

# Company and product analysis of the tata nano



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## **Tata Nano: The world cheapest car ever built**

### **The car was launched on March 23rd 2009**

Tata Nano is not just the accomplishment of Ratan Tata's promise to middle class Indian's, but Indian's promise to the world and a crystal clear proclamation that the coming days the world has to look into India to see innovation, determination and technical of domination. As the much awaited 1 lakh car was unveiled at the Auto Expo in New Delhi, Indian people, who cannot afford a car that crosses few lakhs, have already place themselves, at least in their dreams, behind the wheels of this cute car named Tata Nano. The car grabs attention from around the world not only for the low price but also for the beautiful look and striking features. As Ratan Tata repeatedly mentioned during the unveiling ceremony, Nano is not just a car but, is revolution of innovation or a quest to conquer, a conquest for leadership and a conquest for achieving new avenues. The Tata Nano car is priced Rs 1 lakh US \$2500, GBP £1277, The car will be available in the market for about \$3000 or Rs 1 lakh 30 thousand after the taxes and insurance is added to the cost. The cost of the luxury version has not been declared by the Tata Motors and it is expected to be a bit higher.

#### 1. Pricing strategy

Tata initially targeted the vehicle as " the latest expensive production car in the world" aiming for a starting price of 100000 rupees or approximately US\$2050 despite rapidly rising material prices.

As of august 2008, material cost have risen from 13 per cent to 23 per cent over the car's development, and Tata now faces the choice of:

- 1) introducing the car with an artificially low price through government subsidies and tax breaks, or
- 2) foregoing profit on the car, or
- 3) using vertical integration, or
- 4) partially using inexpensive polymers or biodegradable plastics instead of a full metal body or
- 5) raising the price of the car

An increased price on the Nano will likely decrease demand.

## **Tato Nano Pricing Strategy**

### **TCMG: FOUNDATION OF MANUFACTURING**

#### **Keys:**

Starting of needs

slow growths is scary

catch up with America

just in time

using common sense idea

give machine intelligence

the power of individual skill and team work

cost reductions is goal

the illusion of Japanese industry

establishing production flow

productions levelling

in beginning there was need

a revolution is conciseness

### **Abstract:**

Never before in the history had, a new product in the automobile industry created such a huge buzz after Ford's famous Model ' T'. Ever since Ratan Tata announced that he would make a ' People's car' for a price less than USD \$2, 500. During 2008, Nano was all over the press for the wrong reasons and that probably would have been a blessing in disguise for Nano's buzz and all the critics were are silenced for ever when the car was launched on March 23rd 2009 with various public and private sector banks offering loans to customers. It definitely was the most awaited car in the world in the last several decades. Timing was just perfect to suit the recessionary pressures.

### **Oligopoly pricing:**

In relation to customary price points, oligopolies can also generate price points. Such price points do not necessarily result from collusion, but as an emergent property of oligopolies: when all firms sell at the same price, any firm which attempts to raise its selling price will experience a decrease in sales and revenues preventing firms from raising prices unilaterally; on the other hand, and any firm in an oligopoly which lowers its prices will mostly

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likely find them matched by its competitors, resulting in small increases in sales but decreases in revenues for all the firms in that market.

## **Target Markets**

The company is targeting lower income group with family, first-time buyers of car (fresh graduates) and motorcycle owners.

## **ANSWER NO 2:**

### **PROS AND CONS OF STRATEGY:**

#### **Tata Nano Pros :**

**Small so easy to park, fuel economic**

#### **Tata Nano Cons :**

**Power, stability, fuel tank small**

#### **Tata Nano Review**

Write Review

**In terms of comfort and convenience Tata Nano is a car been manufactured keeping in mind that the car compartment offers enough space to the customer for his head and for his legs. Considering the fuel economy the vehicle (Tata Nano) has a very efficient engine, which offers rear-wheel drive to the car all in aluminum with its two cylinders being a 623 cc displacement offering with a power of 33ps. The engine is a multi-fuel injection petrol type. Design of Tata Nano is such that it maintains the weight under control, all there by maximizing the car's performance in terms of energy consumed, all in terms it delivers high fuel efficiency. As like other cars Tata Nano is also equipped with many safety requirements.**

Tata Nano has been launched with five variants with both BSII and BSIII norms compliant variants. Its base variant is available in three colours Racing Red, Ivory White and Summer Blue. This base variant is available in the range of Rs 1. 19 to Rs 1. 26 lakh. This is quite strange that some of amazing colours of Tata Nano like Champagne Gold, Lunar Silver and Sunshine Yellow are not available in base model of Tata Nano. The price of CX model of Tata Nano starts from Rs 1. 44 lakh Ex showroom while the price of LX model of Tata Nano is Rs. 177, 092 ex showroom

## **Tata Nano – Stragety, Impact on the Automobile Industry**

Cost Management and Strategy used

The great wonder car by Tata's has stunned the entire world. Critics who often said that it was not possible to make a car at a price blow \$3000 were taken to a back sit when RatanTata the chairman of Tata Motors unveiled

this car in New Delhi at a price of \$2500. Since then it has been in lime light and has been making news in the auto sector throughout the world.

Much of India's low -cost production edge comes from cheap labor and a large part of the low-cost assembly in factories and and plants is done through manual operations. However this situation is changing fast with companies wanting to increase productivity by automating their lines. Tata cut cost by minimizing components, particularly steel, and taking advantages of India's low production cost. Because of its size, it requires less metal, has a smaller and lighter engine than other cars, smaller tube-less tyres and a basic interior.

### **ANSWER NO. 3**

The Indian auto major is planning to make its electric vehicles in association with Miljo Grenland/Innovation of Norway. Tata Motors European Technical Center plc, Tata motors, subsidiary in the United Kingdom holds a 70 percent share in Miljo Grenland/Innovation of Norway.

### **Europa**

This export version of the Nano was first shown at the 2009 Geneva Motor Show but has yet to go on sale. Heavily upgraded to meet EU safety and emission standards, the car will have a number of improvements over the standard Nano, including an extended wheelbase, a new 3-cylinder engine, power steering, an anti-lock braking system (ABS) and an improved interior. The Nano Europa will be more expensive, heavier and less fuel efficient than the standard Nano with prices said to be around US\$6000

## **Will the Tata Nano car reach the US or Europe?**

Following on from Peters post about industry comments sounding on Tata Motors Nano Car, we have heard a lot of feedback from people all around the world.

The world's cheapest car " The Tata Nano" is making news everywhere, but could this car see the light of day in North America or Europe.

How safe is the Tata Nano compared to western automotives, would it pass our tests and even if it did then this car would surely put some of the big named car brands out of business.

Do you think the Tata Nano car could reach the US or Europe and would it be a good thing to shake up the auto industry?

It will be a good idea if its available here in Europe. It may cost a little more than US \$2500. But its launch will shake up the world motoring prices. The launch of TATA Nano is truly historic

Why not? We should have this car here in America. I believe it may cost around \$000. 00 to upgrade the car to meet our standard, but even then it is cheap, and greener than our SUV and all the other cars in the market. Tata Nano is the way to make the world green

And so on.....

The development of the Tata Nano Europa is underway and Tata would be launching the Nano Europa by 2012-13. It is official that the Nano Europa will come with a petrol variant, followed by an electric version.



## **ANSWER NO. 4**

Draw back of charging low price of Tata Nano, if it were to be sold in US and Europe

The Tata Nano is a low cost car and we can't complain much about quality issues. But when it comes to the car the car's reliability that is the longevity of the car, rattling noise, brake lock-ups and the finer details, it leaves a lot to be desired from the Nano.

### **Negative specifications of the car**

Though the car launched for a Lakh rupee mark the actual cost can go high

Initially the availability of the car will be a problem for the buyers as the Motor is launching only 250, 000 units in a years.

The car has a low maximum speed of 90km/h.

Space inside the car is less for keeping luggage.

The car is not equipped with power steering.

The car has cleared emission tests but increase in number of on road can not be environmental friendly.

### **Difficulties and risks**

Slow sales resulting less than projected flow

Unexpected and excessive cost increase competitors to the forecasted sales

Overly aggressive and debilitating actions by competitors

Significant economic downturns

### **Worst risk include**

Liquidate asset to cover marketing expensive and liabilities

Determining product cannot support itself on ongoing basis

### **TATA NANO IS THREAT FOR**

Two wheeler manufactures

The country's largest car manufactures

Used - car dealers - Second hand car buyers who spends between 1.5-2.5 lakh may move easily for the new Tata's one lakh car.

Prominent small car players

### **NEGATIVE POINTS**

Few disadvantages in a rear engine car.

Uneven weigh distributes and hence poor traction control

Poor cornering and poor handling

Poor engine cooling and hence more chance for engine overheating

Almost no boot space and cramped space for rear passengers

More congested roads

More supply - More surplus as less export

More competition

Less margins

Low quality

High real estate prices - parking space and parking charges will become more.

## **ANSWER NO. 5**

Should TATA modify NANO for US and Europe?

Yes,

The million dollar question is: would Tata upgrade or modify the Indian Tata Nano when the Nano Europa is fully developed? Would the Indian Nano get more refined powertrains? If Tata doesn't offer additional options and refinement, then the Nano and the Europa would become totally different cars which looking similar.

### **The Hindu quoted European Commission's Director General for Energy and Transport,**

Matthias Ruete, as saying:

" I can say that alike other nations; entire Europe is also eagerly awaiting the commercial launch of Nano. But keeping in mind the adverse impact of carbon dioxide (CO<sub>2</sub>) on environment, it would be advisable to have Nano's electric version. I hope Tata Ratan is working on it. "

### **Questions of safety**

" India has 8 per cent of the world's vehicle fatalities and less than 1 per cent of

its cars, with more than 90, 000 people killed on the country's roads every year. Introducing a million Nanos into the mix may bring more -

Tata, which has the only crash-test facility in the country, said that the Nano " Exceeds current regulatory requirements" And while it is not a deathtrap - it has crumple zones, seat belts and strong seat anchors - it is worth bearing in mind that total vehicle crash testing rather than just frontal impact, airbags and antilock braking systems are not mandatory.

Without these, the Nano would not even be considered for approval in Britain. Adding them would double its price in India, which is why they have been omitted.

### **Tata Nano Car priced at \$5, 000 in the US**

The world's cheapest car, Tata Nano, that sells for \$2, 500 in India, may be find its place in the United

States garages at double the price when it is commercially launched in America, but would still be the

Lowest -priced car in America.

The cheapest vehicle in North America costs about \$9, 000-10, 000 " so one could speculate that half of that over \$5, 000 is a possible price point" for the Nano in the US and is still way cheaper than the lowest priced car, a Tata Technologies official told PTI at the Detroit Science Centre, where the car is on display for the US audience for the first time.

The official, who did not wish to be named since the decision on price would rest with Tata Motors Get

Quote, said the over \$5, 000 price range could also take into account all the necessary safety and emission requirements needed to ensure that Nano is fit for the US roads.

## **ANSWER NO. 6**

**European and USA markets appropriate for exporting cars?**

**Yes infect surely European and USA markets appropriate for exporting cars in all most all the other markets.**

**US car export company, U. S. Connection is a leader in the field of both foreign and American car exports. US Connection is looking to expand their American car export market presence in Eastern Europe, Asia, Central America and Middle East.**

**US Connection auto export business is seeking association with qualified distribution partners in the above mentioned regions of the world.**

**US Connection has a huge inventory of export vehicles from all over the USA which are available to you for immediate sale and delivery. Car export is their main business and to help you find the specific car(s) you want, they have buyers strategically placed all over the country who have immediate access to almost a million new and used cars weekly.**

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