Similarly passenger car users buy cars not only for cheap convenient and comfortable transport but also for the status that it gives them. They feel proud in owning a particular car.

Cars fall into the shopping good category - defined as goods for which "the probable gain from making price and quality comparisons is thought to be large relative to the consumers appraisal of searching cost in terms of time, money and effort".¹³ Time and effort spent by each consumer is considerable. The purchase of a car is normally a big investment for each consumer. Too big to be just decided on the spur of the moment. The consumers probably consult their families, their close friends and might pay a visit to several retailers before making a decision.

The car has a high unit value. It is not a product that everyone can afford. Only the middle and higher income groups have the means of buying a car. The cheapest car in Malaya will cost more than \$4,000/- of initial outlay or on hire purchase terms. Of course there are the expensive and luxury models, e.g. the 'Rover' described as the poor man's Rolls Royce is priced at \$13,600. Coupled with the high initial cost is the high cost of maintenance - the annual payment of Motor Vehicle Road Transport fees, the insurance fees to be paid annually, cost of fuel consumption; tyre wear; servicing and repair costs.

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12. Henry L. Hansen; Marketing, Text Cases and Readings Homewood, Illinois. Richard D. Irwin 1961, Page 312.
 13. E. Jerome McCarthy; Basic Marketing, A Managerial Approach. Richard D. Irwin, Page 282.

The automobile is characterised by high rate of technological change. Technical improvements in cars are an important item yearly. To increase their sales car manufacturers are always introducing new models with slight technical modifications, new safety features - disc brakes - a recent innovation, also anti-locking brakes (just being tried out by some car manufacturers), better suspensions and other facial developments.

High technical complexity is another feature of cars. Very few car owners know the workings of the automobile engine. Even if car users wish to study the mechanism they would probably take considerable length of period to really master it. Therefore users of cars often have a problem when the car needs servicing, oil-change or repair service.

Frequency of purchase for such products is low. In the United States an average car-user purchases a car once in three years. In Malaya we are still a long-way off. before we reach such frequency of purchase because of high unit, value and high initial outlay. The per capita income in Malaya (about \$700 Malayan) is very much lower than that of the per capita income in the United States (\$2,200 U.S.). (The comparison here is between 2 different dollars of two different countries but still it gives us an indication of the differences of per capita income.)

The demand of cars is relatively elastic because of the large number of car models available, the large place it has in the consumers budget and the fact that price is considered when purchases are made.

Automobiles are not standard products. The large number of Ford Models available ranging from low price to high priced ones suggests this. Italian Fiat cars too range from the smaller cars to the larger luxurious type. Similarly other car manufacturers too are not satisfied by making one standard car. There are the Morris, Welselys and Austins of British Motor Corporation.

Ford Models. Ford Cortina designed and engineered by Ford of Britain and assembled in Singapore, offers a wide range/models. Cortina deluxe with a 1700 c.c. engine, Cortina Super 1900 c.c. engine and the Estate car. All three have four doors. (The estate car also has a tail gate) frong bench seats, column gear change and automatic transmission which helps reduce driving effort and is an added safety feature.

For those who look for performance there are the Cortina Lotus and Cortina G.T. with bucket seats, console and competition type of floor gear shift.

Beside a range of Cortina cars there are other models, Ford Anglia, Corsair, Falcon, Galaxie, Zephyr 4 saloon petrol, Zephyr 4 saloon deisel, Zephyr 6 and the Zodiac. All are imported from Britain and assembled in Singapore except Ford Falcon and the Galaxie which come as assembled cars from Australia and Canada respectively. The favourite car of British servicemen is the Zodiac and Zephyr.

Of all these models the best selling car last year was the Ford Cortina - about 1,790 sold in 1964 in Malaysia. It also has been Britain's best selling car at home.

One feature of the cars is that all except Zephyrs 4 saloon are petrol car. Therefore Zephyr 4 saloon is the only Ford car which is deisel and which will appeal to those who prefer deisel cars.

Special feature of Ford Cortina. Ford Cortina has new safety features and improvement; disc brakes, which give an assurance of safety. These brakes offer consistent, fade-free braking even when its wet. Deep-dish steering wheel prevents driver from being impaled on steering column in head-on-crash, also safety belt anchorages, improved screen vision with its slightly decreased diameter.

Another innovation is the car ventilation system called aeroflow. This ventilation system changes air

within the passenger compartment every 40 seconds. This is considered unique by Ford Company but other cars too have such a feature, e.g. the Mercedes which has hot or cold air in circulation within the passenger compartment as required.

The car is considered economical when compared to other Ford models except Ford Anglia. It has a fuel consumption of 40 miles per gallon and needs servicing only once every 5,000 miles. The initial cost of Cortina 4-door-deluxe is \$6,390/-. This is low when compared to other Ford models but is considerably higher than competitors cars like Volkswagen and the Japanese Mazda or Toyota. However it was Britain's and Malaysia's best selling car in 1964 and received Auto Universum's "International car of the year" award for "outstanding performance, reliability, and versatility in competition around the world."

Range of colours. Ford Cortina is available in a range of twelve colours - some of them are Grey, White, light Green, light Blue, Red, dark Blue, Yellow and Black.

Consumer preference today is for light colours - white, light blue and light green. They do not like black, yellow or red. Some car owners are particular about the choice of colours because of the recent interest in colour and road safety. It was reported in the automobile survey that there is one death every four minutes in the world because of motor car accidents. Road deaths are also on the increase in Malaya. Experts are of the view that colour of road vehicles can affect the number and severity of accidents. Recent studies "suggested that the colour of an approaching car influences a driver's judgement of its speed of approach and may cause him to miscalculate how far away the vehicle is." "It was found that blue and yellow cars are least liable to become involved in crashes caused by misjudgement."¹⁴ This may be one reason why consumers prefer light blue or Bahama blue colour for their cars.

14. A.A.M. News - published by Automobile Association of Malaya - 'Colour and Road Safety', Page 9, July, 1964.

Service with Product. Sales of shopping goods are influenced by the availability of services. They form an integral part of the sales effort. Ford retailers offer a 12,000 mile or one year warranty, whichever is first. This guarantees the quality of the car and covers any damage to the car due to natural sources.

A free service is also offered by retailers of Ford and 30 days credit terms are offered to purchasers. Another important service provided by dealers is the trade-in service.

Such services are also offered by competitors of Ford. Some companies also offer free engine inspection service, e.g. the dealers in Volkswagen cars and Morris 1100.

Merchandising Strategy. Ford Motor Co. of Malaysia makes a claim of economy, ease of maintenance following a policy of market segmentation. Though an agent of Ford of Australia, Britain and Canada it tries to satisfy the varying wants of consumers thus recognizing several demand schedules. Ford Zephyr 4 saloon diesel is meant for those who prefer spacious diesel cars. The Zodiac is the prestige of British men in Malaya. Ford Falcon and Ford Galaxie for the wealthy who look for luxury driving also for members of Parliament, Cabinet Ministers and diplomatic personnel. The car makes a claim on economy too. Ford Cortina and Angelia for the middle income group. However Ford Motor Co. of Malaysia puts a new model on to the market whenever the oversea manufacturers have decided to introduce one.

Market segmentation policy recognizes the existence of many sub-markets and undertakes to satisfy these sub-markets by adopting the product to consumer requirements. Considering that no two consumers are alike (each showing a preference for a different type of product) the businessman provides each with the model that he prefers.

This would mean that the company has to have considerable product diversification and an expansion in

the product line. However though consumers have different demands the producers cannot meet the demands of all therefore there is no extreme case product diversification and the producer tries to satisfy some of the consumers all the time. (Not all consumers.)

A merchandising policy focuses attention on the product more than on the other 3 P's of marketing. The product is varied according to consumer demand but little change is accomplished in the other 3 P's - price, place and promotion.

Market segmentation, "consists of viewing a heterogeneous market as a number of smaller homogeneous markets in response to differing product preferences among important market segments. It is attributable to the desires of consumers or users for more precise satisfaction of their varying wants." It "often involves substantial use of advertising and promotion. This is to inform market segments of the availability of goods or services produced for or presented as meeting their needs with precision." "Prices tend to be somewhat closer to perfectly competitive equilibrium."¹⁵

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15. "Product Differentiation & Market Segmentation as Alternative Marketing Strategies." Wendell R. Smith. Journal of Marketing, July 1956. Page 3-8.

CHAPTER VI

Plan - Channels of Distribution

Marketeers often talk of form, time, place and possession utility. Having discussed the form utility that is the product itself we have to consider the others. "If time, place and possession utilities are not created the consumer will be dissatisfied. He may be possessing the product at the wrong time or at the wrong place." To make the consumer satisfied marketing men have to "provide the product already possessing form utility with time and place utilities, thus bringing about consumer satisfaction." Automobile producers have to provide these utilities to the consumers whom they wish to appeal to. They have to select the channels of distribution bearing in mind their consumers satisfaction.

Retailers. Where & How Many? The Ford Motor Co. of Malaysia has selected its distributors in the urban areas in Malaya, as the map shows a distributor in each state of Malaya except in Kedah and Perlis.

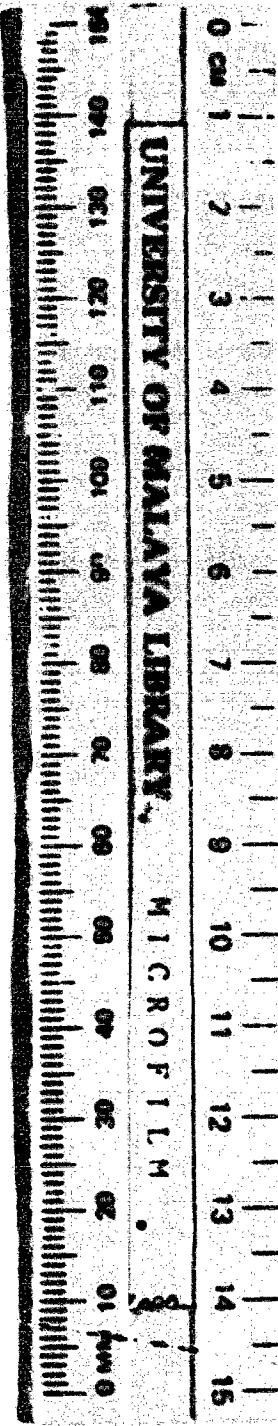
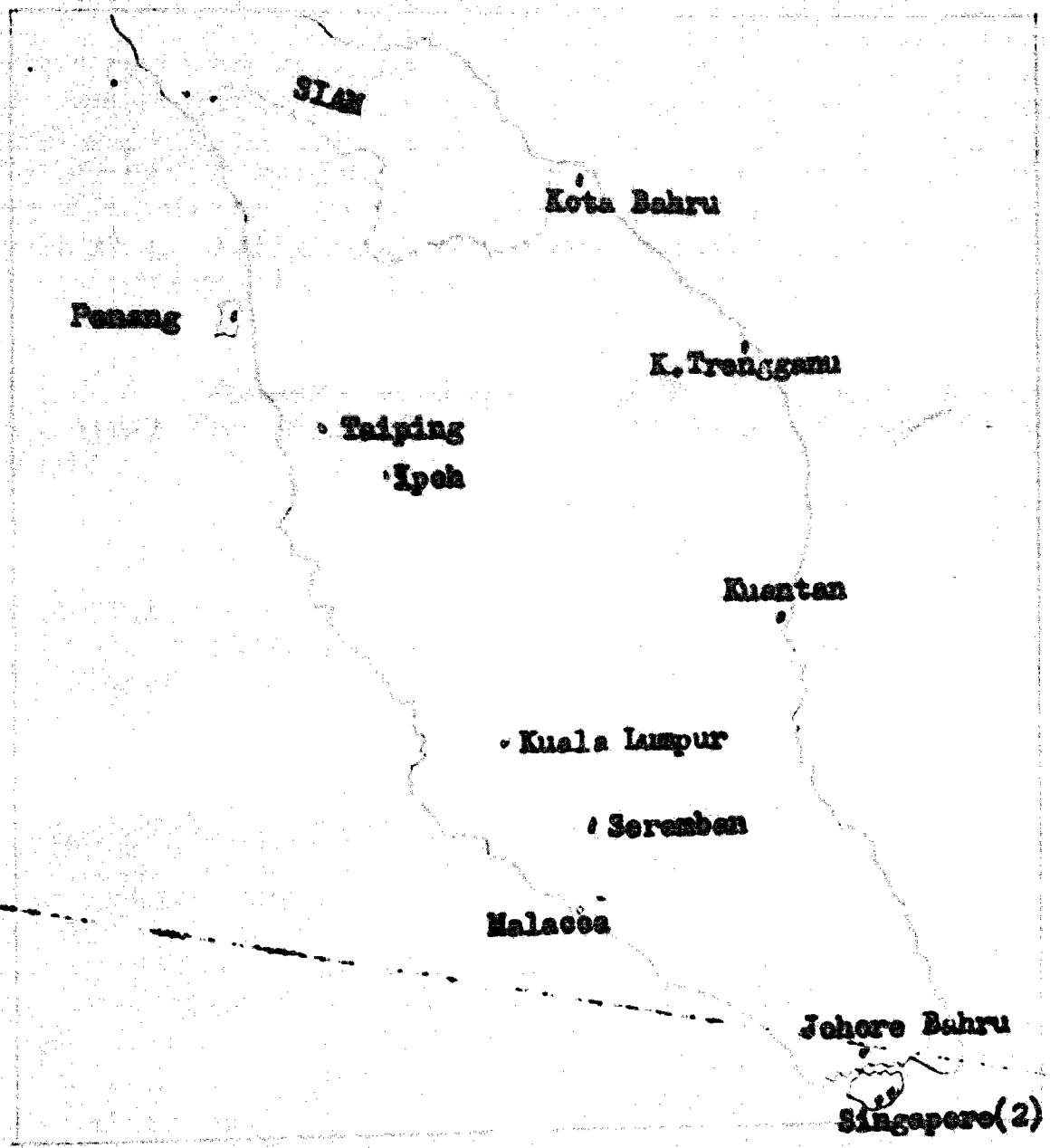
The Ford Motor Company has only two retailers in Singapore and ten in the Federation. This could be quite adequate since cars are a shopping good. The whole-selling need for them is less - Ford has only one wholesaler in Singapore. Small number of stores for such goods are enough since they only need adequate representation in major district or large shopping centres near other similar shopping goods.

Ford has its retailers only in large urban centres. This is where teachers, government and civil servants, businessmen and taxi-owners are to be found. They are the likely consumers of cars. The Ford Company has also considered the existence of British troops.

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16. CHONG SIN JEE. Neglect of Marketing in Economic Development. EKONOMI Vol.V. No.1, Dec. 1964, Page 49.

FIGURE 4

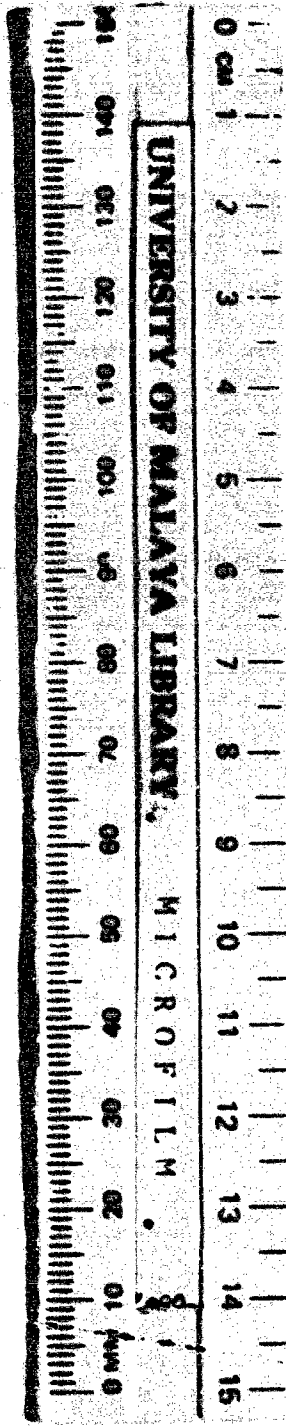
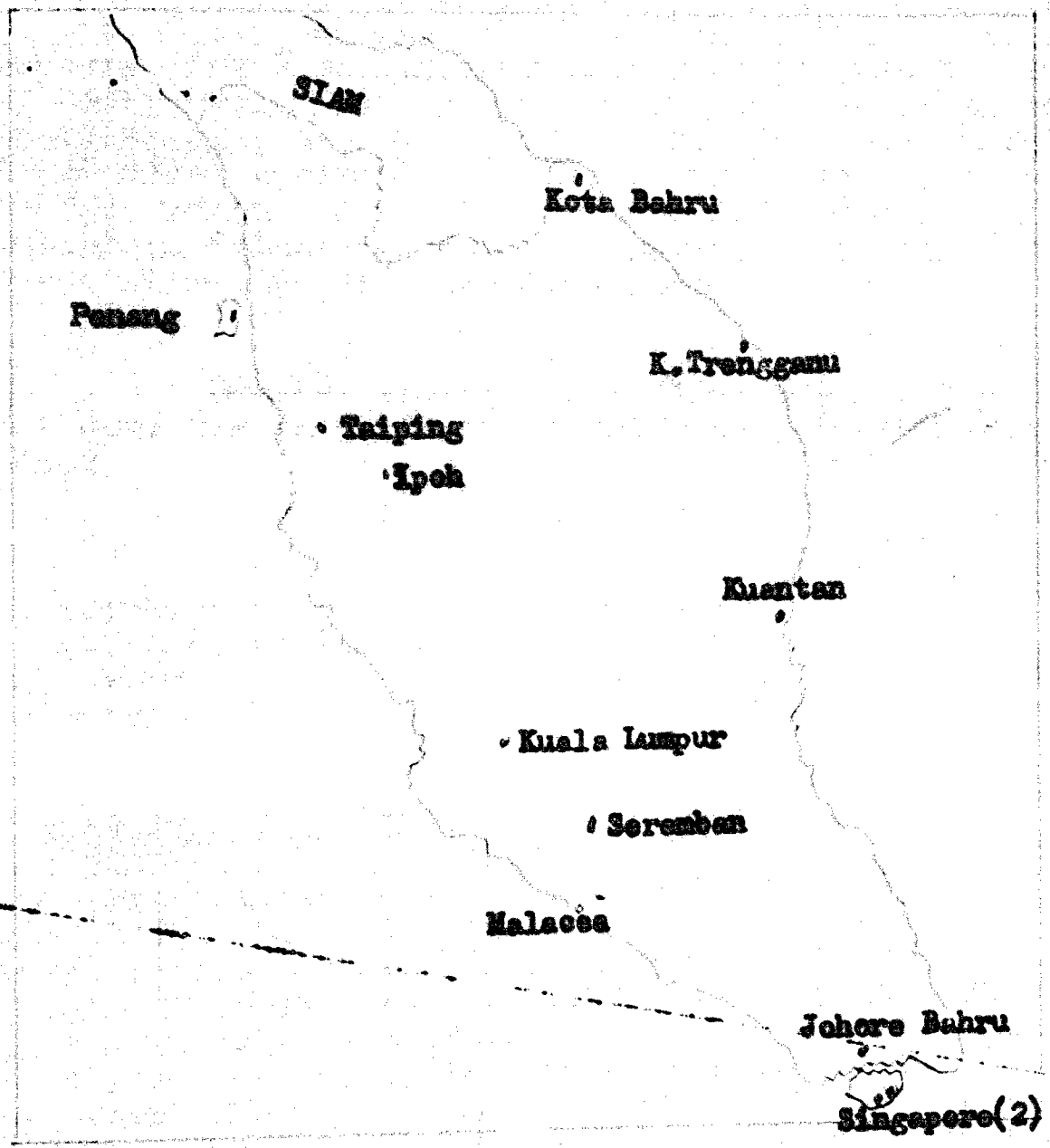
**Retailer-Points of Ford Motor Co. of Malaysia
MALAYA & SINGAPORE**



Note: There is one retailer in each of the town shown except in Singapore where there are two retailers.

FIGURE A

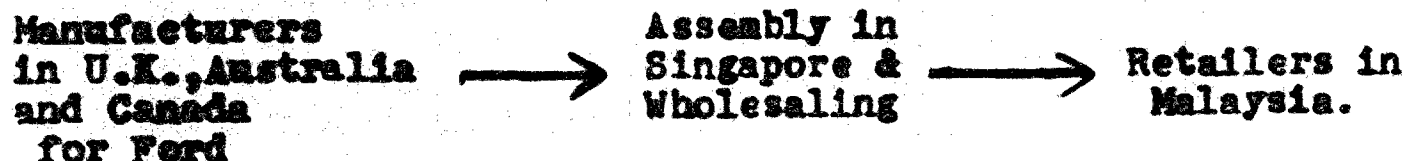
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Note: There is one retailer in each of the town shown except in Singapore where there are two retailers.

They are to be found in the state capitals of the West-Coast of Malaya. Other urban areas are also important. These seem to have been neglected by Ford. The present retailers that Ford has were established years before. Other motor companies too followed similar pattern of distribution in larger urban areas. But since the Japanese moved in a few years ago they appointed retailers not only where these companies have but also in the smaller urban centres like Batu Pahat, Kluang, Klang and others. The Japanese have been able to push the sales of their cars. This is one reason why the sales of Japanese cars are on the increase. Ford has therefore to consider seriously whether to have retailers in these smaller urban areas. Other companies - dealers in Peugeot, Mercedes, Volkswagen too have retailers in some of the areas where the Japanese have moved in.

However whatever number of retailers a company may have the channels of distribution of automobiles are short.



Exclusively Distributed. Why? The product is exclusively distributed through authorised dealers. This is ideal from the manufacturers view-point. Most producers prefer to handle the whole distribution job themselves. Control of sales efforts especially is improved. Since Ford retailers are few they can deal directly with them through their executives at the assembly plant in Singapore. The product requires extensive repair service. Exclusive distribution enables the manufacturer to train and maintain repair service personnel at a few exclusive distribution centres - or the retailer may have to provide such service. Ford Motor Co. helps the retailers to provide such service. Japanese car manufacturers have gone further than this. They have sent engineers as Resident engineers in Malaya who aid the consumers when the need arises.

Retailers of Ford cars have a written agreement with the company that they are to handle and promote the

sales of Ford cars only. In return they have been granted the exclusive right in their States or in their retail trading areas. In case of Seremban and Kuala Lumpur area there is only one exclusive distributor but the retailer aware of competition from other companies, and the Ford Co. too noting the competitors retailers at Seremban have enabled the retailer at Kuala Lumpur to have a branch in Seremban who has the right to deal in other cars as well. The producer by having exclusive distributors is assured of his outlets and is protected against the activity of competitors at least in his outlets because the competitors cannot make use of his dealers.

With a few carefully selected distributors the manufacturer is in a better position to control price and expected sales volume. He is assured of a reliable contact with the consumer, protecting the good-will developed by his advertising and product quality control programme. The list price of Ford cars is determined by Ford Co. of Malaysia and not by the retailers. The discounts that the retailers offer to the buyers of Ford cars are also determined by Ford of Malaysia. All advertising is done by Ford itself; largely institutional advertising - selling the Co. name - Ford. Therefore all consumer goodwill is towards the Ford Co.

The exclusive distribution agreement also reduces selling expenses and the need for aggressive selling effort in the channel. Better relationship is maintained between the retailers and the manufacturers. The retailers and final users also get better assistance.

Distributors are willing to argue to such terms because they are assured of a constant and a dependable source of supply. Distributors of Ford cars can always get cars from Ford companies all over the world. In case of Malaysia they obtain them from Ford of Britain, Australia and Canada. Such dependable sources of supply enable the retailers to decrease costs of maintaining large inventory, thus reducing investment and storage costs.

Price stability is a feature of a few exclusive distributors. In the specified territory there are no

other retailers of the same product. There is no competition to the retailers. Consumers cannot compare the prices on similar models of cars. If there is high stock-turn-over rate and a high gross margin, it proves attractive to distributors.

Inventory. In maintaining adequate inventory the retailer has to consider continuity of supply so that he would not run out of stock and by-pass sales opportunity. Ford dealers have no fear of being out of stock. They can always obtain a car from the assembly plant in a day or two.

Another consideration is storage space. A car occupies considerable space. Ford Cortina which measures 14 feet by 5 feet need an area of 70 square feet. Hence if a retailer decides to stock say 20 cars he would require a large show-room, a store-room or large parking space. This will increase his renting costs.

Large stocks would mean heavy investment. Since most sales are for credit the retailer has to consider the inflow of cash. Certain models have fast turn-over, e.g. Ford Cortina last year was the best selling car as opposed to Ford Galaxie which had only a few sales. Colour preference of consumers is to be noted, light-blue, light green and white are preferred by consumers. Ford dealers generally maintain 2 months stock of cars. In addition there is 2 months stock at the assembly plant. In all 4 months stock of cars is maintained by Ford and its dealers.

Spare Parts. An important question which a consumer has when purchasing a car is whether spare-parts for the particular model are available or not. Car dealers have to give an assurance and to provide the consumers with spare-parts and accessories. Since spare-parts may be required by consumers at any time and at any place, these should be available in smaller towns as well. The consumer should have no difficulty in obtaining spare-parts. One reason why the resale value of some cars drop is because of difficulty in obtaining them. One example is that the owners of Borgward Isabella have difficulty in obtaining spare-parts and the car fetches a very low second-hand price. Since some consumers are motivated by a good resale value when purchasing a car, it is all the more important to have spare parts readily available. In case of Ford Motor Company every Ford dealer in Malaysia and a large number of dealers and stockists throughout Malaya

maintain a good stock of spare-parts.

Competitors. The major competitor of Ford in Malaya is the British Motor Corporation. The Corporation also has its distributors in the major urban areas in Malaya in fact retailers in the same towns as Ford. Until the Japanese moved in this was the trend in channels of distribution. The Japanese who are now becoming a threat to Ford have dealers not only in the state capitals but also in other urban centres, example the distributors of Nissan cars are to be found in Alor Star, Bukit Mertajam, Sitiawan, Telok Anson, Mentakab, Klang, Klang and Batu Pahat. Beside this they have dealers in other urban centres where Ford and B.M.C. dealers are to be found. Other continental car manufacturers have followed the Japanese and are now having retailers in some of the towns where Japanese dealers are to be found. The Japanese have thus set a trend for other car manufacturers to follow. Ford Motor Company too has now seriously to consider whether to have dealers in other towns as well.

CHAPTER VII

Price

Price Range. The price that the consumers are expected to pay is the list price. The list price of Ford cars is determined by the Ford Company and not by the retailers because the company does not wish to leave out the consumers out of its pricing policy. The considerable investment in manufacturing the product makes the company feel that it should determine the price.

As an example of the prices determined by Ford company I would quote the list prices on Ford Cortina

Cortina 4-door deluxe	\$6,390/-
Cortina 4-door super	\$6,980/-
Cortina 4-door estate car	\$7,240/-
Cortina G.T.	\$7,450/-

Ford Cortina is one of the lower priced cars of Ford. Of course when compared to ~~other~~/models of the same class it may be expensive. /competitors

Discounts. Discounts are defined by MacCarthy as "reduction from list price granted by a seller to a buyer who either foregoes some marketing function or provides it for himself. Some discounts are 'true' discounts since they are actually reductions in the price due to a reduction in something else. 'Phony' discounts on the other hand are merely reductions in the price - perhaps an inflated price at that."

Dealers of Ford of Malaysia offer 10 per-cent discounts on the list prices to buyers. These are actually phoney discounts. The buyer doesn't give something in return for the discount. Every buyer gets this 10%, therefore the price must have been inflated to offer this 10%.

Quantity discounts are also offered by Ford dealers, varying between 12½% to 15% on list price. These encourage customers to purchase in large quantities e.g. business firms, industrial organisations or government departments who purchase a large number of vehicles of the same type. Since we have established earlier that the 10% discounts were phony, these quantity discounts are therefore made up of 'true' discounts and phony discounts. The true discounts are only 2½% to 5% on list price.

Trade-ins are a convenient device for price reduction from list price on a non-standardized basis. In case of automobiles buyers can obtain substantial discounts by bargaining with sellers. The amount that they pay will be less than list price by the value of the trade-in acceptable to both parties.

Trade-in service is important because users of cars after a considerable length of period possibly 4 or 5 years or even more might wish to exchange a new car for their older one. Dealers in trying to obtain more sales will have to provide this opportunity. This will gain them a customer and an income and at the same time save the customer a lot of trouble of selling his car either through brokers or himself.

Dealers in accepting trade-ins will have to consider whether they would be able to sell a trade-in car. Some models do not fetch good resale value and there may be difficulty in selling those. Therefore there is no point in making a sale of a new car at a small profit and then lose it on the traded-in car if it is not saleable. This is the main reason why dealers of Ford do not accept Japanese cars as trade-ins. Of course this may also be to reduce the chances of acceptability of Japanese cars among consumers. Since some consumers consider the resale value of a car when purchasing one and if a particular car do not fetch good resale value people may not buy it. Other British and continental cars have already established a market for themselves but the Japanese have just moved in and this is one way of keeping them out. Not only Ford but the dealers of Cycle & Carriage Co. Malaya Ltd. too does not accept Japanese cars as trade-ins.

Trade-ins before acceptances are taken for a test-run. A thorough examination is given and the value set acceptable to both the parties.

Credit terms. Because of the high initial out-lay on cars demand for credit from the consumers has to be met. If the dealers cannot provide credit themselves then alternative arrangements with some finance companies have to be made to meet the consumer need.

Dealers of Ford offer only 30 days credit. This short period for credit is quite surprising. But they have made alternative arrangements with Finance companies to meet the need for longer credit terms. In Kuala Lumpur credit is supplied by Wearne Bros. Ltd. to purchasers of Ford cars.

Such arrangements are quite advantageous to car dealers. There is less work for their credit department in dealing with invoices and instalment payments and in maintaining records. The dealer will have less financial problems. He will obtain cash for the sale within 30 days either from the buyer or the Finance Corporation. This helps in the financing of inventory and operating costs. They can maintain sufficient liquidity to meet such requirements.

The purchaser deals with the Finance Corporation for the credit advantages given to him. He pays a $\frac{1}{3}$ down-payment for a Ford car and obtains credit for the rest extending over a period between 6 and 36 months paying a varying rate of interest for the period covered.

To the dealer such arrangements also reduce risks of uncollectible bad-debts. Saves them the trouble of seizing back cars from customers if their accounts are outstanding thus avoiding considerable amount of ill-will, all these problems are left to the Finance Corporation.

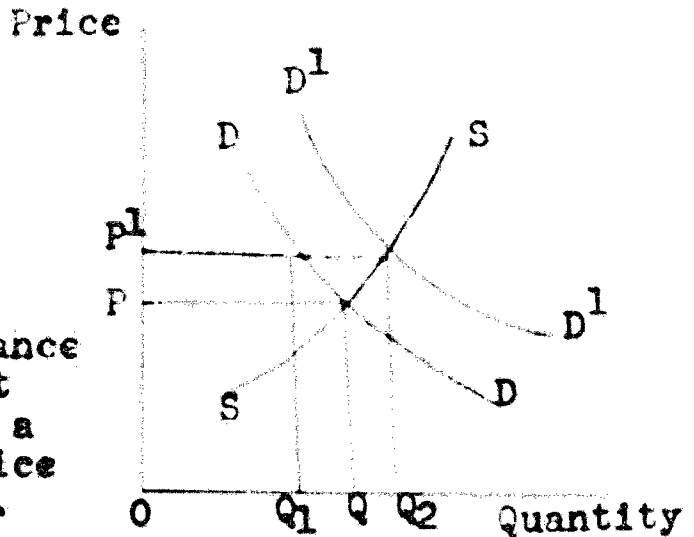
There are some dealers who are not financed by finance corporations particularly the dealers in Japanese cars. They do their own financing of credit and as such

are prepared to face the difficulties that would otherwise be borne by the corporations.

Mark-ups. The gross profit margin on cars depends on the type of model. It would be different for cars with low turn-over than those with high turn-over. On the average a retailer reported that the mark-up is usually 10 - 15% of the list price.

Resale Price Maintenance. "A thorough going resale price maintenance system exists when manufacturers set the price of the article to the jobber or wholesaler and fix the mark-up for this trade. This means a fixed price to retailer who again must sell at a fixed price to the consumer."....."Discounts for cash, etc. are fixed and rebating through premiums, gifts, deals, etc. is prohibited." 17

The manufacturer tries to sell at a higher level through resale price maintenance. Instead of selling at a price P^1 and quantity Q_1 as the demand and supply equilibrium suggests the manufacturer sells at the same price P , but a greater quantity Q_2 . This is achieved by shifting the demand curve through advertising and promotion.



Resale price maintenance doesn't mean that prices do not change. Prices do change over a period of time but frequent price changes are against the system. Price changes are thus slower.

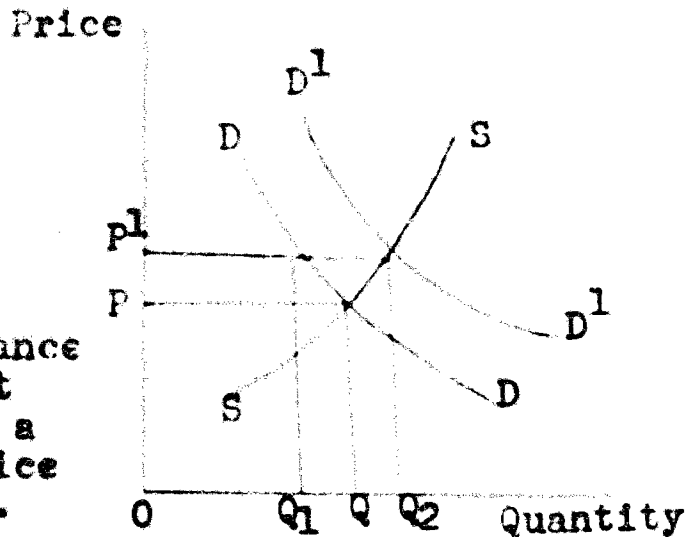
Ford Motor Company of Malaysia follows a policy of resale price maintenance but it is not a thorough-going one as defined above for essentially two reasons. First because deals are allowed Discounts offered by retailers are more than those fixed, as a result of the trade-in deal between the retailer and the consumer.

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17. C.A.CURTIS. Some Aspects of Resale Price Maintenance
Canadian Marketing Problems.

Secondly Ford Motor Company has fixed discounts at 10%. But quantity discounts vary between 12½% to 15%. This offers the retailer considerable amount of freedom to offer higher discount rates even to purchasers of a single car. Not only in case of Ford does this happen but also in case of other companies. One of the wholesalers complained that retailers sometimes offer greater discounts than fixed.

One way of overcoming this is by taking collective action, i.e. the Automobile manufacturers to form an association and fix the discount rates at one level so that all the retailers - be it of German or British cars - will offer the same discount to every buyer.

With resale price maintenance in operation one would expect complaints from consumers because they are forced to pay a higher price than they should pay for the product. But the writer did not hear or read of any such complaints during the period when he was engaged in collecting facts for the study possibly because the consumers are not aware of such a system in operation.

CHAPTER VIII

Promotion

Besides making a good product available to consumers at a reasonable price, producers should inform potential customers of the marketing mix of product, place and price. This is accomplished by promotion which is defined as "any method of informing, persuading or reminding consumers about the marketing mix which has been assembled by the marketing manager." 18

Primary objective of promotion is thus to inform, persuade and remind consumers of the availability of the product. But promotion could also be designed to meet competitors moves, to pave the way for salesmen, introduce the product to a wider market or to keep the name of the company before the consumers. All these try to make the demand curve inelastic and or to push it to the right thus increasing sales and obtaining a better price.

Promotion depends upon a number of factors; size of the company, is it a large or a small company, has it a long history or has it the financial resources to meet large scale promotion. It also depends on the type of product, is it a convenience or a shopping good. Is it meant for the mass market or just a few consumers. Thus concentration of the market is to be considered as well. Finally competition too is important in planning and executing the promotional strategy.

Ford Motor Company of Malaysia has a long history. It was established way back in 1926. Since then it has been an important company for marketing cars. Since people place good faith in long standing established articles many a company relies on its good name - Tiger Balm, Tiger Breweries and Fraser & Neave rely on their good names.

Ford of Malaysia is also a large company dealing in cars of Ford of Britain, Australia and Canada. It has

18. JEROME E. McCARTHY. Op.cit., page 480.

the financial resources to undertake promotion on a wider national scale. Furthermore it can rely on overseas Ford companies to supply it with some advertising material.

Automobiles as classified in an earlier chapter are a shopping good. Promotional efforts should be designed to facilitate comparison on price, quality and product features. Also designed to inform the consumer of the availability of the product. National advertising is used to presell such products. The more effective the preselling the less need there is for personal selling. However for automobiles aggressive personal selling is desired not only for informing but also for persuading consumers to buy the product. Since sales of shopping goods are influenced by personal selling.

If consumers are widespread a mass approach is necessary. Personal selling here is time consuming and wasteful in unit cost. If customers concentrated in one area then personal selling approach. Since the potential buyers of cars are found all over Malaya a mass approach should be used to inform and persuade consumers that the product is superior to others and obtainable at bargain prices. Also noting that urban areas have greater potential and that the product is a shopping good, retailers of cars should have a strong sales force on their pay sheets, or they should adopt any similar method which would single out a consumer and then inform him of the product and make a sale.

In planning a promotional programme businessmen should be aware of the activities of competitors. By appraising their promotional methods they could find out their weaknesses and their strong points thus helping them to build up a successful programme. Of course they have to appraise their own methods from time to time as well.

Promotion of Ford Cars - Advertising Media

The main form of mass selling utilized by Ford of Malaysia is advertising which is defined as any method that relies on the use of simplified messages, addressed

to groups of people through the impersonal media of mass communication, to persuade the persons so addressed to take actions desired by the advertiser."¹⁹ Its essential characteristics are thus "Simplification, impersonality and persuasion".

The media that could be used are magazines and newspapers, out-door signs, motion pictures, direct mailing, store signs, radio and television, catalogs, directories and references. Through some of these the Ford Company reaches a large number of potential customers. It utilizes national newspapers with a large circulation e.g. the Straits Times with certified sale of 135,000 daily in Malaya and Singapore. The Nanyang Siang Pau - the Chinese National daily. This indirect method is adopted by the company to bring out the virtues of the product with the hope that consumer action will be affected when he is ready to buy.

Direct mailing is another media used by Ford. Consumers after being located are sent catalogues and pamphlets for obtaining immediate buying action. To follow-up salesmen would meet the potential customers who have received such advertisements. Catalogues are also handed to potential customers when they make enquiries about a particular Ford car.

Ford doesn't use the Radio, Television or Screen advertising. Television Malaysia still doesn't provide commercial programmes. Radio advertising is considered not suitable by Ford advertising manager though it will appeal to consumers through hearing and the benefit that Ford could acquire would be to project its image to the public.

Some competitors of Ford are making extensive use of screen advertising. The dealers of British Motor Corporation car are an example. Fiat and Japanese car dealers too utilize screen advertising beside the use of national newspapers, magazines and catalogs.

19. Harry O. Johnson: "An Essay on Advertising". The Malayan Economic Review Volume LX No.2, Oct. 1964 - Page 6.

Who provides advertising material? Ford Motor Company of Malaysia takes the sole responsibility for advertising and sales promotion of Ford cars. The retailers are provided with catalogs and pamphlets for distribution and all national advertising is done by the company itself. This is because of the desire of Ford not to leave out the consumers from its promotional efforts. As the product is exclusively distributed it is in the interest of Ford of Malaysia to finance at least in part or most of the advertising so as to develop goodwill towards the company. It must also help establish goodwill towards dealers. This is more important considering the fact that cars need servicing, fueling, lubricating as well as maintaining.

Advertising material is also provided by Ford of Britain, Australia and Canada. These companies wish to promote the sales of their cars which are assembled and distributed by Ford of Malaysia. The British Company provides catalogs on Ford Cortina and their other models thus assisting the dealers in their promotional efforts.

The dealers do not advertise for the cars that they are retailing. But each of them maintain a number of salesmen for their sales promotion. Thus it is a concerted effort on the part of the manufacturers, wholesaler and retailers in promoting the sales of their cars.

Advertising Budget. Marketeers and advertising managers knowing there is a relationship between sales and advertising are very interested in the amount they allocate for advertising. Sales increase with the amount spent on advertising and advertising managers often have a problem of how much to allocate for advertising. The amount allocated could be decided by the well-known percentage of sales method, i.e. applying fixed percentages to past or future sales, or by the Task approach - setting up objectives; Competitive Parity Approach - noting what competitors are doing or lastly, using all available funds. Ford Motor Company decides on the budget by the Task Approach method. This is an objective method of determining advertising budget. The company sets a definite objective for specific advertising programme in terms of certain percentages of task sales. The company has decided that it is going to maintain 12.5% of the market share of automobiles in Malaya and Singapore throughout the year.

With this in mind it set aside a certain sum for advertising. Last year it spent between \$180,000 - \$200,000 on advertising and sales promotion alone. Possibly a similar amount would be spent this year. The Task-approach has one serious disadvantage, i.e. how is the company going to translate its objective to the amount required for advertising.

Copy Strategy. Ford Automobiles are exclusively distributed and are classified under the shopping good category. The consumer spends considerable time in purchasing an automobile. This would mean that the consumer must be informed of the place where product is available. If one were to study advertisements by car dealers one would note that this is given prominence in the ads. Consumers therefore find it easier to locate the dealers. Ford. Co. too in their advertisements states the addresses of their dealers.

Service and spare-parts are two considerations that precede a consumers choice of an automobile. Consumers must never feel that they will be unable to obtain either of these after they have purchased a car. It is therefore the duty of the advertising manager and the marketing staff to help the consumers overcome this fear. This is done through advertisement and the Ford Motor Co. occasionally i.e. between other advertisements, informs the consumers that spare-parts and service are available at their dealers.

Fear of accidents and consequently death is a grave concern to some motorists. Safety equipment in automobiles might satisfy their motive of self-preservation. Motor car companies therefore advertise safety features equipped in their cars, such as disc brakes, deep-dished steering wheel which prevents driver being impaled on steering column in head-on-crash, safety-belts improved visibility, anti-burst door locks which do not fly open in crash and other safety features. Ford Co. too proudly states in its advertisements that Ford Cortina has immediately strong and rigid body shell, a sure stopping power of disc brakes, crash padding over facia, and sun-visars.

Some consumers look for distinguishing features in their cars that would give them pride in ownership. Special features of Ford Cortina are presented by Ford, like the new facia and the new aeroflow ventilation which prevents car sickness and ruffled hair-do of ladies.

Rational motives to some buyers are important. They prefer economy in purchase and use, dependability and durability. Advertisements for Ford Cortina state this belief in economy - "low initial cost, favourable H.P. and insurance rates, low running costs with a touring fuel consumption of 40 M.P.G. and fixed price Ford Service." For reliability advertisements state that "finest equipment has been used to build the Cortina".

While some look for economy and reliability others might look for performance. Motor companies in order to prove this enter big time racing. While drivers of their cars look for personal glory, companies wish to project their image and that of the performance of their cars. When a Volvo driven by Kenyains won the Safari-race in Africa, motor-car dealers in Malaysia advertised this in all the national newspapers. Similarly, Ford Cortina had achieved success in one of the events of Malaysia Grand Prix and this was proudly advertised by Ford in support of their boast of performance for their car.

These are some of the advertising themes that are presented from time to time in the advertisements by car dealers. Of course all these cannot be presented in one advertisement since advertising relies on simplified messages and on mass media. One of these items could be stressed from time to time and possibly all could be stated in their catalogs distributed to potential customers.

One other advertising theme is institutional and product advertising. Ford Motor Co. of Malaysia relies heavily on institutional advertising. The name "Ford" is presented clearly in every advertisement. This type of advertising tries to sell the name of the company and develop goodwill towards itself rather than the dealers. The name and prestige of the company are important considerations.

Institutional advertising is quite common in case of large companies. MacArthy states that General Motor Corporation of U.S. has been relying heavily on it.

Large companies particularly automobiles companies follow a policy of institutional advertising because of exclusive distribution of their product just as Ford of Malaysia. The companies reserve the right to terminate the exclusive distribution agreement and would therefore try to develop goodwill for the company rather than the dealers. If goodwill developed is towards the dealers then the dealers have a strong case for maintaining their exclusive rights.

Product advertising is selling the name of the product obtaining consumer loyalty for the product. In case of Ford Cortina, Ford Company advertises its special features, its superior make when compared to other models of the same class.

Product advertising is of three types - pioneering advertising, competitive advertising, and retentive advertising. Pioneering advertising tries to establish primary demand - "informing about and selling a product category rather than a specific brand". This type of advertising is used in the introductory stages in the life cycle of the product.

Competitive advertising tries to stimulate selective demand. This is carried out when the product has reached market growth and maturity stage. Aim is to advertise a specific brand rather than a general product. Automobile advertising is of this type. The various car companies try to point out the virtues of the product.

Retentive advertising is done when the product has reached the market decline stage. Here the product name is put before the consumers. Thus the various car companies try to bid for consumer patronage by various appeals of safety, economy, style and comfort, elegant looks, better credit and service facilities, ease of obtaining spare-parts, even by selling the name of the company. However exact details of the ads will depend upon the specific objectives.

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Post - Purchase Advertising is meant for consumers who have recently purchased a product - an automobile. This is because certain advertising men feel that purchasers might feel doubtful as to their choice of a particular brand. They might find other brands superior to the one they just purchased. This is likely in the case of automobiles. Advertising men should therefore cater for the recent consumer.

Consider the possibility that the "dissonant consumer may turn to advertisements for the product purchased in search for information to confirm his choice. Thus, advertising may play an important and largely unrecognized role in helping to create satisfied purchasers. The point is that some ads are designed for recent buyers. And you would expect buyers to read more often than readers buy."²⁰

The advertiser by catering the needs of recent buyers can reduce dissonance, brand loyalty may be strengthened and if so the repurchase rate may be increased.

Studies conducted by marketing men and researches reveal greater readership among recent automobile purchasers. "Starch has mentioned that readership of automobile advertising tend to be 20% higher among owners of a specific make than among non-owners. George H. Brown has noted that 90% of the people who had recently purchased a Ford read Ford advertisement, and Emerlich and others have reported that 65% of new car owners read advertising referring to the make purchased, as compared with 41% of not new car owners."²¹

Advertisers cannot neglect recent purchasers of cars. Unfortunately Ford of Malaysia doesn't design any advertising for the recent buyers.

Personal Selling. Automobiles are sold primarily by personal selling. A personal presentation is the best

20. "Are Automobile purchasers Dissonant Consumers?"
James E. Engel Journal of Marketing April, 1963
Volume 27 No.2, Page 55.

21. Ibid.

method of communication. Since each consumer can be treated individually. The salesman knowing the individual consumer can attempt a wide range of appeals both rational and emotional. He can answer the questions of the potential customer and help to remove some of the doubts and fears if the customer might have regarding the product.

A potential buyer of a car doesn't make a hasty decision as to which car to purchase. He will need help and guidance in his choice. Salesmen can provide such help.

Since personal selling is very important for automobiles all the retailers of Ford have a number of salesmen on their paysheets. The number of salesmen employed by a Ford retailer depend on the market potential and on the area he covers and on the range of cars he is dealing with. Of course Ford dealers deal with the whole range of Ford cars. But retailers of other cars may deal only in one particular model while others might deal in a number of them.

A dealer of Volkswagen cars in Seremban has only 3 salesmen because he deals only in the Volkswagen beetle car and Rover. Another dealer in Seremban Wearne Bros. Ltd. has a sales force of 15 because he deals in a whole range and therefore he has a larger number of salesmen.

Personal selling is particularly important in case of automobiles because of the high percentage of trade-ins. The older car has to be examined, test-driven and inspected. Most important a resale value has to be set which is agreeable to both the customer and the retailer. Because of this two-way business - a customer selling a car to the retailer and the latter selling his newer model to the former - personal selling is of considerable importance. Sometimes a sale is not accomplished because a consumer may be demanding a \$100 or even \$50 more for his older model. Much depends therefore on the personal appeals by the sales manager in concluding a sale.

Other Promotional Devices (Service provided with product)

Services offered by dealers can influence the sale of their product. A consumer might find it difficult to make a decision between one car and another. The service offered may be the deciding factor. Thus services offered by dealers can be considered one of the patronage motives of consumers.

The services that could go with the automobile are warranties, that give an assurance to the consumer of the product, provision of credit, free-service to the car, provision of insurance, engine inspection and repair service. Examples of services provided are the 12,000 mile or one year warranty. This guarantees the quality of the car and covers any damage to the car due to natural causes. This assures the consumer of the quality of the product. Warranties are also provided by competitors of Ford. Volkswagen dealers provide a warranty for 6 months or 6,000 miles. This is similar to the warranty provided by Japanese car dealers. There is also a 12,000 mile or 1 year warranty offered by Wearne Bros.

Demand for credit is a feature of car purchases. Either the retailer has to provide credit or that the consumer has to look for credit from elsewhere. Whereas Japanese car dealers provide credit to purchasers themselves - British (including Ford) and German car dealers leave it to private financial corporations to provide credit.

Since it is a regulation that all cars have to be insured, the dealers must make it a point to provide such service. Dealers of Ford act as insurance agents for one of the companies and at the same time provide insurance service to customers. This is in line with other dealers for example, Asia Motors act as agents for China Insurance Co. and provide such service to their purchasers.

Purchasers of Ford cars are free to choose whichever insurance company they prefer if they are buying a car on cash. But if on credit terms then they have no choice but to accept the insurance company that is suggested by the dealer.

Free car service after 3,000 miles of running-in is another service provided by Ford dealers. B.M.C. car dealers too offer the same service. However some car dealers do not offer free service but free engine inspection, e.g. Champion Motors Ltd. which offers two free engine inspections - cost of each inspection is £17.50.

Acceptance of trade-ins itself is another form of service provided, though after repair and overhauling the dealers can sell the car at a better price. Nevertheless they have to provide such service to the consumers to save them the trouble of looking for customers on their own or through other brokers.

In promoting sales of cars therefore dealers have to consider mass media, i.e. advertising, and personal selling. Also services have to be provided to appeal to the patronage motives of the consumer.

CHAPTER IX

SUMMARY

Malayan car imports have been increasing from year to year and at present there is a demand for more than 15,000 cars a year by the States of Malaya. The increasing demand for cars is because of the increasing per capita income. But the per capita income fluctuates from year to year because of fluctuating tin and rubber prices and this affects the demand for cars.

British cars satisfy the bulk of the demand about 40% per year but this is now on the decrease because of the competition not only from the Continental countries but also from Japan. Since the last five years Japan has been steadily capturing the market and car imports from Japan alone in 1964 amounted to 17% of the total imports. This is an achievement inspite of the fact that British car manufacturers were the first to enter the market and since then have been helped to maintain their position by the protective wing of the British. Even now they are still at an advantage because registration fees on their cars are only 10% when compared to the registration fees on other cars which pay 25%.

considered

Ford selling British cars has/all this while faced competition only from British Motor Corporation but now it has to face the additional competition from Japan too and the Japanese are slowly but surely gaining a bigger share of the market though they have to face certain disadvantages - one the late entry into the market, a low resale value for their cars and the problem of building a good image in the eyes of the public.

Deisel cars formed only 9% of the total cars registered in Malaya in 1964. The market for these is small but nevertheless important. More and more taxi-cabs used now are deisel. Private businessmen and contractors too prefer these.

There are various sub-markets for the petrol cars. The sub-markets range from the high class luxury

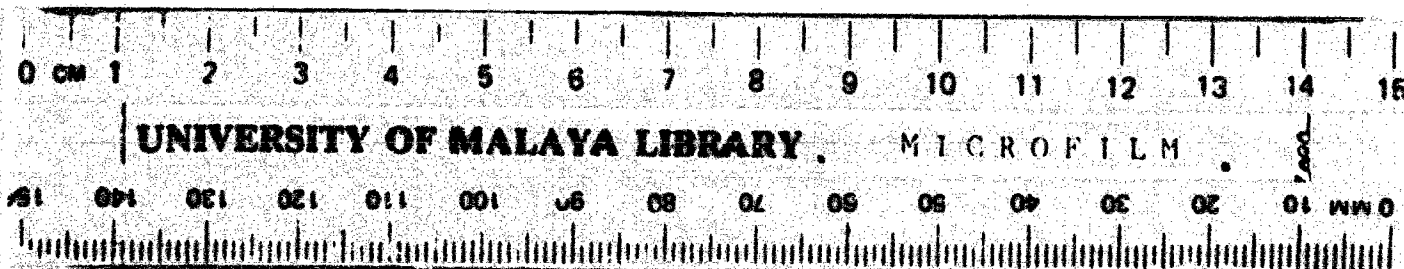
models to the low-priced sedans. There is also the demand for the Estate and Station-wagon type of cars by manufacturing firms, wholesalers and retailers of merchandise. Sports car enthusiasts form a separate market. Ford Motor Company of Malaysia produces cars for the various sub-markets - petrol as well as diesel but it hasn't produced a car for the sportsman. This sub-market is entirely left to the other companies - the British Motor Corporation and the Mercedes Bens. Perhaps the Ford Company found the demand for the sports car not large enough for them to warrant the production of a sports car. It may not be economically feasible for the company.

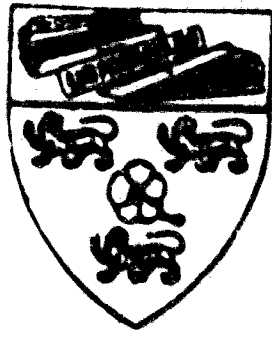
Consumers of cars are to be found in the urban areas which are the administrative, commercial, cultural and social centres. Incomes are higher in the urban than in the rural areas and Chinese and Indians have higher per capita incomes than the Malays. These are the reasons why one finds more passenger cars in the Western States of Malaya. These states are still the major potential areas for cars. The Ford Motor Company has considered this and the existence of the British forces in the urban areas along the west coast in selecting its channels of distribution. It has dealers in all the capitals of the States except Kedah/Perlis where there is a large rural Malay population.

However I consider these dealer points inadequate at present. One reason why the Japanese have captured a large share of the market is because of their sales drive in the smaller urban towns as well. They have established retailers in towns where there were none before. Other companies are following their pattern but Ford company still has its retailers in the State Capitals. Maybe Ford considers these dealers adequate according to its policies of which I am not informed.

To promote the sales of Ford cars the company has utilized mass media - newspapers and periodicals. It has not utilized the radio or the screen. Maybe the companies advertising manager feels that screen advertising and radio advertising are a waste of money. But I believe that screen advertising would be effective. It shows at once the style and colour of the car. The effect of what the consumers have seen, and heard would be far greater than the effect of newspaper advertising. Other companies are employing it, e.g. Fiat cars are advertised regularly on the screen.

As stated earlier post-purchase advertising is an important part of advertising. To maintain consumer satisfaction and the loyalty of consumers post-purchase advertising is important. This has been neglected by Ford. I believe that the relationship maintained between dealers and consumers after a purchase through servicing and other services provided is insufficient. This good relationship could be further strengthened by post-purchase advertising to these people.





TAMAT

