

# Focusing on tata nano car marketing essay



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In this this assignment, I will be focusing on Tata Nano car. Tata Nano is one of the car produced by Tata Motors which is leading car manufacturing in India. They have been producing cars in India for a long time and slowly have ruled in the markets in India as well as abroad. Tata Indica, Estate, Sierra, Sumo are Tata Motors other cars.

Tata's chairman, Ratan Tata saw families riding on scooter and bikes which is unsafe on Indian roads hence he decided to make a car which could be easily affordable for every Indian. Tata's main aim was to manufacture a safe and compatible product which also should be affordable. Tata's main target market was families with two wheelers. In a highly populated country like India where most of the population is middle class Tata motors have made a middle class man's dream come true by producing Tata Nano, worlds cheapest car. Nano's cost is Rs 100, 000 (US\$2, 500 or £1, 500) which is easily affordable by any common man. ( Strategic Direction, 2009)." The tale of the creation and design of the Nano is one of innovation and ingenuity, both inside and outside Tata's own organization." (BusinessWeek. com, 2/27/08). When initially Tata's chairman Ratan Tata called a meeting with German company Bosch about his dream plan to launch Tata Nano they were all skeptical and did not agree to the plan. But Tata kept on his plan and made his point clear that he will produce such a car and this would not only help in future developments for a company like Tata motors but also will create history.

Ratan Tata says, there is a big gap between " the low end of the car market and the high end of the two-wheel market". ( Strategic Direction 2009, pp13-

16) In emerging economies like India China and Brazil where people want but cannot afford cars, this idea of low- cost cars will boom.

Volkswagen means people's car in German and Beetle was produced for to be an affordable car for the people. All these cars were made as low costs for the people, to make personal mobility affordable in Europe. When the VW Beetle's first model, their aim was to price the car very close to that of a motorcycle so that it can be called as people's car, similar to Tata Motor's target.(tatanano. inservices. com). Tata also face strong opposition while they were ready to set up factory for Nano car. Many political parties tried their best to stop him but he with his strategic plans stood firm against them and in 2008 he launched the world's cheapest car in India called Tata Nano. An strategic analysis of Tata's external environment, its strategic capability with its choices of strategies will shed some light on Tata Nano's progress.

## **ANALYSIS OF EXTERNAL ENVIRONMENT**

There are many rivals in the market to compete with Tata Nano the biggest one of all is the small car Maruti 800 which is produced in collaboration with Suzuki motors in India for decades. Nano has one advantage over Maruti which is its low price but also Maruti 800 is not that expensive and comes with good quality. Another fierce competitor is from the Maruti family again, it is the Alto, which ate into the 800's sales figures and finally displaced it as the largest selling car in India. The Nano was made all set to cause a big dent in those numbers. Another rival is from Korea, the Hyundai Santro. This car with its brilliant packaging and smart marketing, is still an ideal choice for many middle class families. But Nano has enough quality and low price to beat them all and has started doing already. And it's not just these cars that

the Nano will have to deal with, there are more foreign cars such as Mahindra Renault and Ford is planning to launch one in India in short time. (<http://economictimes.indiatimes.com>).

Customers always look for cheap prices with good quality. If a company sells a product with the lowest price it can still sell the product if quality is not up to the international standards as it's targeted at middle and lower middle class population. Hyundai and Suzuki have international standards small cars but their prices are high. Hyundai has more features than Alto with relatively slightly higher price that's why Alto is struggling in competition against Hyundai Santro. Currently in India Hyundai Santro and Maruti 800 has captured the markets. The industry analysis, PESTEL analysis and CAGE framework will further help to analyze the external environment of Tata Nano.

## **INDUSTRY ANALYSIS**

The Industry Analysis is based on Michael Porter's Five Forces Model. The strategic position of the corporation and its strategies are made not only by rivalry with its known and old competitors but by four more forces in the industry's environment comprising new entrants, substitutes, suppliers and buyers (Laudon & Laudon, 2010).

### **Threat from new entrants**

Any company can have threats from new entrants in the market if the new product is of good quality and technology and that too in affordable prices. A very good example of threatening new entrant for Tata Nano is Mini Reva, India's first small electric car. Its starting price is quite more than Tata Nano

but quality is far better, hence this car can be a threat to Tata Nano if sold in comparatively closer price. (carazoo. com). If Tata Nano has had better quality as compared to Hyundai and Suzuki small cars then the story would had been different. Tata Nano's only selling point is the lowered costs which makes itself the world's cheapest car. The threat from new entrants is not too high as its Nano is launched by Tata and they have many years of experience. After much research and development Tata motors have launched this product also they have good resources to back up with and investing large amounts of money to make this dream car.

### **Buyer's Power**

This is where Tata Nano stands out in the competition of cars in India. As an emerging economy every one dreams of having a car in India and Nano is just their solution. It costs less than a two wheeler in India. In case of small cars its main target market is families with bikes and mopeds and seeing the prices they easily switch from bikes to Nano. Selling Nano to the Indian middle class people is not a big challenge even if quality is compromised a bit. Also the car has passed the full frontal crash and side impact test which makes them more trustworthy for the customers to buy. This was much awaited car in India with huge population wanting to buy immediately after the launch, also loans are easy as amount is small.

### **Supplier's Power**

Tata motors is the biggest car manufacturing company in India. They also produce Mercedes in India. They are the masters in car manufacturing in India. Tata Nano is made completely in India hence its called as the Indian

smallest car. Tata motors is its own supplier as it has its own expertise which helps in catering the needs of an middle class customer.

## **Substitutes**

Threat of substitute is less for Tata Nano as there is no car in the market is available at such a low rate with same features. There are other products such as high end motor bikes and cars but not of this same category. Tata is planning to launch a similar product with high features but no other company has planned to do so. The only problem with current version of Tata Nano is the quality but in future advanced versions will be launched by Tata itself.

Looking at the success of Tata Nano and at its sales figures many car companies had planned to launch same category cars with close price range, this acts as a threat in future.

## **Competitors**

Tata Nano has many competitors as India is a huge market for cars. Many foreign companies have launched their cars and give tough competition to Tata Nano in quality. But as other cars are expensive to buy and maintain this helps Tata Nano a great deal to capture the market. Also Tata has a good brand name in middle class segment. But in future competitors may arrive as success of Tata Nano has opened new sales avenues for small cars in India.

## **PESTEL Analysis and CAGE Framework**

The PESTEL analysis is based on six factors used for analysis of an existing or emerging business that are political, economic, socio-cultural, technological, environmental and legal factors. The CAGE framework is based on four

factors based on cultural, administrative, geographical and economic distances.

Tata Nano is a subsidiary of Tata motors which is owned by Ratan Tata. Tata motors is legally and politically more advantaged than any other motor company in India. It has also extended its business to other parts of the world and has recently acquired Jaguar Land rover. There were some issues initially for Tata motors to set up plant in Singur District in West Bengal state. But due to politically sound relations of Ratan Tata they were successful to set up a plant in states of Karnataka, Maharashtra and Gujrat. (<http://www.tatanano.in/tata-nano-singur-controversy.html>) Tata Nano subsidiary has good socio cultural ties with all the different states of India which helps in making Indian economy strong as Tata makes cars for neighboring countries like Pakistan, Sri Lanka, Nepal and many more. Tata Nano's main market is small earning families and they are found in many countries of South Asia other than India.

In the west, cars are made with advanced technology and their market is limited to advanced economies due to high costs. Tata Nano due to low costs is suitable for all countries as it is environment friendly car, has passed the full frontal and side impact crash test. The Nano version for south asian and Indian markets is little low in quality, as Europe demands strict and high standards. R&D is at times dependent on geographical and cultural distances and end product required is different in different countries, hence for Europe Nano is made with advanced technologies and had passed all the European tests. Tata Nano is an innovation and is in advantage due to its brand name Tata hence it has captured markets in India and abroad.

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## **STRATEGIC CAPABILITY OF TATA NANO**

Determining a company's internal and external environment is important in process of strategic planning. SWOT analysis includes analysis of strengths, weaknesses, opportunities, whereas threat investigates internal and external and also positive and negative factors of an organization. SWOT analysis can play a major part in developing a marketing strategy for a company to make benefits from future opportunities with regard of future risks. (Nieschlag et al. 2002, p . 104; Scheuch 2007, p. 184). Strategic capability of a company is the core resources and competences of a corporation that contribute to its survival and prosperity (Johnson et. al. (2008)

### **SWOT Analysis**

This is based on the strengths, weaknesses, opportunities and threats that exist for an organization:

#### **Strengths**

The biggest strength of Tata Nano is its low price and innovative model. Nano has its brand name of Tata which already has reputation as a brand of quality and innovation across the world in comparison to other European Car companies. It has set a new benchmark in small family car market with its low price and stylish make. It has been also tested successfully for crumple zones and has vario metric gear systems. It is completely manufactured in India with all parts made in India which makes it low price and low maintenance car with quality standards at par with other cars in the market.



## **Weaknesses**

There always weaknesses in any product which ever company makes. Tata is a brand name in itself but Tata Nano also has some weaknesses. Tata Nano's although is said to be high class car but it does have some drawbacks such as, it has less boot space and poor traction control. Car gets overheated quickly as compared to other small cars also engine cooling is slow. Due to its small tyres it is not suitable for hilly terrain. It has no headlight levelers and passenger side mirrors. Tata Nano's body is also not too strong which means outer tin body can get damaged to a large extent in case of accident.

## **Opportunities**

Tata Nano has created a niche in the car market. It has created a benchmark for small cars market. Even two wheelers market has been affected. Tata Nano should come up with a little more advanced version such as with Electric and Diesel engines as well. Tata Motors already has plans for Tata Europa an advanced version made exclusively for European nations. Now that they have made a low price car, to capture the market quickly they should come with easy loans schemes by tieing up with banks. They should also develop low price engine oil which would help a middle class customer to buy and maintain the car in times of recession.

## **Threats**

Tata Nano has a number of rivals in the market currently and in future they will have more stiff competition from Indian well as foreign car companies. As Tata Nano was launched Maruti 800 came under threat and its price was slashed. But Maruti Alto with Hyundai Santro is still an stiff competitor as their features are far superior than Tata Nano. Companies like Bajaj, Honda

and Renault will be launching small cars soon against Tata Nano with close prices as that of Nano. Tata Nano will face problems with regards to its price as raw material costs are likely to increase and they will have to increase the price. Government will also increase the taxes which again will be a reason for price hike.