AN ANALYSIS OF THE EFFECTS OF GREY IMPORTS ON THE FINANCIAL PERFORMANCE OF AUTHORISED CAR DEALERS
(A SURVEY OF AUTHORISED CAR DEALERS IN HARARE)

SUBMITTED BY

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SIGNED : ......................................................

DATE : 31 October 2014
DEDICATION

This research project is dedicated to my family and all those who assisted me in the completion of my degree.

Commit your work to the LORD, and your plans will be established. (Proverbs 16:3)
ABSTRACT

The study sought to analyse the effects of grey imports on the performance of authorised car dealers. The research was undertaken as a survey of authorised car dealers in Harare. In this study the researcher selected seven authorised car dealers in Harare which are Amtec Motors, Croco Motors, Duly Motors, Nissan Cloverleaf, Davecon, Motec Holdings and Puzy and Payne. The researcher collected both primary and secondary data from the seven authorised car dealers and Motor Industry Association of Zimbabwe (MIAZ) in Harare through interviews and questionnaires. Furthermore, the sample size was selected of 40 members of staff at 7 car dealers in Harare and Motor Industry Association of Zimbabwe. The gathered data was then presented using pie charts, tables and graphs and analyzed using percentages, modes and means. The research shows that the penetration of grey import vehicles in Zimbabwe had a negative impact on the financial performance of authorised car dealers in Harare. In addition the research highlights the importance of government policies on protecting the local motor industry. The study was concluded by recommendations to the management that will help the authorised car dealer companies in Harare to improve their profitability. The recommendations include selling of vehicle parts of grey imports, offering of affordable vehicle finance options and servicing of grey imports among others.
ACKNOWLEDGMENTS

First and foremost I would like to give all the glory and praise to the Almighty God for taking me through this journey. I feel greatly indebted to my project supervisor for his guidance, his profound knowledge and keen interest which helped me greatly in assembling this project.

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CHAPTER I

INTRODUCTION

1.0 Introduction

This chapter will mainly look at the background of the study that shows the problems that authorised car dealers in Harare were facing. The problem statement defines the problem that the researcher would like to solve and this was followed by the objective of the research. Furthermore, this chapter reflects the importance and the benefits of this study to the university (Bindura University of Science Education), the researcher and to the authorised car dealers in Harare. The limitations and delimitations of this study will also be discussed. This chapter will be concluded by defining the key terms and a summary.

1.1 Background of the study

The introduction of the multicurrency in February 2009 led to an increase in volumes of grey imports in Zimbabwe. These imported second hand and new vehicles have caused a major reduction in the sales volumes of major car dealers in Harare. The volumes of imported vehicles increased because most workers in the country started earning relatively low salaries and wages and only few people were able to buy a brand new car, unlike in the past when workers could raise finance to purchase brand new vehicles and pay over three or four years.

According to Autobusiness magazine (January 2014 issue) the motor industry was operating at capacity utilisation just around 10 percent. At this low capacity utilization level car dealers still had to absorb fixed costs and this caused the local brand new vehicles sold by car dealers to become too expensive. The prices of brand new
vehicles sold by car dealers in Harare range from US$18,000.00 to US$40,000.00 depending on the model of the vehicles.

**Table 1.1: Trend of vehicle imports from 2011 to 2013**

<table>
<thead>
<tr>
<th>Year</th>
<th>Vehicle imported</th>
</tr>
</thead>
<tbody>
<tr>
<td>2011</td>
<td>12305</td>
</tr>
<tr>
<td>2012</td>
<td>15019</td>
</tr>
<tr>
<td>2013</td>
<td>17262</td>
</tr>
</tbody>
</table>

Source: Autobusiness magazine (January 2014 issue)

In an interview conducted on Tuesday 9 July 2013 by the Financial Gazette Journalist interviewing the CEO of Total Motor Mart, it was noted that from year 2011 to 2012 there was an increase in the number of registered vehicle dealers and the volume of vehicles imports as shown in Table 1.1. In addition, these vehicles imports affected the Zimbabwe motor industry. The local motor assemblers were out competed by fully packed and cheap imported vehicles.

Willowvale Mazda Motor Industries (WMMI) Managing Director, Engineer Dawson Mareya announced that, Zimbabweans imported vehicles worth more than $200 million from January to May 2013. These arrivals of these second hand and brand new vehicles have forced one the vehicle assembly company in the Country WMMI to close down its assembly plant. WMMI closed down its plant mid September 2013 but its Sales (Marketing) and Finance departments are still functioning. (Newsdzezimbabwe 2013).
Table 1.2: Trend of vehicles sold by car dealers in Harare 2011 – 2013

<table>
<thead>
<tr>
<th>Car dealers</th>
<th>2011</th>
<th>2012</th>
<th>2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>Amtec Motors</td>
<td>234</td>
<td>217</td>
<td>184</td>
</tr>
<tr>
<td>Croco Motors</td>
<td>384</td>
<td>377</td>
<td>379</td>
</tr>
<tr>
<td>Duly Motors</td>
<td>313</td>
<td>295</td>
<td>280</td>
</tr>
<tr>
<td>Nissan Cloverleaf</td>
<td>360</td>
<td>345</td>
<td>342</td>
</tr>
<tr>
<td>Davecon Motors</td>
<td>177</td>
<td>160</td>
<td>155</td>
</tr>
<tr>
<td>Motec Holding</td>
<td>131</td>
<td>118</td>
<td>109</td>
</tr>
<tr>
<td>Puyze and Payne</td>
<td>143</td>
<td>137</td>
<td>111</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>1742</strong></td>
<td><strong>1649</strong></td>
<td><strong>1560</strong></td>
</tr>
</tbody>
</table>

Source: WMMI car dealer’s sales report (February 2014)

Units of vehicles sold by car dealers in Harare have been decreasing from 2011 to 2013 because of the increase of imported grey imports as evidenced in Table 1.1 and Table 1.2. The other reason of this decrease in sales volumes of car dealers was because the government institutions were importing some of their vehicles. This decrease in vehicle sales led to the retrenchment of workers in these companies since the companies were unable to pay salaries and wages to all their workers.

1.2 Statement of problem

Since the introduction of multicurrency in Zimbabwe the sales of brand new vehicles of major car dealers in Harare have been decreasing, whilst the units of imported second hand and brand new vehicles were increasing. In addition, these reductions in vehicles sales have changed Willowvale Mazda Motor Industry from car assembling to car dealership. This study aims at investigating the effects of brand new and second hand grey imports on the profitability of authorised car dealers in Harare.
1.3 Objectives of the study

1. To analyse the effects of imported used vehicles on the sales of authorised car dealers in Harare.
2. To discuss the impact of the government policies on importation of used vehicles.
3. To establish how vehicle finance schemes have affected the vehicle sales of authorised car dealers in Harare.
4. To assess the competition between the local brand new vehicles and grey imports.
5. To suggest how authorised car dealers in Harare can improve their profitability.

1.4 Main research question

To what extent have the imported vehicles affected the performance of authorised car dealers in Harare?

1.5 Sub research questions

1. To what extent did the imported used vehicles affected the sales of authorised car dealers in Harare?
2. How can government be of help to support authorised car dealers in Harare?
3. How can vehicle financing schemes by banks be of help to the car dealers in Harare?
4. How are the local car dealers surviving in the face of competition with grey imports?
5. What strategies can the management put in place so as to fight against the effects of imported used vehicles?
1.6 Justification of the study

1.6.1 To the Researcher

The researcher is in partial fulfillment of the requirements of a Bachelor of Accountancy (Honours) Degree and also the researcher benefited from the research as he had the opportunity to have practical experience of what was happening in the motor industry.

1.6.2 To the University

The study will benefit the university as the final researched work may be used by other students as an additional source for their research work. The research also furnished them with a new way of understanding the effects of imported vehicles on the performance of car dealers in Harare.

1.6.3 To the Firms (Authorised car dealers in Harare)

The research will help the companies in the motor industry to establish ways to improve their current financial performance as well as financial position as they are suffering from reduced demand compared to grey imports.

1.7 Delimitations of the study

1. This research was concerned with the profitability and sales of car dealers in Harare.
2. The research covers the period from 2011 to 2013.
1.8 Limitations of the study

1. Managers were not willing to disclose confidential information regarding certain ratios and other related data. However the researcher assured them that the information was going to be kept confidential.
2. Secondary data and primary relating to car dealers was gathered through telephone, questionnaires and emails for example the annual sales of car dealers.

1.9 Definition of key terms

**Grey imports:** are used and new vehicles that are legally imported from one country to another through channels other than that the manufacturer’s or the assembler’s distribution system.

**Authorised car dealers:** these are companies that operate as middlemen between the vehicle assemblers or manufacturer and the customers and should have a show room, fully equipped workshop and retailing parts for vehicles.

**Financial performance:** the level of performance of a business over an accounting period expressed in terms of overall profits and losses during that period.

**Competition:** the efforts of two or more companies acting independently to secure the business of a third party by offering terms which are most favourable.

1.10 Summary

This chapter mainly introduced the study. The chapter discussed the background of the problem, the statement of the problem and its research objectives. It also highlighted the delimitations and limitations of the study. The importance of the research to the researcher, university and the car dealers in Harare were also discussed with the chapter. The next chapter will mainly look at the literature review on the effects of grey imports on the performance of car dealers.
CHAPTER II

LITERATURE REVIEW

2.0 Introduction

Literature review is a process of summarising, analysing and evaluating scholarly materials on a specific topic (Nordquist, 2013). The chapter starts with giving an overview of motor industry in Zimbabwe. Moreover, it provides existing literature on a definition of grey imports and their effects on local car dealers. It also reviews what was written by different scholars on the impact of the government’s policies on grey imports, ways that car dealers can improve their profitability and the effects of vehicle financing schemes on sales of car dealers. This chapter will be concluded by an analysis of competition in the modern motor industry and a summary.

2.1 Purpose of Literature Review

According to Remeny (2001), the purpose of literature review is to establish or define the area of study, establish a theoretical framework for the subject area of study and to identify studies, models and cases supporting the research topic. Relevant literature was sourced from journals as well as relevant business text.

2.2 Theoretical Review

2.2.1 Zimbabwe motor industry review

According to Motor Componentry Zimbabwe (March 2012), Zimbabwe’s motor industry was confined to the assembly of limited vehicle models and the manufacture
of motor components such as rubber belts, filters, body parts, rims, tyres, spark plugs, batteries, electrical wiring, bolts, exhausts, plastic bottles for water, and engines coolant, glass, seats, brake pads and other process materials. The local motor industry was affected by the economic challenges that Zimbabwe faced since the beginning of the new millennium and grey imports that started to exist around 2005.

Furthermore, South African Complete Knocked Down (CKD) vehicle kits imports which have been growing at the expense of the local motor industry have resulted in the decline of the motor industry. Within the Southern Africa region, South Africa has a well developed motor industry characterized by advanced technology process.

According to auto business magazine (January 2014) the Zimbabwe motor industry was experiencing the following challenges:

The companies in motor industry lacked marketing strategies. According to O’ Neal (2009) marketing is very important in vehicle selling because it attracts customers to buy vehicles from the companies with better marketing strategies.

The industry lost skilled labour and experienced people to regional countries and beyond seeking for greener pastures as evidenced in Table 2.1. Table 2.1 shows brain drain of skilled labour in the motor industry as percentages of the total brain drain during the year.

Table 2.1: Brain drain trend for 2011, 2012 and 2013

<table>
<thead>
<tr>
<th>Year</th>
<th>2011</th>
<th>2012</th>
<th>2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>Estimates of brain drain</td>
<td>13.5%</td>
<td>12%</td>
<td>15%</td>
</tr>
</tbody>
</table>

Source: Zimstats records (2013)

Frequent power cuts interrupted the production of vehicles in the industry and cheap Complete Built Units (CBU) imported from South Africa. Furthermore, the absence of
bank loans as well as high cost of short term loans from financial institutions and working capital challenges has adversely affected the Zimbabwe’s motor industry.

In addition, the unavailability and expensive steel from local producers such as Steel force Ltd, forced the assembly companies import from South Africa as shown in Table 2.2.

### Table 2.2 Carbon steel prices trend for 2011, 2012 and 2013

<table>
<thead>
<tr>
<th></th>
<th>2011</th>
<th>2012</th>
<th>2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>Zimbabwean prices US$/tone</td>
<td>1105</td>
<td>1105</td>
<td>1250</td>
</tr>
<tr>
<td>South African prices US$/tone</td>
<td>646</td>
<td>659</td>
<td>672</td>
</tr>
</tbody>
</table>

Source: Worldsteelprices 2014

The motor industry in Zimbabwe is comprised of several major car dealers which include Amteg Motors, Croco Motors, Amalgamated Motor Corporation (AMC), Duly Motors, Nissan Cloverleaf, Davecon Motors, Motec Holdings, Puzey and Payne among others. The main aim of these car dealers was to sale new vehicles and vehicle parts as well as providing service to vehicles sold.

Furthermore, in Zimbabwe there is an association that governs the business operations of companies in motor industry that is called Motor Industry Association of Zimbabwe (MIAZ).

#### 2.2.2 Definition of grey imports

According to Stothers (2007) grey imports are used and new vehicles that are legally imported from another country through channels other than that of the manufacturer’s or assembler’s distribution system. However Sugden (2009) defined grey imports as vehicles that are manufactured or assembled in outside the target country but have
trademarks of the country in which they were manufactured. For instance in Zimbabwe individuals and other newly formed car sale dealers are importing vehicles from Japan through a channel that is not an official distribution system. Furthermore Maskus (2010) also defines grey imports as vehicles that were manufactured under trademark, copyright protection or patent and put into circulation in the market of that country and then imported into another country without authority from the local brand owner.

According to Nissanoff (2006), grey imports can be put into three categories which are: unintended vehicles, licensed vehicles and distress vehicles.

**Unintended vehicles**: These are vehicles that are authorized for sale in one country but get redirected to another country for sale and when they get into circulation of that country, directly compete with authorised distributors in that country.

**Licensed vehicles**: These are vehicles manufactured in agreement with a trademark license but sold through unauthorized channels.

**Distress vehicles**: These are vehicles that are distributed by car dealers who are unauthorized in the circumstances that they have excess supply or vehicles are old models in the country in which they were manufactured or assembled.

Grey imports that were dominating in Zimbabwe are under the category of unintended vehicles because were assembled and manufactured with the intention to be sold in Japan but when they became expensive to maintain for the people in Japan, the vehicles are distributed to Zimbabwe at low prices.

Moreover, Jamschewski (2009) highlighted that imported vehicles from Japan are categorised as unintended vehicles because are manufactured and assembled in Japan and are intended for the Japanese market but because of strict legislation in road test and in environment, after six years the vehicles become expensive to maintain and are sold to other countries mostly developing countries. Therefore, grey imports are automobiles that are manufactured or assembled in another country other than where
they are sold, are legal imports that come into another country through unknown and unrecognised dealership in distribution of these vehicles by the manufacturer.

In addition, grey imports are usually sold at prices that are lesser than those proposed by the distributors for example grey imports that were imported in Zimbabwe were bought from Japan at low prices. For example the grey imports from Japan ranges cost US$3500 to US$6000 including import duty, whilst the brand new vehicles from local car dealers in Zimbabwe range from US$18000 to US$40000. From all definitions of grey imports the major concept is that grey imports were vehicles imported from one country to another via a distribution channel that was unrecognised or unknown.

Grey imports were used and new vehicles that are legally imported from one country to another through channels other than that the manufacturer’s or assembler’s official distribution system Stothers (2007), this was the definition of grey imports vehicles that will be used in this study because the most grey imports in Zimbabwe were imported from Japan through channels that were not recognised and authorised.

2.2.3 Effects of grey imports on car dealers.

According to Mashiri (2013), grey imports destroyed the Zimbabwe’s motor industry through competition, among other things and positively the grey import have given the people of Zimbabwe a chance to own cars because were cheap. Moreover, these grey imports brought a war between brand new vehicles dealers and grey imports vehicles dealers because of competition. Furthermore, consumers may develop a negative attitude towards grey imports because sometimes cannot be properly maintained or serviced and some consumers may be worried because technical requirements may not be met by grey imports (Michael, 2010).

Wikianswers (2013) highlighted that the disadvantage of grey imports was that they compete with the local industry and it resulted in a decrease in profits for the local motor industry companies. The grey imports could out-compete the local motor industry and results into closures of companies and retrenchment of employees as they no longer make their profits.
Investorword (2013) highlighted grey imports of trademarked vehicles created confusion for consumers. However, some authors like Ahmadi and Yang (2008) argue that there was no possibility of confusion to customer because grey importers sell genuine trademarked vehicles. Moreover, consumer confusion was possible if a grey importer does not offer the same warranty protection, which the consumer has come to expect and disclose that they were unauthorised distributors.

According to Weigand (2008) there were two major reasons why grey imports occur in international markets. Grey imports existed because foreign manufacturers practice price discrimination within countries and grey imports sellers go against these price difference. Also grey importers were efficient than authorised distributors because grey imports compete with vehicles of authorised distributors, and were sold at lower prices that were beneficial to sellers.

2.2.4 Impact of the government’s policies on grey imports

Herald (2013) highlighted that in 2007 the motor industry in Zimbabwe started to enjoy a boom in business with domestic car demand rising up to 100 percent because the government had announced that all luxury cars imports was to be paid in foreign currency. At that time Zimbabwe was still using Zimbabwean dollar, therefore this made the vehicle importation too expensive resulting in increasing the demand of local products.

According to Sibanda (2011) in 2011 the Zimbabwe motor industries lamented the downward review of duty on one-tonne trucks and its sales for similar vehicles reached an estimated 70 percent due to competition on grey imports. The former Finance Minister Mr Tendai Biti announced the reduction of import duty on one-tonne pick-up trucks when he presented the Mid-Term Fiscal Policy during 2010.

According to Autobusiness magazine (February 2014 issue) Willowvale Mazda Motor industry managing director Engineer Dawson Mareya suggested that for the motor industry in Zimbabwe to resurrect there was need to develop a Zimbabwean motor
industry development policy. Engineer Mareva also suggested that the policy must include an embargo on all imports of motor vehicles.

**Philippines government policies on vehicle importations**

According to Bhagwati (2008) in the Philippines the motor industry was protected by embargo on the importation of new vehicles but their motor industry operates under the burden of domestic content and export requirements that protect the country’s producers of automotive components.

**Chinese government policies on vehicle importations**

China trade barriers, such as restrictive annual quota, high import tariff and importation license were adopted to protect their motor industry, Ahmdi et al (2012). Furthermore in developing countries trade barriers are commonly used to protect their immature motor industries. The import tariff in China had been high in range of 200 to 300 percent in the 1980s and 100 to 200 percent in the early to mid 1990s and from year 2011 to 2013 the import tariff were ranging from 100 to 150 percent. The central government limited the motor industry grey imports so as to form economies of scale and give the local car dealers opportunity to boost their performance. Also there was a policy that any company that manufactures or assembles vehicles with less than 60 percent Chinese component was penalised because China wants 60 percent of vehicles parts in new Chinese vehicles to be locally made.

**South Africa government policies on vehicle importations**

According to Parsons (2009) the government of South Africa imposed a total ban on importation on second hand vehicles. In South Africa grey imports were not allowed to travel on their roads until they reach the importing country. The government’s objective was to boost the financial performance and financial position of their motor industry by the formulation of Motor Industry Development Policy. The policy
ensured that their motor industry remained competitive on both the international market and the local market.

**United States of America government policies on vehicle importations**

According to Sugden (2009) United States of America was still using emission and safety regulation on motor vehicles administered by National Highway Safety Administration and their regulations were different from the internationalised regulation used worldwide. In addition the National Highway Safety Administration works hand in hand with the Environment Protection Agency in regulating the possession of vehicle that do not meet the country’s standards.

According to Johnson (2006) vehicle assemblers and manufacturers segmented world markets by price and territory, that is the vehicle assemblers and manufacturers created a demand for grey imports in the world. For example the terms applies in the United Kingdom to vehicles imported either new from cheaper Japanese domestic models imported second hand from Japan or from European countries or Singapore, which both have strict laws against older cars. Second hand grey import vehicles from Singapore or Japan tend to involve models of vehicle that were never assembled or manufactured in the United Kingdom because of their performance and status. Some grey imports were a bargain to their owners, because the vehicles did not meet British regulations and the vehicles cannot be serviced in the United Kingdom.

According to Rothme (2010) grey import vehicles in Australia included a majority of cars in the national fleet. The second hand grey imports were serviced and used without comment throughout society. The industry was servicing and supplying parts for these vehicles. Furthermore after years of trying to ban grey imports the motor companies themselves started to be involved in the importation of these grey imports.
Therefore from the above facts it shows that a country’s government policy on vehicle importation plays a very important role in improving the financial performance and financial position to companies in their local motor industry.

2.2.5 Ways car dealers can improve their profitability

Hofstrand (2009) argued that profitability is the primary goal or achievement of all business ventures. Thus without profit the firms will not survive in the long run. Profitability of a business was measured with income and expenses. Profit was the money that generated from the activities of the business. Car dealers profit was the discount received on the list price of vehicles or the price at which the car dealer buys the vehicles from the manufacturer. Thus after deducting the discount to customers and the car dealer cost from this profit, the remaining amount constitute the dealers profit.

According to Bousquin (2008) an important indicator of the relationship between the manufacturer of vehicles and the car dealers was profitability of the car dealers. In addition it has been shown that the car dealer’s profits are low in most markets and are not enough much for motivating the car dealers. Therefore the relationship between the vehicle manufacturer or assembler and the distributor can improve the profitability of the car dealer.

According to Sanjay et al (2009) in the United States of America the manufacturers and assemblers of vehicles rely on car dealers for virtually new vehicle sales as well as providing services and parts to car buyers. The authors also suggested that vehicle manufacturers and assemblers should investigate ways of working with dealers to improve their performance together because the performance of the vehicle manufacturer has a significant impact on the car dealer’s profits. They also suggested that car dealers must be involved in many activities to boost their performance for instance providing new parts and service to vehicles sold and providing fuel filling services.
Furthermore, the car dealers can improve their profitability through care, service and warranty. According to Smyck (2011) some dealers give major service to used cars before selling them, this involved change of oil filters, in-carbon air filter, engine oil, engine coolant, power steering transmission fluids, check wipers and air conditioner hygiene. Moreover, after sale services like servicing the car when due also improved the car dealers profit because this assures the customers to some extend that they are getting a good car.

Customers loyalty and brand loyalty is another factor that can improve the profitability of the car dealers. According to Fredric (2008) costumer’s loyalty was determined by customer satisfaction. Satisfaction can be defined as the outcome of an evaluation process that compares distinction between the customer’s expectation with the product or service and their perception of the actual service received by them. Brand loyalty is dependent upon product satisfaction, which was considered as determining factor for the customer’s satisfaction with their purchase.

O’Neal (2011) suggested that for car dealers to improve their financial performance and financial position must contact old customers to see if they are still interested in buying cars. In addition the car dealers must increase advertising and marketing and reduce the price of their vehicles so as to attract customers to buy from their firms.

Marketing is another activity that is required by car dealers so as to improve their profitability. Marketing is very important and effective in vehicle selling because it attracts customers to buy the vehicles from the car dealers. White (2009) defines marketing as macro or micro marketing. Micro marketing is the performance of activities that aims to archive the business objectives by providing the customer’s or client’s need. Macro marketing is the process that directs an economy’s flow of goods and services from the manufacturer to a client in a way that matches demand and supply and provides the needs of the people.

Therefore from the above facts it shows that there are number of activities and processes that must be done by car dealers so that they can improve their profitability.
2.2.6 Effects of vehicle finance schemes on boosting sales of car dealers

Motor Componentry magazine (2012) highlighted that vehicle financing schemes were popular in the Southern Africa Developing Committee (SADC) region to assist customers to purchase vehicles. Between 2011 and 2012 Zimbabwean banks such as FBC, Banc ABC, ZB, Stanbic and CBZ introduced vehicle financing schemes. The tenure of the loan ranges from 6 to 24 months. The interest rates of the vehicle financing schemes from banks were increasing from 2011 to 2013 as evidenced by Table 2.3. These increases in the interest rates cause a decrease in sales of local brand new car dealers because it was expensive to repay the loans. The schemes were not yet viable given the liquidity crunch in our economy.

According to Africa General Business magazine (November 2011) in South Africa the tenure is up to five years at interest rates of about 5 percent. Almost every financial institution offers such schemes in South Africa, unlike in Zimbabwe where such scheme favour corporate organisation, selected individual purchaser who qualifies for such scheme.

Table 2.3: interest rates trend from 2011 to 2013

<table>
<thead>
<tr>
<th>Year</th>
<th>2011</th>
<th>2012</th>
<th>2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>Interest rates</td>
<td>11.5%</td>
<td>13%</td>
<td>15%</td>
</tr>
</tbody>
</table>

Source: Stanbic (2014)

Stanbic (2014) highlighted that in 2010 Stanbic Bank Zimbabwe introduced vehicle and asset finance schemes that enabled the employees to buy vehicles or other assets and pay for them over extended time frame. These vehicle financing schemes were affordable, flexible and provided different repayment options. For brand new vehicles 15 percent deposit was required and 20 percent was required for used vehicles and the repayment period was up to 12 months.

According to Carimporting (2013) the cheapest way to raise the money to buy a car from car dealers was by way of adding the money to mortgage or even getting an ordinary bank loan. In addition there were three finance options schemes which were
offered by car dealer – hire purchase, personal contract plans and leasing. These financing option schemes were more costly than a loan from banks and building societies but had their advantages and disadvantages. The major reasons these finance option schemes were offered was because many people do not qualify for secured loans.

In developing countries such as Zimbabwe the vehicle finance schemes were unsuccessful because many workers do not qualify for the schemes due to low salaries and wages for example salaries of the civil servants. Schneider (2010) discussed some of the factors that affect the choice of vehicles wanted by customers and suggest that the customers expect negotiation with the car dealers over the prices of the vehicles and to receive low interest payment plan or high purchase services.

Furthermore, Huber (2007) highlighted that prices of vehicles directly influences customer’s judgment as well as indirectly through fairness of prices. Vehicle finance schemes gave the authorised local car dealers an advantage in competition with the arrival of grey imports. Biti (2010) announced that the government of Zimbabwe imposed a duty free vehicle scheme for civil servants with effect from January 2013. The main purpose of this duty free vehicle scheme was to boost the morale of the government employees but it resulted in the increasing the number of imported vehicles and decrease the sales of local car dealers.

According to Newdaily (2013) in 2013 the government of Zimbabwe introduced vehicle loan schemes for senior civil servants. The loans amounted to US$7 000 payable in five years. These schemes destroyed the local motor industry because both the senior civil servants and others government institutions imported large number of vehicles as evidenced by Table 2.4.
Table 2.4: Trend of vehicles imported by government institutions from 2011 to 2013

<table>
<thead>
<tr>
<th>Year</th>
<th>2011</th>
<th>2012</th>
<th>2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>Volume of vehicles imported</td>
<td>150 - 200</td>
<td>280 – 310</td>
<td>330 – 400</td>
</tr>
</tbody>
</table>

Source: Autobusiness magazine (February 2014)

Table 2.4 shows that there was an increase in the volume of vehicles imported by the government institutions from 2011 to 2013. These imported vehicles affected the local motor industry because they should have added on the local car dealers sales.

2.2.7 Competition in the modern motor industry

Stothers (2007) highlighted that the modern motor industry was competitive and notoriously high stakes. According to Herald (2013) the grey imports vehicles imported to Zimbabwe have impacted on the local motor industry’s financial performance and financial position. Grey imports started to dominate the local motor industry with 75 percent market share and as a result the authorised car dealers in Harare started experiencing a decrease in sales as well as profitability. The motor industry in Zimbabwe is comprised of several car dealers such as AMC, Croco Motors, Zimocc, Puyze and Payne, Nissan Cloverleaf and Amtec Motors among others. All these car dealers have one goal which is providing services and parts to vehicles and selling brand new cars.

Porter (2008) argued that the competition was the effort that is organised to sell goods and services on a regular basis. Competitions that exist between companies consist of trying to convince the customer to buy their products or need their services instead of the ones offered by another company. For example most car dealers sale vehicles with service plans, that is each vehicle sold was given a time frame or a certain distance mileage that the car dealer will be liable to service the vehicle for free.
2.3 Empirical Evidence

2.3.1 D. Thunde (2010): The impact of grey imports on brand new car dealers

The purpose of this study was to find out if the increase in grey imports market has affected the brand new car dealers negatively by being substitute products to brand new cars. The study sought to answer the following questions,

1. What is the impact of grey imports on brand new car dealers’ sales in Malawi and Botswana? and
2. If the impact is negative, what strategies are they using in reaction to that impact?

The findings were that the market for brand new cars is mainly fueled by bank loans, government loans and the government is the main customer (in Malawi and Botswana). Grey imports did not have a huge negative impact on brand new cars.

It was concluded that grey imports affected sales of volume brands because grey imports have positive cross elasticity of demand and are therefore substitutes to low-level volume brands. Economy and premium brands have hardly been affected. Dealerships that have been affected mainly engage in strenuous marketing of back-up services to convince people to buy entry level (volume brand) brand new cars than going for grey imports that do not have back-up service and warranties.

2.3.2 Baden and Barber (2005): The Impact of Second Hand Vehicles Trade In Developing Countries

The research found out that second-hand vehicle imports constitutes over a quarter of the value of all vehicles imports. Second-hand vehicles have brought a culture in Africans of not seeing themselves worthy to afford a brand new durable product. The eventual mentality is that of valuing second-hand products as valuable and high quality products. Hence, he concluded that it is easy for the rich nations to export any second-hand vehicles to Africa.

Similar study by Hansen (1999) implied that Africa is a favourable ground for second-
hand vehicles because it has already proven to be a very good market for most second-hand vehicles.

2.3.3 K.D. Antia, M.Bergen and S.Dutta (2004): The Impact of Grey Market Activity on the Declining Level of Service Provided By Authorized Car Distributors

The perspectives of the study were based on more than a decade of research, writing, teaching and consulting on grey markets. The researchers have worked on many issues relevant to grey market management, from developing some of the first formal theories on how to manage grey market activities:

1. Writing an in-depth case study on grey market sourcing potential in Asia
2. Gathering some of the only systematic evidence on how authorized car distributors manage grey market activity.

Findings from these surveys offer direct evidence of the impact of grey market activity on the declining level of service provided by authorized car distributors, the erosion of trust in channel relationships, the undermining of manufacturers’ pricing strategies, the damage to territory exclusivity and the dilution of brand strength. The researchers also developed two dimensions of grey market management to help authorized car distributors deal with such problems. They concluded that the first focuses on how authorized car distributors can most effectively limit grey market activity through creative enforcement practices and the second examines when and how authorized car distributors can leverage the benefits that grey markets generate in some situations.

2.3.4 T.Chu and A.Delgado (2009): The Impact of Used Vehicle Imports on New Vehicle Sales

The study analysed the potential impact of used vehicle trade liberalization on Mexico’s new vehicle market. The researchers developed a methodology to tackle the
issue. The motivation to build the model was threefold. Firstly, they aimed at quantifying the potential impact that used vehicle imports could have on new vehicle sales, considering that no analytical model has been built in such a way. Secondly, the study allowed for replicability where forecasts can be tested by others to obtain similar findings. Thirdly, the researchers developed a comparative analysis so that other researchers could apply the model to other markets.

The analysis showed that with the legal environment soon turning favorable towards the importation of used vehicles, new vehicle sales were likely to continue to stay flat or decline going forward. The research suggested that the medium-to-long term impact on new vehicle sales post the opening of the border could be severe. The researchers concluded that at least in the case of a lower income market opening itself up to a much larger and higher income mature market, the net impact of lower new vehicle sales and easy access to used vehicle sales seems to be negative.

2.3.5 E. Johnson and S. Sargunam (2011): Attitude of Car Buyers’ Towards Imported used Cars

In this study, an attempt has been made to understand the attitude of car buyers towards the import of used cars by using information system. The study has the following objectives

- To ascertain the level of interest among car buyers towards imported used cars using information system
- To identify the factors that encourage and discourage the preference for imported used cars and
- By using information system to understand the association between the demographic characteristics and the willingness to buy imported used cars.

Result reveals that one third of the respondents show interest in the imported used cars. Also, it is found that the demographic factors such as age, monthly household income and the number of earning members in the family have significant impact on the positive attitude towards the imported used cars. The study showed that a significant proportion of the respondents expressed interest in imported used cars.
Also, it was found that the barriers established by the Government were instrumental in dissuading the respondents from preferring an imported used car. Hence it was concluded that in the interest of the domestic car manufacturing sector, it is appropriate to continue with these restrictive measures.

2.3.6 J.Berkovec (1985): New Car Sales and Used Car Imports - A Model of the Automobile Market

This article develops a short-run general equilibrium model of the automobile market by combining a discrete choice model of consumer automobile demand with simple models of new automobile production and imported used vehicle scrap-page. Econometric estimates of the scrap-page and demand functions are then used to create a simulation model of the automobile market, which is used to provide forecasts of automobile sales, stocks, and scrap-page for the period of 1978-1990.

The simulation results indicate that automobile sales are likely to be low (relative to the 1970s) for the remainder of the decade. Although new car sales are likely to recover from the depressed levels of the early 1980s, as the average sales forecasts for 1983-1990 are well above actual 1980-1982 sales, they are unlikely to reach the levels of the 1970s. This leads to the conclusion that the output of domestic manufacturers (and automobile industry employment) is liable to remain low throughout the 1980s. This conclusion is reinforced when one considers that actual import market shares have well risen above the model forecast of 15%, and are likely to remain high for the foreseeable future. Despite the predicted decline in new car sales, the total vehicle fleet is predicted to grow rapidly throughout the 1980s as the household population continues to grow.

2.4 Summary

This chapter covered the literature review on the effects of grey imports on the financial performance of authorized car dealers. The chapter also covers some of the elements involved in the dissertation topic such as the definition of grey imports, the
overview of the motor industry in Zimbabwe, the impacts of government’s policies on importation among others. The following chapter will discuss the research methodology to be used in this research.
CHAPTER III

RESEARCH METHODOLOGY

3.0 Introduction

Sharpe (2007) defines methodology as a way to investigate the results of a problem that was referred as research problem or a given problem on a specific problem. This chapter mainly focuses on the research instruments, research design, types of data used in the study, data presentation and analysis. The objective of this chapter was to analyse the approach to the study and to discuss how it was administered. This chapter will be concluded by a summary.

3.1 Research design

A research design is a master plan in which the methods of collecting, analysing the information required is specified (Slater, 2010). The objectives of the study are included in the design to ensure that the information collected solves the problem. A research design was also a plan for the research study that gives the basic supporting structure of the research’s plan of action. The researcher used a survey design because of the nature of the study that relates to investigate the effects of grey imports on the performance of car dealers in Harare. Furthermore the researcher used a survey design to investigate the effects of grey imports on the performance of car dealers in Harare.

3.1.1 Justification of Research Design

The author chose exploratory research method after careful consideration of the following applicability and advantages that accrue to it.

1. It gave an opportunity to use first hand information which was free from the initial researcher’s biasness
2. Enabled to keep on an open eye to new insights or information as it arised

3. The method was easily blended with other methods without distorting the validity of the research study

However the researcher acknowledges the inherent problems of such design that included time consuming and being expensive.

3.1.2 Survey

Weisberg (2005) defines a survey as data collection device used to gather information about groups or individuals. Surveys were common in psychology research because they were used to collect self report data from study of population. There are many ways used to administer a survey such as interviews and questionnaires. The advantages of using survey to the researcher was it was ease to administer and create and also the researcher collected a large amount of data in a short period of time. The major disadvantages of using a survey was that the researcher must ensure that a large number of the selected population will reply

3.1.2.1 Advantages of the Survey Method

1. It was useful for the discovery of new insights as well as for pointing out typical responses.
2. It provided data about the past and present that is what has happened, what people are thinking, doing and anticipating.
3. It was highly flexible.

3.1.2.2 Disadvantages of the Survey Method

1. The researcher should have ensured that a number of the selected sample would reply which in most cases had proved to be difficult.
2. It could be hard for the participants to recall information or to tell the truth about a controversial question

### 3.2 Population

According to Hartl (2007), a population is defined as a summation of all the species of the same group living in one area. In this study the population included finance staff and marketing staff. In addition there are two types of population which are accessible population and target population (Wagner, 2004). Target is a group of individuals that was relevant to the study whilst accessible population is a subset of the target population. In this research the accessible population was 40 people but the target population was 69 people as shown in Table 3.1.

#### Table 3.1: Sample size

<table>
<thead>
<tr>
<th>Car dealers</th>
<th>Population</th>
<th>Sample size</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Amtec Motors</td>
<td>10</td>
<td>6</td>
<td>60%</td>
</tr>
<tr>
<td>Croco Motors</td>
<td>10</td>
<td>6</td>
<td>60%</td>
</tr>
<tr>
<td>Duly Motors</td>
<td>8</td>
<td>5</td>
<td>63%</td>
</tr>
<tr>
<td>Nissan Cloverleaf</td>
<td>10</td>
<td>6</td>
<td>60%</td>
</tr>
<tr>
<td>Davecon</td>
<td>9</td>
<td>5</td>
<td>56%</td>
</tr>
<tr>
<td>Motec Holdings</td>
<td>9</td>
<td>5</td>
<td>56%</td>
</tr>
<tr>
<td>Puzey and Payne</td>
<td>9</td>
<td>5</td>
<td>56%</td>
</tr>
<tr>
<td>MIAZ</td>
<td>4</td>
<td>2</td>
<td>50%</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td><strong>69</strong></td>
<td><strong>40</strong></td>
<td><strong>58%</strong></td>
</tr>
</tbody>
</table>

Source: Primary Data

#### 3.2.1 Sample size

According to Greaner (2008) a sample size is a section of the population chosen for particular study or research. In this research the section of the population included the management and general employees in the marketing and accounts department of car dealers companies. This study focused on seven selected car dealers in Harare as
evidenced by Table 3.1 although in Harare there are more than 20 authorised car dealers who sale brand new vehicles. The researcher chose this sample size due to the time limit of the study.

The major reason why the researcher opted for the sample size was due to limited time to complete the dissertation. A larger sample size would not have been possible within the period of time period the project. The choice of a sample size was also influenced by the time that would have been spent at chapter four, the data presentation and analysis stage.

3.2.2 Sampling

According to Mahmoud (2012) a sampling is a process used in statistical analysis when selecting representative subset of elements or objectives such as organisations or people from a population in order to determine the features of the random variables under the investigation. In this research the sample was 7 car dealers in Harare and Motor Industry Association of Zimbabwe.

3.2.3 Non probability sampling

According to Kumar (2005), non-probability sampling designs are commonly used when the number of variables in a population cannot be individually indentified or is unknown (Kumar, 2005). The selection of elements in such a scenario depends upon other considerations and the researcher used judgmental sampling.

3.2.3.1 Advantages of non-probability sampling

1. Accuracy of data was enhanced by selection of people who can provide the best information.
2. Data gathered through non probability sampling was relevant for study.
3. Reliable part of the population was used to achieve the objectives of the study.

3.2.3.2 Disadvantages of non-probability sampling

1. There was no statistical framework to justify a sample.
2. In coming up with a sample wrong judgments could be made.

3.3 Research instruments

3.3.1 Questionnaires

According to Singer and Tourangean (2009) a questionnaire is an instrument used in research that includes a series of questions and other reasons of gathering information from respondents. Questionnaires were commonly used in a survey because they were cheap. Open ended questions and closed ended questions were the two types of questions used in questionnaires.

3.3.1.2 Justification of Questionnaires

The reasons why the researcher used questionnaires are articulated below:
1. They were cost effective especially when the study involved large sample sizes and large geographical areas, hence, used when resources and money were limited.
2. Reduced bias due to uniform question presentation and no middlemen bias.
3. Researcher’s own opinion would not influence respondent to answer questions in a certain manner.
4. It was easy to analyze since data entry and tabulation could be easily done with computer software and it was also quick to collect information from large portion of a group.
5. It protected the privacy of the participants when necessary and respondents were free to complete questions on their own time table.

3.3.1.3 Disadvantages of Questionnaires

1. Cannot prompt: There was no one present to help respondents if they were having difficulty answering a question.
2. Do not know who answers: With postal questionnaire, you could never be sure whether the right person has answered the questions
3. Lower respond rate: The response from respondents was usually very low. Some respondents would not respond to the questionnaires. There was no 100% turn up of posted questionnaires.

3.3.1.4 Open ended questions

This type of questions increased the respondent’s participation and also promoted critical thinking (Kumar, 2005). The researcher chose these types of questions because they brought answers that the researcher was unaware of.

Advantages of open ended questions were that they led to greater variety of information since respondents are given a chance to express their views freely and also eliminated bias.
In addition the disadvantage of open ended questions was that they needed time and maximum effort of the respondent.

3.3.1.5 Closed ended questions

According to Lynn (2009) closed ended questions allow the respondent to give multiple responses. Furthermore answers in closed ended questions are predefined and usually respondents are asked to circle or tick the chosen answer.
The advantages of closed ended questions were that they were quick and easy to answer there was no time wastage, the response categories were easy to code and the respondents were limited to set of responses.

The disadvantages of the closed ended questions were that respondents were not allowed to express a more complex meaning and did not permit the respondents to develop ideas.

3.3.2 Telephone interviews

Telephone interviews are discussions between two or more people for a particular purpose at different geographical sites. The researcher used the telephone interviews because they save time and cut travelling costs.

Telephone interview allowed both the interviewee and the interviewer to explain and clarify matters when they arise and were cheaper compared to personal interviews. In addition the telephone interviews were reliable because the researcher could contact the respondent to seek for more information at any time and there were high chance of exchange of ideas between the interviewee and the interviewer.

However the telephone interviews have disadvantages such as no record to find the information for reference purposes, network problems arisen in the due course and the interviewer was unable to observe non verbal actions.

3.4 Types of data

3.4.1 Primary data

Primary data is data that is captured for the first time from the origin for specific purposes and is not processed and analysed by any statistical method. In this study the primary data was gathered through telephone interviews.
3.4.1.1 Advantages of Primary Data

1. The data collected would be more relevant to the research project that was being undertaken and the data obtained would be specifically for the purpose of the research work.
2. The data collected was up to date that is it related to the present environmental (PESTEL) factors and time frame.
3. It was specific to the research problem and its interpretation would provide with the required information.
4. It was free from misinterpretations, as the researcher would probe for the relevant data specifically for the research problem.

3.4.1.2 Disadvantages of Primary Data

1. It was time consuming
2. It was expensive if it involves traveling to source of data

3.4.2 Secondary data

This is data that was gathered by other researchers for certain purposes but related to this particular study. The secondary data collected by the researcher was the financial statements for Motec Holdings and their sales statistics.

3.4.2.1 Advantages of Secondary Data

1. Secondary data collection was relatively cheap as the researcher would peruse through journals, scholarly researches, textbooks and company pamphlets without necessarily seeking the convenience of third parties.
2. It saved time of the researcher since the information was readily available.
3. It provided a basis for comparison for the data that was collected by the researcher.
3.4.2.2 Disadvantages of Secondary Data

1. Data used would be limited to the duration of the event and therefore history was difficult to be obtained.
2. It was time consuming especially in trying to search for relevant data.

3.5 Reliability and Validity

Kumar (2009) defined reliability as an extent to which data is free from error and this is shown when two or more independent researchers studying the same subject topic within the same period of time come up with similar results. To ensure the reliability of the instruments used, interview schedules questionnaires were piloted before were administered to respondents. According Rubin et al (2009) 90% questionnaires response rate was valid and therefore inferences can be made based on these questionnaires and 100% response rate on interviews was regarded as valid.

3.6 Pilot Testing

Pilot testing was carried out in order to validate the questionnaires. In addition before implementing the actual questionnaire research, preliminary analysis was carried out. This was done so as to establish reliability, clarity and validity of the instrument used. The pilot study helped to rephrase some of the questions for relevance and clarity and to reveal the respondent’s misconceptions.

3.7 Data Presentation

Data must be presented and classified after being collected and presented in a meaningful form so as to clearly illustrate the research problem. In presenting data the researcher used tables, line graphs, bar graphs and pie charts. Graphs, tables and pie charts were used because they display and interpret data easily.
3.8 Data Analysis

According to Ader and Hand (2008) data analysis is defined as a systematic process of applying logical or statistical techniques to illustrate, evaluate and review data. Data analysis clarifies the relevance of the findings to the research objectives. The data gathered was analysed using percentages based on the findings. In addition statistical mode and mean were used to analyse the data.

3.9 Summary

This chapter covered the research design as well as research instruments and types of data used in this study. The researcher also discussed the non probability sampling as a sampling method, population of the study and the data presentation and analysis procedures. The following chapter gives a detailed analysis and presentation of the data obtained.
CHAPTER IV

DATA PRESENTATION AND ANALYSIS

4.0 Introduction

This chapter focused on the responses obtained from the telephone interviews and from questionnaires. Tables, bar charts and graphical data presentation techniques were used in presenting findings before the data was analysed. The findings of the research were linked to the research objectives outlined in chapter one, and the findings of the authors that were reviewed in literature review chapter two. This chapter will be concluded by a summary.

4.1 Analysis of response rate analysis

4.1.1 Questionnaires

A total of 40 questionnaires were distributed and 36 out of 40 (90%) were returned. However 4 out of 40 (10%) questionnaires were unsuccessful and the unsuccessful questionnaires comprised of 1 questionnaire from Motor Industry Association of Zimbabwe (MIAZ) and 3 from Nissan Cloverleaf. The major reason why 1 questionnaire from MIAZ was unsuccessful was because the questionnaires were sent through email since the members of staff suggested that they have no time to complete hard copies of the questionnaires. 3 questionnaires from Nissan Cloverleaf were unsuccessful because some of staff members were at a workshop. The following table shows a summary of questionnaires response rates relating to questionnaires distributed and returned.
Table 4.1: Questionnaires response rate

<table>
<thead>
<tr>
<th>Car dealers</th>
<th>Distributed Questionnaires</th>
<th>Returned Questionnaires</th>
<th>Response rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>Amtec Motors</td>
<td>6</td>
<td>6</td>
<td>100%</td>
</tr>
<tr>
<td>Croco Motors</td>
<td>6</td>
<td>6</td>
<td>100%</td>
</tr>
<tr>
<td>Duly Motors</td>
<td>5</td>
<td>5</td>
<td>100%</td>
</tr>
<tr>
<td>Nissan Cloverleaf</td>
<td>6</td>
<td>3</td>
<td>50%</td>
</tr>
<tr>
<td>Davecon Motors</td>
<td>5</td>
<td>5</td>
<td>100%</td>
</tr>
<tr>
<td>Motec Holdings</td>
<td>5</td>
<td>5</td>
<td>100%</td>
</tr>
<tr>
<td>Puzey and Payne</td>
<td>5</td>
<td>5</td>
<td>100%</td>
</tr>
<tr>
<td>MIAZ</td>
<td>2</td>
<td>1</td>
<td>50%</td>
</tr>
<tr>
<td>Total</td>
<td>40</td>
<td>36</td>
<td>90%</td>
</tr>
</tbody>
</table>

Source: Primary Data

4.2 Questionnaire response presentation and analysis

1: Penetration of grey imports from 2012 to 2013 affected the performance of the company.

The aim of the question was to assess the respondent’s views on whether the penetration of grey imports affected the performance of their company and the responses are presented by way of a pie chart as indicated in Fig 1.
Fig 1: Views of respondents on how the grey imports affected the performance of car dealers?
Source: Primary Data

According to the results of the research most respondents agreed that the penetration of grey imports in Zimbabwe affected the performance of car dealers as 58% strongly agreed, 25% agreed, 6% were not sure, 4 out of 36 respondents 11% disagreed and 0% strongly disagreed.

Overall, (58% strongly agreed and 25% agreed) 83% agreed that the penetration of grey imports in Zimbabwe affected the performance of car dealers in Harare and (0% strongly disagree, 11% disagree and 6% not sure) 17% disagreed that the penetration of grey imports affected the performance of car dealers in Harare. Moreover, the majority of the interviewees sighted that the penetration of grey imports vehicles affected negatively the performance of car dealers in Harare.

Therefore the penetration of grey imports affected the performance of car dealers in Harare because 30 respondents out of 36 and the majority of the interviewees agreed that the grey imports affected the performance of their respective companies. This is in agreement with literature which showed that grey Zimbabwe destroyed the Zimbabwean motor industry indicated by Mashiri (2013). This is in contrast with the
findings of D.Thunde (2010) who concluded that grey imports did not have a huge negative impact on brand new cars.

2: The car dealers in Harare lost major customers from 2012 to 2013.

This question aimed at assessing whether car dealers in Harare lose their major customers because of the penetration of grey imports vehicles and the responses are shown in Fig 2.

![Bar chart showing responses](image)

**Fig 2: Respondent’s views on whether the car dealers in Harare lost customers because of grey imports**

Source: Primary Data

On trying to assess whether car dealers in Harare lose their major customers because of grey imports vehicles, 58% strongly agreed, 22% agreed, 6% were not sure, 11% disagreed, and 3% strongly disagreed.

Overall, 80.55% (29/36) agreed that their companies lost major vehicle customers from 2011 to 2012 because of grey imports vehicles. Whilst 19.45% disagreed that their companies lost major vehicle customers from 2012 to 2013 because of grey imports vehicles.
imports vehicles. The mode was 58% of respondents who strongly agree that their companies lost major customers and this was indicated in the literature of Sugden (2009). This is in contrast with the findings of E. Johnson and S. Sargunam (2011) who concluded that one third of respondents showed interest in imported used cars which means two thirds did not show interest therefore companies did not lose their major customers.

Among respondents who disagreed that their companies lost major vehicles customers were from Nissan Cloverleaf and Croco Motor. These two companies were slightly affected by the penetration of grey imports because are operating at break even. Furthermore, Nissan Cloverleaf and Croco Motor did not lose their customers because they normally supply the Banks, government institutions and Universities with vehicles.

Therefore from the above facts it shows that the authorised car dealers lost their major customers because 81% of the respondents agreed that their companies lost major customers because of grey imports. Also in interviews the majority of interviewees reviewed that their companies lost their major customers because of the grey imports vehicles.

3: There was a decrease in supply of vehicle from local car assemblers or manufacturers.

The relevance of this question was in establishing and assessing whether the penetration of grey imports has caused a decrease of supply of vehicles from local car assemblers or manufacturers.

On this question 100% of the respondents strongly agreed that there was a decrease of supply of vehicles from the local car assemblers and there was no respondent who disagreed that there was a decrease of supply of vehicles from local car assemblers due to the penetration of grey imports vehicles in Zimbabwe.
According to Motor Industry Association of Zimbabwe statistical records for 2011, 2012 and 2013 in Zimbabwe there was a decrease of vehicles assembled by companies such as Willowvale Mazda Motor industries, Quest Motors among others. This is in line with the findings of K.D.Antia, M.Bergen and S.Dutta (2004) who founded that the impact of grey market activity led to the decline of service provided by authorized car distributors. Therefore the car assemblers were making a low supply of vehicles to car dealers in Harare.

4: The government of Zimbabwe should ban grey imports vehicles in the country.

The aim of this question was to assess the respondent’s view on whether the government of Zimbabwe should ban the grey imports vehicles the responses are presented by way of a bar graph as indicated in Fig 4.3.

![Bar Graph](source: Primary Data)

Fig 3: Respondent’s review on government banning grey imports vehicles

Source: Primary Data
Fig 3 shows 75% strongly agreed, 17% agreed, 3% disagree, 6% were not sure and there was no respondent’s who strongly disagree. Overall 92% (33/36) agreed that the government should ban grey imports from Zimbabwe and 8% (3/36) disagreed that the government should ban grey imports.

Therefore the car dealers in Harare are agreeing that the government should ban grey imports and furthermore this is in tandem with the literature review which showed that the government policies have impact on grey imports illustrated by Swenson (2011) and Stephan (2010). This is in line with the findings of A.G.Kehbila, J.Ertel and A.C.Brent (2008) who founded that several policies were put in place by the major countries in Africa to limit grey imports. If the government of Zimbabwe ban grey imports it will benefit positively the car dealers in Zimbabwe because many individuals will start to buy vehicles from them. The majority of interviewees during interviews suggested that the government must ban grey imports from Zimbabwe.

5: There was a change on vehicles sold to government institutions or agencies from 2012 to 2013.

The relevance of the question was to assess on whether there was a change on vehicles sold to government institutions from 2012 to 2013 based on the respondents’ attitudes presented below and the responses are presented by a graph in Fig 4.4.
On trying to assess the changes in vehicles sold to government institutions and agencies 53% respondents noted that there was a decrease in car sold to government institutions and agencies from 2012 to 2013. In addition 11% revealed that there was an increase in car sold to government institutions and agencies from 2012 to 2013 and 36% revealed that there was a consistence on vehicles sold to government institutions and agencies from 2012 to 2013.

Since the highest percentage of 53% highlighted that there was an increase on cars sold to government institutions agencies from 2011 to 2012 and other 47% highlighted there was consistency and a decrease on cars sold to the government institutions. The decrease in sales of cars to government institutions was because the government institutions and agencies started importing grey imports and this is in line with literature which showed increases on units of vehicles imported by government institutions as indicated by Autobusiness magazine (February 2014).
6: The grey imports led to an increase on the unemployment rate in Zimbabwe.

The aim of this question was to establishing and assessing whether grey imports led to an increase on the unemployment rate in Zimbabwe and the responses are presented by way of a doughnut in Fig 5.

![Doughnut chart showing responses to the grey imports question.]

**Fig 5: Review of the respondents on whether the grey imports vehicles lead to an increase on the unemployment rate.**

Source: Primary Data

In assessing the respondents’ views on whether the grey imports led to an increase on the unemployment rate 75% strongly agreed, 11% agreed, 3% disagreed, 6% strongly disagreed and 6% were not sure. Overally 86% agreed that grey imports led to an increase on the unemployment rate in Zimbabwe and 14% disagreed that grey imports led to an increase on the unemployment rate in Zimbabwe.

Therefore the grey imports led to an increase on the unemployment rate in Zimbabwe since the majority of the respondents agreed.
Investorword (2013) highlighted that the penetration of grey imports in the local market can lead to an increase on the unemployment rate of a country because the penetration of grey imports destroys the business operation of an industry.

7: The vehicle finance schemes led to an improvement on the sales of car dealers in Harare.

The aim of this question was to assess whether the vehicle finance schemes lead to an improvement on the sales of car dealers in Harare and the responses are represented by way of column in Fig 6.

![Bar chart showing views on whether vehicle finance schemes led to an improvement on the sales of car dealers.](image)

**Fig 6: Views on whether vehicle finance schemes led to an improvement on the sales of car dealers.**

Source: Primary Data

Fig 6 shows that 6% strongly agreed, 19% agreed, 17% strongly disagreed 53% disagreed and 6% were not sure. Overall, 25% (9/36) agreed that the vehicle finance schemes led to an improvement on the sales of car dealers in Harare and 75% (27/36) disagreed that the vehicle finance schemes led to an improvement on the sales of car dealers in Harare.
In addition, most interviewees sighted that the vehicle finance schemes were not affordable to most workers and therefore did not add any improvement on the sales of car dealers in Harare and was indicated in the literature of Schneider (2010).

8: The interest rates for vehicle finance schemes were favourable to customers from 2012 to 2013.

The relevance of this question was to assess and establish whether the interest rates for vehicle finance schemes were favourable to vehicle customers and the responses are presented by way of a pie chart as indicated in Fig 7.

![Pie Chart](image.png)

**Fig 7: Views on whether interest rates on vehicle finance schemes were favourable to customers.**

Source: Primary Data

On trying to assess whether interest rates on vehicle finance schemes were favourable 11% strongly agreed, 14% agreed, 47% strongly disagreed, 19% disagreed and 83% were not sure. Overall of 36 respondents 25% agreed that the interest rates on the
vehicle finance schemes were favourable and 75% disagreed that the interest on vehicle finance schemes were favourable to customers. Website Carimports (2013) highlighted that favourable interest rates on vehicle finance schemes improved the sales of local car dealers. Furthermore the majority interviewees sighted that the interest rate on vehicle finance schemes were not affordable to most individuals because were high.

9: The introduction of multicurrency in Zimbabwe affected negatively the performance of car dealers in Harare.

The relevance of this question was to assess and establish whether the introduction of multicurrency affected the performance of car dealers in Harare and the responses are presented by way of a pie chart as indicated in Fig 8.

![Pie chart showing views on the negative effects of the introduction of multicurrency on the performance of car dealers in Harare.](image)

**Fig 8 Views on the negative effects of the introduction of multicurrency on the performance of car dealers in Harare.**

Source: Primary Data
Fig 8 shows that 72.2% strongly agreed, 27.78% agreed, 0% strongly disagreed, 0% disagreed 0% were not sure. Overall 100% (72.22% strongly agreed and 27.78% agreed) agreed that the introduction of multicurrency negatively affected the performance of their company because most workers started earning low salaries and were unable to purchase brand new vehicles.

Moreover, there was no respondent who disagreed that the introduction of multicurrency affected the performance of their company. The mode was 21 for respondents who agreed that the introduction of multicurrency affected negative the performance of their company this was also indicated in the Motor Componentry Zimbabwe magazine (March 2012).

10: My Company offers finance options such as hire purchase, personal contract plan and leasing among others.

The aim of this question was to assess whether the car dealers are offering finance options such as hire purchase, personal contract plan and leasing among others and the responses are presented by way of a pie chart as indicated in Fig 9.

![Pie chart showing finance options](image)

**Fig 9: Response on car dealers who offers finance options to customers.**

Source: Primary Data
In this question the respondents were required to answer yes or no and 39% responded yes, which means the respondent’s companies offers vehicles finance options such as hire purchase, personal contract plan and leasing among others. Furthermore, 61% responded no, which means the respondent’s company does not offer vehicles finance schemes.

In addition, the respondents who agreed that their companies’ offers vehicles finance option were from Nissan Cloverleaf, Duly Motors and Croco Motors. The highest number of the respondents disagreed that their companies offers the vehicles finance schemes. The vehicle finance options attract customers to buy car this was according to the literature of Schneider (2010).

11: My Company exports brand new vehicles to regional countries.

The relevance of this question was meant to assess whether car dealers in Harare are exporting vehicles to regional countries such as Zambia, Malawi and Mozambique among others. Also, in this question the respondents were required to answer yes or no and there was no respondent who responded Yes, which means there was no respondent who agreed that their companies exports brand new vehicles to regional countries such Malawi, Mozambique and Botswana among others.

However 100% of respondents responded No, which means all respondents were implying that their companies does not exports brand new vehicles to regional countries. Some interviewees highlighted that there is no car dealer or car assembler in Zimbabwe who exports vehicles to any country.

12: My Company service and sell parts of grey imports.

The aim of this question was to assess and establish whether car dealers in Harare sell parts of grey imports and service grey import and the responses are presented by a way of a pie chart as shown in Fig 4.10
In this question the respondents were required to answer yes or no and 44% (16/36) responded Yes, which means these respondents agreed that their companies sell part of grey imports and also service grey imports. In addition 56% (20/36) responded No, which means that their companies do not sell grey imports vehicles parts as well as servicing the grey imports.

Overall, the majority of respondents sighted that their companies sell grey imports vehicles parts and servicing grey imports were from Davecon Motors, Puzey and Payne and Amtec Motors. Moreover, Smyck (2010) highlighted that a car dealers must be involved servicing of the grey imports vehicles as well as selling vehicle parts of the grey imports to improve the financial performance.

13: I think car dealers in Zimbabwe are surviving from the competition with grey imports.

The main aim of this question was to assess whether the car dealers in Zimbabwe are surviving in the face of competition with grey imports and the responses are presented by way of a bar graph as indicated in Fig 11.
Fig 11: Respondent’s review on the survival of car dealers in Harare in competition with grey imports.
Source: Primary Data

Of 36 respondents 0% strongly agreed, 11% agreed, 64% strongly disagreed, 19% disagreed and 6% were not sure. Overall, 11% (4/36) agreed that the car dealers are surviving the competition with the grey imports. However, 89% (32/36) disagreed that car dealers were not surviving the competition with grey imports and this was indicated in the literature by Stothers (2007).

14: The penetration of grey imports led to skilled labour brain drain in the motor industry from 2012 to 2013?

The relevance of this question was to assess whether the penetration of grey imports led to skilled labour brain drain in the motor industry from 2012 to 2013 and the responses are presented in Fig 4.12 by way of a bar graph.
Fig 12: Review on the grey imports causing skilled labour brain drain in the motor industry from 2011 to 2102.

Source: Primary Data

Of 36 respondents, 50% strongly agreed, 31% agreed, 0% strongly disagreed, 11% 8% were not sure. Overall 81% (29/36) agreed that the grey imports led to an increase in skilled labour brain drain in the motor industry from 2012 to 2013 and 19% (7/36) disagreed that the grey imports led to an increase in skilled labour brain drain in the motor industry from 2012 to 2013.

Therefore, from the above facts it shows a large population of skilled labour in the motor industry left the country to look for greener in other countries and this was further indicated in the Motor Componentry magazine (March 2013 issue).

15: The management of your company implements policies to deal with competition from grey imports.

The main aim of this question was to assess whether the company implement policies to deal with competition from grey imports and the responses are presented by way of a pie chart as indicated in Fig 13.
In this question the respondents were required to answer yes or no and 36% (13/36) responded yes, which means these respondents agreed that their companies implemented policies to deal with competition from grey imports. However 64% (23/36) responded No, which means that their companies did not implement policies to deal with competition from grey imports.

In addition, the respondents who agreed that their companies implemented policies to deal with competition from grey imports were from Nissan Cloverleaf, Croco Motors and Duly Motors. Therefore the majority of the respondents noted that their companies did not implement policies to deal with competition from grey imports.

4.3 Telephone interviews

On telephone interviews, 8 interviews were successful out of a target of 8 were carried out (100%). The researcher decided to carry out telephone interviews because there
was a long distance between the locations of companies under the survey and also the
members of staff in these companies they were busy during the working hours.

4.3.1 Telephone interviews response presentation and analysis

**Question 1: To what extend did the grey imports vehicles affected negatively the
sales of car dealers in Harare between 2012 and 2013?**

The majority of the respondents acknowledged that grey imports negatively affected
the sales of their companies. For instance, Amtec Motors used to sell at least 30
vehicles per month (360 vehicles per year), but the company is now selling average of
17 vehicles every month. This implies that Amtec Motors Harare revenue decreased
by 43% compared to the revenue the company was generating before the penetration
of huge amount of grey imports. In addition questionnaires showed that 83% of
respondents agreed that the penetration of grey imports affected negatively the
performance of car dealers in Harare. This is in contrast with the findings of D.Thunde
(2010) who concluded that grey imports did not have a huge negative impact on brand
new cars.

Although few respondents acknowledged that the grey imports slightly affected
negatively the sales of their company. Therefore the penetration of grey imports in
Zimbabwe led to decreases in sales of car dealers in Harare since more interviewees
agreed that that the grey imports negatively affected the sales of car dealers in Harare.
The literature of Williams (2010) indicated that the grey imports vehicles reduce the
demand of local products.

**Question 2: How can government be of help to support car dealers in Harare?**

On this question the majority of the interviewees acknowledged that the government
of Zimbabwe must ban the grey imports so as to promote the local motor industry in
Zimbabwe and an interviewee from Amtec Motors also suggested the government of Zimbabwe to follow the policies implemented in South Africa to ban grey imports in travelling on their roads.

However, other interviewees acknowledged that the government of Zimbabwe must increase import tariffs on grey imports, because the import tariffs are at 68% for vehicles costing below US$1500 and 86% for vehicles costing above US$1500 and these import tariffs are causing people to import grey imports. The questionnaires showed that 92% of respondents agreed that the government should ban grey imports.

Therefore the government of Zimbabwe must ban grey imports in the country so as to promote the local motor industry and was indicated in the literature of Parsons (2009) relating to South Africa’s policies on grey imports.

**Question 3: How can vehicle financing schemes by banks be of help to the car dealers in Harare?**

All interviewees acknowledged that the vehicle financing schemes by banks and other financial institutions can help to boost the sales of car dealers in Harare by offering low interest rates on such schemes and vehicle financing schemes which are affordable in relation to the most employees’ salaries. Also banks and financial institutions must increase their tenure on loan of vehicle financing to 4 or 5 years. Furthermore questionnaires showed that 75% of respondents disagreed that the interest rates were favourable to customers 2012 to 2013.

Therefore the vehicle financing schemes by banks and financial institutions can help the car dealers in Harare by lowering their interest rates on such schemes and by increasing the tenure so as to attract customers and this was indicated in literature by Huber (2009)
Question 4: How are the local car dealers surviving in competition with grey imports?

On this question majority of the interviewees acknowledged that their companies were not surviving in competition with grey imports because their prices of vehicles are higher than the prices of grey imports. The interviewees also acknowledged that the prices of their vehicles forced the people to import grey imports.

However a minority of the interviewees acknowledged that their companies were surviving in competition with grey imports. Moreover, questionnaires showed that 88.89% of respondents disagreed car dealers were not surviving the competition with grey imports. Therefore the car dealers in Harare were not surviving in competition with grey imports since the majority of the interviewees agreed that their companies are not surviving the competition and this was indicated in literature by Porter (2008).

Question 5: How successful have been the strategies implemented by the management of your companies to fight against the effects of imported vehicles?

All interviewees sighted that the strategies implemented by the management of their companies to fight against the effects of grey imports were successful to a very little extend. The other interviewees highlighted that their marketing efforts were proving to be expensive but there was no improvement on their sales.

4.4 Analysis of secondary data

Table 4.2 and Table 4.3 show how the grey imports have affected the financial performance and the cash flow of Motec Holdings from 2011 to 2013.

<table>
<thead>
<tr>
<th>Year</th>
<th>Budgeted profit/(loss) US$</th>
<th>Actual profit/(loss) US$</th>
<th>Variance</th>
</tr>
</thead>
<tbody>
<tr>
<td>2011</td>
<td>654,520</td>
<td>302,743</td>
<td>(351,777)</td>
</tr>
<tr>
<td>2012</td>
<td>568,270</td>
<td>122,482</td>
<td>445,788</td>
</tr>
<tr>
<td>2013</td>
<td>378,380</td>
<td>(98,205)</td>
<td>476,585</td>
</tr>
</tbody>
</table>

Source: Motec Holdings management accounts for year 2013

Table 4.3: Cash flow trends for year 2011, 2012 and 2013

<table>
<thead>
<tr>
<th>Year</th>
<th>Budgeted cash inflow/(outflow) US$</th>
<th>Actual cash inflow/(outflow) US$</th>
<th>Variance</th>
</tr>
</thead>
<tbody>
<tr>
<td>2011</td>
<td>450,000</td>
<td>223,437</td>
<td>(226,563)</td>
</tr>
<tr>
<td>2012</td>
<td>400,000</td>
<td>102,348</td>
<td>(297,652)</td>
</tr>
<tr>
<td>2013</td>
<td>200,000</td>
<td>(95,102)</td>
<td>(104,898)</td>
</tr>
</tbody>
</table>

Source: Motec Holdings management accounts for year 2013

Table 4.2 and Table 4.3 shows secondary data of the financial statements extracts of Motec Holdings which illustrate how the grey imports vehicles have been affecting the authorised car dealers in Zimbabwe. From 2011 to 2013 there was negative variance between the budgeted and actual profits as well as the budgeted cash inflow and actual cash inflow. The major cause of these variances was because the grey imports were increasing in the market resulting in decreases of Motec Holdings sales and this was reflected in the literature of Weigand (2008).

Furthermore on questionnaires 83% of the respondents agreed that the penetration of grey imports affected negatively the performance of car dealers in Harare and on interviews the majority of the interviewees acknowledged that grey imports negatively affected the sales of their companies.

The following table illustrate the units of vehicles sold by customers using the vehicle finance schemes from car dealers.

56
Table 4.4: Trend of vehicle sold using vehicle finance schemes from 2011 to 2013.

<table>
<thead>
<tr>
<th>Car dealers</th>
<th>2011</th>
<th>2012</th>
<th>2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>Amtec Motors</td>
<td>23</td>
<td>15</td>
<td>11</td>
</tr>
<tr>
<td>Croco Motors</td>
<td>63</td>
<td>60</td>
<td>66</td>
</tr>
<tr>
<td>Duly Motors</td>
<td>29</td>
<td>15</td>
<td>21</td>
</tr>
<tr>
<td>Nissan Cloverleaf</td>
<td>51</td>
<td>45</td>
<td>47</td>
</tr>
<tr>
<td>Davecon</td>
<td>13</td>
<td>9</td>
<td>11</td>
</tr>
<tr>
<td>Motec Holdings</td>
<td>15</td>
<td>15</td>
<td>5</td>
</tr>
<tr>
<td>Puzey and Payne</td>
<td>22</td>
<td>20</td>
<td>14</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>216</strong></td>
<td><strong>179</strong></td>
<td><strong>175</strong></td>
</tr>
</tbody>
</table>


Table 4.4 shows the statistics on vehicle sold using the vehicle finance schemes from 2011 to 2013. This shows that the vehicle finance schemes were only favourable to two car dealers which are Croco Motors and Nissan Cloverleaf because Croco Motors sold an average of 63 cars using vehicle finance schemes. However other car dealers sold an average of 15 cars using vehicle finance schemes.

4.5 Summary

The aim of this chapter was to analyse and present the data collected from the field. Furthermore in data analysis both qualitative and quantitative approaches were used. The following chapter will be used to make recommendations. Furthermore the final concluding remarks to this research will be next chapter.
CHAPTER V

SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

5.0 Introduction

This is the last chapter of the research on the effects of grey imports on the financial performance of car dealers in Harare. The chapter seeks to establish whether the objectives of the research have been achieved.

5.1 Summary of findings

- The conclusions were obtained from the study’s major findings as well as their discussions in relation to the research objectives. The main objective of the study was to investigate the effects of grey imports on the financial performance of authorised car dealers in Harare.

- The first objective was to analyse the effects of imported vehicles on the sales of authorised car dealers in Harare. This was fulfilled through the analysis of primary data and secondary data, and various literatures as propounded by scholars. The overall conclusion was that the penetration of grey imports in Zimbabwe resulted in reduced demand of brand new vehicles sold by authorised car dealers in Harare. Also the penetration of grey imports resulted in decreases of vehicles sold by government institutions from authorised car dealers in Harare and retrenchment of workers from firms of authorised car dealers in Harare.

- The second objective was to discuss the impact of the government policies on importation of vehicles. The findings revealed that the government policies on vehicle importation play a very important role on improving the financial
performance and financial position to companies in their local motor industry. The government should increase import duty on grey imports or reduce the volumes of grey imports every year so as to improve the operations of firms in the local motor industry.

- The third objective was to establish how vehicle finance schemes have affected the vehicle sales of authorised car dealers’ in Harare. Findings revealed that the interest rates for the vehicle finance schemes were not affordable to many individuals and repayment period was very short and therefore the scheme did not add an advantage on increasing the sales volume of authorised car dealers. The vehicle finance schemes were favourable to highest paid employees because the interest rates were high and the repayment periods were very short.

- The fourth objective was to assess the competition between the local brand new vehicles and grey imports. The general findings revealed that local car dealers in Harare were not surviving the competition with grey imports because the prices of brand new vehicles were very high compared to the prices of grey imports which were affordable. The grey imports were dominating the Zimbabwe motor industry with 75% and therefore the local car dealers started to experience a reduction on sales volume of vehicles.

- The fifth objective was to suggest how authorised car dealers in Harare can improve their profitability. The findings revealed that car dealers must be involved in many activities to boost their financial performance for instance providing new parts and service to vehicles sold and providing fuel filling services and the car dealers must improve on their marketing strategies so as to attract customers.

5.2 Conclusions

The research was very successful to the greater extend because the results of the data analysis revealed that the penetration of grey imports affected the financial
performance of authorised car dealers in Harare. This was achieved through interviews carried out and the questionnaires distributed by the researcher.

5.3 Recommendations

- Car dealers should sell vehicle parts for grey imports as well as servicing grey imports so that they can improve their profitability. Most of grey imports have technical faults and therefore if the car dealers are able to service the vehicles and sell the vehicle parts it would be an advantage.

- Car dealers should offer affordable vehicle finance options such as hire purchase, personal contract plans and leasing so that middle earning employees can afford to buy brand new vehicles. Affordable finance options attract individual and companies to buy local brand new vehicles because the payment will be made in instalments and time frame of payments will be long and results in boosting the sales of car dealers.

- Car dealers should reduce their advertising expenses because other interviewees highlighted that their marketing efforts were proving to be expensive but there was no improvement on their sales. Car dealers should also contact their old customers so that the volume of sales can increase.

- The government should increase import duty on grey imports to discourage both individual and companies from buying grey imports. When the total costs of importing second hand grey imports to Zimbabwe increases individuals and companies will opt to buy local brand new vehicles. Also, the government should reduce import duty on completely knocked down kits to make them affordable so as to minimise the total cost on vehicles assembled and therefore the prices of brand new vehicles from car dealers will decrease.

- The government should implement policies to reduce the inflow of grey imports in the country for instance the government can only allow a quantity of ten thousand vehicles per year. The limitations on the quantities of grey
imports will boost the sales volume of local car dealers because the supply of grey imports decrease and lead to increases in prices. A total ban is not realistic since the funds from import duties of grey imports collected by ZIMRA increases the annual revenue of the state.

5.4 Suggested areas of further research

Further studies might be considered to:

- Investigate the effects of grey imports on the financial performance of companies who sale vehicle parts.
- Investigate the effects of debt finance on the growth of authorised car dealers in Harare.
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www.worldsteelprices.com (11/02/14)
USA

Zimbabwe statistics records (2013)
APPENDIX 1: INTRODUCTORY LETTER

Bindura University of Science Education
P.Bag 1020
Bindura

Dear Sir/Madam

REF: QUESTIONNAIRE TO SOLICIT INFORMATION

I am a fourth year accounting student at the above mentioned institution. I am currently conducting a dissertation research study on the effects of grey imports on the financial performance of authorised car dealers in Harare. I am soliciting for your help by participating in the completion of attached questionnaire. The research is a requirement in fulfilling a Bachelor of Accountancy (Honours) Degree at Bindura University of Science Education.

I will be very grateful if you can spare your time to answer this questionnaire. There are no wrong or right answers. Only your factual response matters. You need not to write your name since all information needs to be treated with strict confidentiality. I promise that information obtained in this research will be used for academic purposes only. Thank you in advance for your anticipated co-operation.

Yours Faithfully

B1128779
APPENDIX II: QUESTIONNAIRES

QUESTIONNAIRES FOR STAFF

Dear staff, my name is Delight. T. Mugwenhi, a student at Bindura University of Science Education and I am carrying out a research on the effects of grey imports on the financial performance of car dealers in Harare. May you kindly assist me by answering the following questions below. You are advised of being honesty when answering the questions. The information will be treated with utmost confidentiality and will be used for academic purposes only.

Department of the respondent……………………………………………………………………

Qualifications of the respondent
Diploma □ Degree □

1. For the two years from 2012 to 2013 the penetration of grey imports in Zimbabwe affected the performance of my company negatively.
   Strongly agree □ Agree □ Strongly disagree □ Disagree □ Not sure □

2. My company lost major customers from 2012 to 2013 because of grey imports.
   Strongly agree □ Agree □ Strongly disagree □ Disagree □ Not sure □

3. For the two years from 2012 to 2013 there was a decrease of supply of vehicles from local car assembly.
   Strongly agree □ Agree □ Strongly disagree □ Disagree □ Not sure □
4. I think that the government should ban grey imports in Zimbabwe
   Strongly agree □  Agree □  Strongly disagree □  Disagree □  Not sure □

5. What change was there on cars sold to government institutions and agencies from 2012 to 2013?
   Decrease □  Increase □  Constant □

6. I think grey imports led to an increase on the unemployment rate in Zimbabwe from 2012 to 2013.
   Strongly agree □  Agree □  Strongly disagree □  Disagree □  Not sure □

7. The vehicle finance schemes led to an improvement on the sales of my company.
   Strongly agree □  Agree □  Strongly disagree □  Disagree □  Not sure □

8. I think interest rates for finance schemes from 2012 to 2013 were favourable to customers.
   Strongly agree □  Agree □  Strongly disagree □  Disagree □  Not sure □

9. The introduction of multicurrency affected negatively the performance of my company.
   Strongly agree □  Agree □  Strongly disagree □  Disagree □  Not sure □

10. My company offers finance options such as hire purchase, personal contract plan and leasing.
    Yes □  No □
11. My company exports brand new vehicles to regional countries.  
   Yes □  No □

12. My company service and sell spare parts of grey imports.  
   Yes □  No □

13. I think the car dealers in Zimbabwe are surviving the competition with grey imports.  
   Strongly agree □  Agree □  Strongly disagree □  Disagree □  Not sure □

14. I think the grey imports led to an increase in skilled labour brain drain in the motor industry from 2012 to 2013.  
   Strongly agree □  Agree □  Strongly disagree □  Disagree □  Not sure □

15. My management implemented any policies to deal with competition from grey imports vehicles.  
   Yes □  No □
APPENDIX III: TELEPHONE INTERVIEW GUIDE

1. To what extend did the imported vehicles affected the sales of car dealers in Harare?
2. How can government be of help to support car dealers in Harare?
3. How can vehicle financing schemes by banks be of help to the car dealers in Harare?
4. How are the local car dealers surviving in competition with grey imports?
5. What strategies can the management put in place so as to fight against these effects of imported vehicles?

Any comment you may have to make the research a success?

Thank You!