

Tata ace- case study

Education



MARKETING STRATEGIES ASSIGNMENT “ TATA ACE” CASE STUDY1) Why do we feel Tata Motors was targeting LCV (Light Commercial Vehicle) segment under commercial segment for TATA ACE? - - - Better highway systems like the Golden Quadrilateral meant that Commercial vehicles in 45+ Tonnes could carry bulk loads covering large distances in shorter time and at lower per tonne per km cost. Government also went about the task of improving road network between medium sized cities and also building all weather tertiary road network covering rural towns- only smaller and rugged vehicles could operate on these roads (Pradhan Mantri Grameen Sadhak Yojana).

Increased congestion & pollution in most of the cities forced the government to regulate the movement of Large/ Heavy trucks (larger than four tonnes) in the cities. Tata motors considered the above primary factors in determining the need for large commercial vehicles for the highways and smaller sub 4 Ton category commercial vehicle for operating on both Inter city/ Town and Intra city road network.

Ruling out the possibility of developing large commercial vehicles due to the high cost of development and fearing loss of revenues from their niche standard size truck segment, Tata motors decided to develop TATA ACE targeting the Light Commercial Vehicle Segment. Also helping their decision process were some key policy initiatives: - Discouraging the use of Old. Polluting & uneconomical vehicles Scrapping of > 15 years old vehicles Ban on overloading of vehicle.) Highlight the Key outcome of Market Research which was conducted before launching TATA ACE and do we think there was a gap which can be addressed by a Product like TATA ACE? Market research involving interviewing of over 4000 truck and three wheeler operators across

the length & breadth of the country highlighted the following needs, though there was a section which opined that even a three wheeler under TATA banner would be welcomed by the market: (i) Owning price of the vehicle should not exceed INR 200, 000/(ii) Fuel Efficiency. Reduce “ per ton per km” cost. iii) Maneuverability of three wheeler but with higher level of a. Safety b. Durability c. Ruggedness d. Reliability e. Higher payload f. Comfort of a four wheeled truck. (iv) And finally “ PersonalMotivation” to drive a four wheeler to enhance the status of operators in the society and thereby create transportation entrepreneurs . Tata Motors addressed all the key requirements of the market with TATA ACE, A four wheeler with economical pricing, Fuel Efficient engine, pay load of 1750 kgs and built in safety features including enhanced comfort.) How was Segmentation & Targeting done for TATA ACE? As a Functional segmentation, Tata motors decided that the ACE would address the spectrum of LCV to transport 750 - 1500 kgs over 100-200 kms and position it between the Rickshaws/Cart and Pick up trucks; meeting the functional needs of different customers. They also further segmented this functional segmented customers into four groups viz. , - Performance sensitive (7%) o Interested in status, Brand image and speed o Willing to pay higher prices for features Current owners/ operators of larger SUVs or cars. - Balanced perspective (25%) o Return on Investment o Comfort and features o Owners - Entrepreneurs o Purchasing three wheeler, due to absence of an alternative. - Return on Investment sensitive (55%) o Per Ton per Km cost o No value for Non-monetary purchase considerations o Generally fleet owners/ operators- who hired drivers - Acquisition price constrained (13%) o Lacked credit o Could not afford for slightly expensive vehicles. o Prefer three wheeler

Finally they identified a group that could not afford any motorized vehicle; using bullock & horse carts, cycle rickshaws, manual pull carts. However this group over time can move up and be a TATA ACE customer. Based on functional & customer segmentation and also considering potential growth of the market, TATA Motors estimated and targeted: - 45% of the ACE's customers planning to purchase 3 Wheeler - 15% from potential pickup & LCV purchasers - and 40% from first time CV purchasers. 4) Explain the Marketing Mix 4P's [Product, Price, Place, Promotion] strategy adapted for TATA ACE?

Product: TATA ACE was designed to address three major customer needs in terms of product i.e., - Overloading capability - 2 cylinder water cooled engine, based on the proven Indica diesel engine - Safety, Comfort and aesthetic considerations
Price: Though the price apparently was higher at ₹ 225,000 as against ₹ 100,000-200,000, they addressed the Per ton per km cost. Tata Ace would cost Rs. 6.70 for delivering one ton of goods over per km as against ₹ 7.88, their nearest competitor could offer and segment average of ₹ 8.54.
Place:

Tata motors decided to roll out in phase beginning with 5 states in Western and Southern parts of India; where the demand for three wheelers were high. They also benchmarked distribution network against two & three wheeler dealer network. Based on the data, they developed new dealership format called 1S (Sales), as against traditional 3S dealership network. Each existing Tata Motors 3S Dealer (Sales, Service & Spares) was required to set up 8 to 20 1S centers in their region and staff them with existing employees. Within 3 months 300 new distribution points were set up.

Promotion: Tata motors used both Print and TV media to position and promote the product. - Chota Hathi – Symbol of Power, Reliability and “ Mini” product A boy rushing to school, Wife seeing off for the day, Off to Work in Tata Ace and Going to School in Tata Ace. Also their positioning statements viz. , o India’s first Mini truck o Small is Big o Stability & Trust of big truck o Economic liberation o Feel good about job o Transportation at the last mile 5)

What is the current trend of TATA ACE. Who are their competitors and suggest a future steps taken for TATA ACE?

Present day competitors are : - Mahindra Gio - Mahindra Maxximo - Piaggio Ape Mini Truck Force Trump Minidor. A few steps suggested for TATA ACE to continue to be the top seller are: - Continue to innovate and ring in changes to make the vehicle more fuel efficient. Increase engine torque to demonstrate performance in hilly regions Continue to control costs and offer competitive price to customers Increase Go Green initiative with increase in ENG and Electric drive variants Target export market aggressively; with both features and better pricing.