

The factors affecting dealership marketing essay



According to OGrady; product recall in the UK have increased by 12 percent, from a total of 205 in 2009 to 229 in 2010 of which automobile manufacturers rank highest on the list. The recall of defective products are made to foster consumers protection and uphold the reputation of a firm Eilert (). However, safety, quality and reliability should be the watchword of car makers and auto dealers. Hence the recall of dingo 3 hybrid model for defect in its faulty accelerator pedal will have much impact on the manufacturer and the local dealership. This report will evaluate the macroenvironment and microenvironment of Auto-Direct dealership using PRESTCOM Analysis. The main body of this report will look at two macro environmental factors and one micro environmental factor facing the dealership industry and also, its impact on the marketing decision of the organisation. Finally, the full PRESTCOM Analysis which is arranged in its order of impact on the dealership industry will be seen in the appendix.

FACTORS AFFECTING DEALERSHIP

The Economic Environment

The Regulatory Environment

The Competitive Environment

The Economic Environment

According to Masterson and Pickton (2010), economic environment are monetary changes that affect the organisation. Below; three factors will be discussed Recession, Cost of services on accelerator pedal and unemployment.

Recession

O'Sullivan et al (2011) explains that according to the National Bureau of Economic Research, recession takes place when economic activity dramatically fails across the economy. Furthermore, recession leads to significant decline in Gross Domestic Product (GDP), business production, wholesale and retail sales, real income and high unemployment rate. On the one hand, a slowdown in the British economy has had significant effect on the market for car sales. According to Mintel (2012) car sales are put at 1.94 million units as compared to 1.99 million units in 2009 (Mason, 2012). The recession has forced consumers and organisations into new ways of thinking about price and value, it is a normal practice that when there is an economic downturn customers tend to go for cheaper products. Buyers now have the mind-set of "Just Good Enough" products. Hence, what the consumers want must not be the best in the market, provided the brand assurance of benefit includes low cost. Consumers are forced by the economic situation to go for cheaper alternative which in turn affects the profit of the Auto-Direct dealership (Emerald, 2010). Growing costs mean that for certain people, the affordability of maintaining a car is uncertain. Bainbridge (2011) reports that the Automobile Association (AA) investigation confirms that, the amount of unleaded gasoline rose by 58% between January 2009 and May 2011, and diesel by 43%. Additionally, there has been an increase in road tax, insurance and car finance packages. . The petrol-powered car market is on the decline because of the gasoline prices and insurance rate.

Industry experts have estimated that the middling price of a litre of gasoline in the UK has increased to GBP0.693 since the beginning of 2011, these

situations are expected to prime above 5% year over year in new vehicle sales in 2011. Therefore, sales of less sophisticated cars are profiting at the cost of luxury cars in the market. (UK Autos Report, 2011) Hence, the UK current recession has had a detrimental impact on sales of automobiles. Proquest (2012), explains that the Office for National Statistics (ONS) position that, there was a decline in the economy in the first quarter of the year 2012 by 0.2 percent following a decline in the fourth quarter of 2011 at 0.3 percent. Mintel (2012) forecast that the economic downturn retail market will be relatively subdued in the year 2012 and 2013. Furthermore, there is a prediction that growth will occur by 2014 as the financial system recovers stability in the automobile industry.

Cost of Servicing an Accelerator Pedal

According to McDonald and Kevin (2006), customers, investors, staffs, and the motoring public all pay the price when a recall is made. The Dingo 3 automakers supply the replacement for the accelerator pedal but they do not pay the dealership for their services. Using Toyota as an instance, Hickman (2010) explains that Toyota will write in batches to all its British consumers who are affected by the recall, proposing dates for the defective accelerator to be fixed at their 180 dealerships around UK.

Unemployment

The figure of job loss in the UK fell by 50,000 to 2.53 million in a period of three months in August 2012, this rate of unemployment fell to 7.9% from 8.1% (BBC 2012). According to Guthrie (2010), Toyota's Burnaston plant at Derbyshire is planning to cut 750 jobs in response to decreasing demand for

cars. They may have to retrench more workers over the recall of accelerator pedals which will significantly lead to lower sales.

Marketing Decisions for Economic Environment

Professional advice and undependable support toughly advocate strategic investment in marketing, especially in times of economic pressure (Apaydin, 2011). Although, he is of view that marketing practitioners are doubtful of this practice since it is assumed that marketing and advertising agencies, media firms and professional associations who have a vested interest in sustaining or increasing spending in this area. Several organisations have reacted to former and present downturns by hugely cutting back on expenditure, with expenditure on marketing, Apaydin, F. (2011).

The Regulatory Environment

The regulatory environment is a macro environmental factor. According to Stanbury (2010) product recall mainly focuses on the concerns of public safety after which they begin to access insurance and legal issues.

Codes of Practice for Vehicle Safety Defect

Recalls to report safety defects in motorised products are propelled and checked under the terms of Codes of Practice articulated from debates amongst the Section for Transport and the Trade Associations on behalf of the car business industry. These codes are set down rules and procedures for the recall of automobile and components that have safety connected faults due to a technical part or design which is likely or accountable to cause significant risk on consumers either by injury to motorist, passengers or street users. The Overall Product Safety Regulations 2005 offer a lawful

support; there are three codes, Code of practice on vehicle safety defect inclusive of components, code of practice on action regarding the recall of wheels, tyres and other related parts of the product and the code of practice for recalls on pedal cycle. The responsibility lies on the car manufacturer to notify Vehicle & Operator Services (VOSA) when there is a significant indication of safety defect that requires immediate corrective measures. VOSA can also call the attention of a manufacturer as a result of inquiries into accidents and safety defect (VOSA, 2011)

The Competitive Environment

Direct Competition

The car dealership industry is enormously competitive with a huge number of several suppliers ranging from small distributors to independent national distributors to internet-only distributors and finally to an enormous international market (Market Report, 2012). According to Baltas and Saridakise (2009) purchasing a new car by most people is a very important investment and their decision is often made after an extensive research of products and brand name and equally consideration of various alternatives. There are over 50 brands that offer a variety of different car-type segments in Europe. However, in the car dealership industry in Europe there is a fierce competition among the retailers to provide the best value for money through offering the most appropriate product and services to customers. Retailers compete in various ways one of which is through sales of brand. According to Reed (2011), Toyota declares it has lost market share because of the recalls, strong competition, and its unwillingness to contest competitors in offering sales motivations.

Marketing Decision for Competition

According to Stettner (2012), to stand out from competitors in business is more than merely running adverts and strategic market analysis of competitors, the market place, their goals and values in building a good brand . To create a brand begin by asking how different your business is from your competitors once you have decided on an authentic, unique brand to identify your business with, enlighten your staff about why it matters. It is best to create a unique brand and after then raise your brands public awareness.

Conclusion

In summary, this report looked at Auto-Direct a local car retailer at Leicestershire. The main aim of this report is to examine the challenges faced by Auto-Direct over a recall on Dingo3 Hybrid model with defects on its accelerator pedal from its major car manufacturer. This report looked at the internal and external environmental challenges facing the dealership industry it focused on three factors namely; the economic environment, the regulatory environment and the competitive environment. In the economic environment we looked at recession being a course of business slow down we also looked at unemployment and the cost of servicing an accelerator pedal. In the regulatory environment we looked at the regulations governing the dealership and the auto manufacturer and lastly we looked briefly on the competitive environment with our attention focused on direct competition. Furthermore, we looked at the marketing decision of organisation on the environmental factors. We also analysed PRESTCOM on a table at the appendix note that PRESTCOM table is numerically rated.

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Recommendation

During recession times organisation should spend more money on advertisement. Also car dealers should come up with market strategies to benefit fit customers.

Manufacturers should pay dealers for recall services and not just provide the defected products.

Regulations should be followed strictly by dealership.

Skilled and qualified technical personnel should be employed to avoid technical defect which leads to recalls.

Staff training should be implemented from time to time.

Compliance to safety rules.

Appendix

PRESTCOM

RANK WEIGHT

FACTOR

FACTOR RANKING WEIGHT

JUSTIFICATION/EVIDENCE

ECONOMIC

1

The economy downturn in the UK has a significant effect on sales at Auto-Direct.

Cost of service of recalled accelerator pedal

Loss of sales leads to downsize of staff. No profit no pay.

Due to recall, there is less purchase for other brands of Dingo 3 hybrid model.

1

2

3

4

According to Keravan (2012), UK economy has dropped . Output is still where it was in 2011, retail sale will be on the decline still debt goes away.

REGULATION

2

Code of practice for vehicle safety defect.

The general product safety directive. EU directive

2001/95/EC which aims to check the safety of consumer's product checks the safety compliance of our vehicles.

New car registration

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Proquest (2005), regulations require automakers and retailers to send notification to trading standards department notifying them of an unsafe product.

COMPETITION

3

Direct competitors: Other

dealership that do not sale brands of the dingo 3 hybrid makers would experience higher sales of other brands.

Close competitor: Our potential customers may decide to take alternative options like buy used cars, bicycles or use public transport.

1

2

Car dealership in various times is under pressure from a combined effect of recession and competition. Mintel (2012).

ORGANISATION

Negative reputation of automakers of Dingo 3 hybrid model leading to loss of potential customers, less sales of the manufactures other brands and loss of confidence on brand name.

Since brand is a powerful tool to get more customers brand loyalty and dealership loyalty play a vital role to satisfy customers with vehicle safety, vehicle comfort and after sales services

A good interaction with our customer service personnel informing consumers of the recall, assisting customers in making decision on the kind of car to buy and handling consumer's problem has a positive influence on the organisation.

The location of Auto-direct in a local environment affects sales.

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The value customers receive when they choose to do business with us represents our company's brand. Hence, when a brand makes a promise and defaults through defective products or poor customer services then its reputation becomes at stake. Gianfagna, J. M (2012)

SOCIAL

More population higher demand for cars and mechanical services.

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Life style affects purchase

Consumers attitude towards recall differs on personality

MARKET

Advertising for our local dealership is very important for basic awareness of our product and services to attract potential customers leading to a positive influence on the Economic and E-Marketing: Advertising on internet connected devices e. g. Smart phones, tablets and PC this device will attract a larger market opportunity

Meeting customers demand by having in stock different brands, types and colours of cars

Customisation of brands to consumers taste and style. social factors.

1

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According to Sebastian, J. N et al (2010) advertisement is the life wire of every organisation, since our market is targeted at our customers.

TECHNOLOGY

Internet/On board WI-FI. There is a growing need for “ infotainment system” in cars. This will lead to increase in sale but the debate remains, is it safe?

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Online sales of vehicle boost market and create convenience.

Energy saver technology 100% electric cars.

The use of biofuel cars to cut down the emission of CO2.

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The benefit of technology cannot be over emphasised. Connectivity is most essential in the world today. According to Gosh et al (2012) technology increases profitability through its significant impact on revenue growth and saving cost.

The present style in the car business plugs to an growing attention on the development of cars with better-quality fuel efficiency and reduced emissions (Tomkins: 2008)

POLITICAL

A rise in interest rate affects the cost of living therefore there will be less disposable income for purchase of cars.(Economic/Market)

Increase in tax on fuel leads to decrease in sales of our automobiles.
(Economic/Market)

The increase in VAT affect the price of our cars and services at the local dealership.(Economic

1

2

3

The UK treasury says corporate rate and taxes would be cut down from 2% to 24% this year. According to Connor (2012). This means that in the year 2012 Auto-Direct will experience a significant boost economically which will lead to the employment of more skilled staff, increase in market competition and more investors would compete.