

# The brand image of tata motors



## **1. 1Research background**

The research study on brand image of Tata Motors is not new area but this topic has various concepts those can be defined as different topics itself for research purpose such as brand valuation decision. Brand Image decisions are taken as one of the most important areas in marketing literature. The brand image decisions can be explored from two prospective as a) from the perspective of the customer and b) from perspective of the brand positioning. The first one is external image while the second option is to judge the desired internal positioning. The difference between the two ends of positioning is known as noise in the system. The lesser the noise the better is the objective of the organization achieved.

This research project focuses on the analysis of brand image of Tata Motors in the Indian Automobile sector. With the ever changing world thrust has been given on building brands that can last for long. In the segment which the discussion will focus upon the brand image becomes very critical. Indian automobile sector is one of the sectors which face critical problems due to the cycle the economy has fallen into. However, the Indian Automobile industry is one of the best examples that are not invulnerable from the difficulties associated with obtaining adequate funds to fulfill their requirements. (Roberto, 2008, online).

## **1. 2 Indian Automobile Industry overview**

FY10 was a landmark year for India's auto companies (excluding Ashok Leyland). They reported all-time high unit sales, strong volume growth and record profits. The performance came on the heels of an economic downturn

in FY09, making it more remarkable. Going forward, it is expected by the sector to report volume CAGR of 19.8% over FY10-12e, compared with 25.6% in FY10.

Fundamental factors – India's high per capita income growth, recovering urban demand, aggressive vehicle financing, among others – are intact and favour the sector, though monetary tightening could raise the cost of ownership in the short term. Furthermore, recent monsoon rainfall data suggest a normal to above-normal monsoon with good spatial distribution that augurs well for agri-GDP growth in FY11.

The auto sector's raw material to sales ratio rose from 69.6% in 1Q FY10 to 72.5% in 1Q FY11. The main reasons: key input prices around 50% higher; rise in excise duty; and cost of implementing new emission norms. Given these, most OEMs raised prices in the past 12 months. Nevertheless, demand has continued to be strong.

Analyst expects Indian auto companies to continue to report strong cash flows and good return ratios, even though competition is intensifying given the entry of more global majors. It is believed competition is set to rise over FY10-12, driven by the entry of Toyota and Nissan into the small/mid car segment and with the current success of GM's Beat, VW's Polo, Ford's Figo, M&M's entry into commercial vehicles (CVs), and Yamaha and HMSIL becoming more aggressive in two-wheelers following M&M's entry through Kinetic. Yet, the belief is that the incumbents have built multiple competitive advantages that will enable them to maintain their dominance.

Historically, the auto sector has traded at a 10-12% discount to the Sensex, while currently it is trading at discounts of 16% and 18% for FY11e and FY12e, respectively. Analysts expect the sector's current discount to the Sensex multiple to narrow significantly and, in fact, expect the sector valuation to do much better than the historical average discount.

### **Per capita income rising fast**

India's per capita income has doubled in the past five years to ~US\$1,000, whereas it took 33 years to rise from US\$100 to US\$500. Even with such growth in incomes and car sales doubling from 2003 to 2009, India still stands near the bottom of the motor vehicle ownership charts, with just 12 vehicles per 1,000 persons compared with China's 128, Brazil's 156, Russia's 213 and South Korea's 293. As per capita income increases, driven by strong GDP growth, analysts expect the auto sector to benefit. Most developed countries experienced exponential growth in auto sales once their per capita income crossed the US\$5,000 mark. In India's case, however, the exponential growth could come even at a lower level of per capita income because of two reasons. First, the cost of a car is lower in India than in developed countries. Second, certain urban pockets in India could be much closer to the US\$5,000 per capita income threshold.

### **India's demographics supportive**

India's demographics map favours consumption growth, given that 28% of the increase in the global working age population is to come from India in the next decade. In addition, shifting consumption patterns show a steady rise in the share of transportation in total consumption. The proportion of

income spent on transportation and communication has almost doubled in the past 20 years.

## **Macro factors impacting the various segments**

Two-wheeler (2W) segment: The improvement in farm incomes, urban demand and availability of financing and consumer sentiment would have a positive impact on the segment.

Passenger vehicle (PV) segment: Higher agricultural incomes and improved consumer confidence would impact auto demand positively in segments such as passenger cars and multiutility vehicles (MUVs).

Commercial vehicle (CV) segment: Positive traction in industrial production (strong co-relation); government thrust on infrastructure investment; good agri-GDP growth and healthy freight rates.

## **Rural demand**

Rural demand in India remains secular, driven by 1) the National Rural Employment Guarantee Act (NREGA), which is having a positive impact on rural consumption; 2) higher agricultural income arising from better minimum selling prices (MSP) for essential commodities, which have increased by a CAGR of 10% (on average) for key crops, leaving more disposable income for farmers; and 3) recent monsoon rainfall data suggesting a normal to above-normal monsoon with good spatial distribution that should augur well for agri-GDP growth in FY11.

## **Urban demand**

Analysts believe urban demand is recovering, driven by 1) rising wages; 2) renewed hiring by the IT/ITES sector; 3) improved availability of financing; and 4) still attractive interest rates (despite monetary tightening).

For Indian auto companies, with the exception of Ashok Leyland, FY10 was a landmark year, with unit sales at an all-time high and strong volume growth. Further, most OEMs set new records in terms of volume and profitability. This strong performance came on the heels of an economic downturn, making it more remarkable. Looking forward, we expect volume to grow at a CAGR of 17% for the industry over FY10-13, compared with the 25.6% reported in FY10.

## **1.3 Tata Motors**

### **Company profile**

Tata Motors' product portfolio includes passenger/goods carriers, passenger cars and utility vehicles. Tata Motors became a global player when acquired Daewoo's Korean CV manufacturing plant and Jaguar Land Rover in the UK.

Incorporated in 1945, Tata Motors is India's largest automotive company in revenue. According to Automotive World, Tata Motors is the world's fourth-largest truck manufacturer. Last Auto Omnibus calls it the second-largest bus manufacturer in the above-six-ton category.

In FY10, Tata Motors was the second largest company in the Tata Group in terms of revenue. The Tata Group, founded by Sir Jamshetji Tata in the mid-19th century, is one of India's largest business conglomerates, operating in seven diverse business sectors in more than 80 countries.

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Tata Motors' manufacturing base in India spans Jamshedpur (in the east), Pune (in the west), Lucknow (in the north) and Pantnagar (also in the north), supported by a nationwide network of dealers, sales, services and spare parts. Its widespread sales and distribution network covers over 1, 500 sales outlets for its passenger and commercial vehicles. It has also set up at Sanand (in the west) and Dharwad (in the south). The management team is headed by Chairman Ratan Tata and managing director Ravi Kant. Under this management, the company has made serious attempts to spread its wings globally by acquiring JLR in the UK, Daewoo's CV plant in Korea and others.

Over the years, it has maintained its leadership in CVs, launching innovative vehicles such as the Ace. A world truck, in collaboration with Tata Daewoo CV, is to be launched in the near future. In Jan 2008, it captured the world's imagination by showcasing the Nano at the Delhi Auto Expo.

## **Performance analysis**

Tata Motors' JLR division reported strong growth in realization and profit in 1Q FY11, driven by an improvement in the global economy and the success of its new products (most priced higher than earlier models). Most top-end car manufacturers, too, have witnessed strong sales growth in the past few quarters, indicating a continued revival in auto demand. In addition, JLR management's aggressive cost reduction push through various measures turned the division FCF positive in 1QFY11.

Given strong FY11 GDP growth expectations, the government's thrust on infrastructure and normal monsoons, analysts expects the commercial vehicle (CV) segment to post good growth in the coming quarters. With Tata

Motors' dominant position in the CV industry, it is expected to benefit the most from this upturn.

Driven by the turnaround at the JLR division, uptick in the domestic market and prudent capital issuance, Tata Motors has been able to reduce its net automotive debt to equity ratio from a high of 6: 1 to 2. 0 in 1Q FY11. With JLR turning free cash flow positive in 1Q FY11 and capital expenditure at the standalone business expected to decline, analysts believe Tata Motors' net automotive debt to equity could come down substantially over the next year.

Volume at JLR is witnessing strong growth momentum, driven by the improvement in the global economy and successful new product launches. Volume has been increasing steadily every quarter from 35, 900 units in 1Q FY10 to 59, 200 units in 1Q FY11.

Tata Motors' JLR division reported strong growth in realisation and profit in 1QFY11, driven by an improving global economy and successful product launches, most of which were priced higher than the earlier models. Most top-end car manufacturers, too, have witnessed strong sales growth in the past few quarters, indicating continued revival in auto demand. In addition, JLR management's aggressive cost reduction push through various measures has turned the division FCF positive in 1Q FY11.

All major markets of the company – UK (+23%), North America (+23%), China (+104%), Europe (+18%) and Russia (+13%) – have reported strong growth in volume during 1Q FY11 on a yoy basis. Most top-end car manufacturers, too, have witnessed strong sales growth in the past few quarters, indicating continued revival in auto demand.



JLR has also benefited from the launches of the new Land Rover model in 2010 and the new XJ in 1Q FY11. The new XJ has been well received. While sales have been strong in the US, UK and China, they have been weak in the EU (ex UK). Land Rover sales across markets have been doing well; in the US, Land Rover incentives have steadily decreased, implying strong demand. Higher pricing for the new products has helped realizations and profitability.

JLR management has been aggressively trying to reduce costs using various measures such as manpower rationalization, low cost sourcing and better cost control. During the downturn, management reduced headcount by 2,000 to around 14,000 employees and also entered into agreements with workers to freeze wages. At present, they are selectively hiring employees, in line with growing auto demand. It is also looking to increase sourcing from low-cost countries from the current level of 20% to more than 30% in the near term and have opened purchasing offices in China and India for the same.

JLR is also looking for greater co-operation with the parent company Tata Motors to design and develop smaller capacity engines. This could reduce costs as well as its dependence on Ford for supply of engines. As part of its medium-term strategy, the company plans to reduce the number of plants from three to two, which could result in further savings by reducing overheads.

At present, the new launches at JLR have a waiting period of two-three months, which gives strong visibility for 2Q FY11 (traditionally also, the second half of the financial year have been strong for JLR).

Tata Motors plans to launch new products in the LCV and M&HCV segment, which could lead to expansion of the commercial vehicle market. Launches of smaller variants of ACE and ACE Magic are also planned for the coming months. Factors such as low cost of ownership, better ergonomics and superior brand image are likely to help Tata Motors further grab share from the three-wheeler industry as well as gain additional customers. We believe the smaller ACE family products will give a further boost to volume and counter increasing competition from M&M. Prima rollout may gradually increase the market for high-end trucks in India, which currently stands at less than 2, 000 units.

### **Passenger vehicles – Nano to improve market share**

The Indian passenger vehicle industry is set to witness strong growth over the next few years, driven by high growth in per capita incomes, recovering urban demand, and aggressive vehicle financing by private sector banks. Analysts expect industry volume (including Nano) to report CAGR of 25. 5% over FY10-12. Analysts expect Tata Motors to retain dominance and remain among the top 3 players in the segment; we expect it to register volume CAGR of 39. 5% (domestic 40. 3%; exports 6. 8%) over FY10-12. The growth in volume will be driven by growth of 42. 9% in passenger cars (domestic 43. 7%; exports 8. 0%) and 16. 9% in utility vehicles (domestic 17. 3%; exports - 5. 1%) over FY10-12.

Nano wait to end in September: Of the total initial bookings of 100, 000 units, the company had ~40, 000 cancellations. 52, 000 of the remaining 60, 000 have been delivered by July 2010. The remaining deliveries will be completed by September this year.

As Nano has been well received by customers, going forward, analysts expects it to drive volumes for the passenger car segment, once the waiting comes down to zero days; this could help the company regain market share it lost over the past two years.

### **Product launches already in pipeline**

Tata Motors is going to launch the UV crossover “Aria” in this segment. As capacity constraints for the Ace family are removed by shifting Nano production from Pantnagar to Sanand, capacity for other products is freed up. Also FY11 will see various launches in both passenger cars as well as goods vehicles: Magic Iris (launched in Rajasthan) will be launched nationwide, Venture will be launched in 2Q FY11 and Penguin will be launched in 3Q FY11.

Tata Motors is still working at a capacity utilization of 65-70%. Hence, in analysts view, it will incur a capex of Rs25-30b every year on product development and not on capacity expansion.

## **1. 4Objectives of Research Study**

The overall aim of this research study is to understand and explain the nature and significance of variables which have impact on brand image from the perspective of Tata Motors in Indian Automobile sector.

The objectives of this research are to understand/investigate and explain the brand Image of Tata Motors in Indian Automobile Sector

Firstly, the objective of this study would be to investigate that what factors affect the brand image. Existing literature/secondary research and field research in Indian Automobile Sector are the means of this investigation.

Secondly, the objective would be to analyze the brand image of Tata Motors and how it has impacted the company.

## **1. 5 Research Question**

In order to achieve desired objectives of this research and, to write the research ideas which were developed on the basis of preliminary research following question was developed.

“ What Factors influences the brand image and what is the brand image of Tata Motors in Indian Automobile segment”?

To answer this question, sub questions were developed on the basis of conceptual framework that was based on review of literature related to the research topic.

## **1. 6 Research Methods used**

In order to achieve desired research objectives, author collected published literature from article journals, text books related to research topic and white papers, and online databases and websites. After collecting the published literature a review and analysis of that literature was carried out that provided an deep insight and an overview of main theories of capital structure, review of factors those influence the capital structure design in accordance with the industry type, a fundamental to define conceptual framework for this study, and a great understanding of the topic in order to

develop questionnaires for online survey questionnaires and survey interviews. For collecting primary data two methods were used. Firstly, the online survey structured questionnaire. Secondly, survey semi structured telephonic interview. The survey interviews were conducted to understand the significance of the topic and describe the results precisely. The primary data collection methods were appropriate for this research based on the advantages described by author in methodology chapter under research design section. The research enterprises chosen for this study were located in India in Automobile sector. The enterprises selected to gather first hand data were small to medium companies.

### **1. 7 Professional significance of the presented study**

The research undertaken is a descriptive type in nature itself. Therefore, a descriptive dimension to the existing published literature on brand image associated to Indian Automobile sector will be added by this study in following ways.

The review and analysis of published literature on optimum brand image of Tata Motors

The findings and conclusion the research helps marketing managers and owners of the Brands in Automobile sector to better understand the factors those influence the capital structure choice. The comparison of secondary and first hand data will help professional in better understanding the extent to which the theory holds in practice.

The research study finally present opportunities to continue theoretical and empirical investigations in field of developing brand image of any organization.

## **1. 8 An outline of research project**

The present dissertation has been divided as follows.

Chapter 1 the current chapter named introduction provide an overview of whole research project. This chapter defines the research question, research objectives, overview of research methods, brief description of background of research topic and research context. Finally, chapter first provides an outline of other subsequent chapters.

Chapter 2 provides review of published exiting literature associated with research topic. After that this chapter includes the published literature and an empirical study those define what influences the brand image. Then chapter two finishes with a brief summary of whole chapter in a sense of conclusion. This chapter provides fundamentals for subsequent chapter.

Chapter 3 focuses on developing conceptual framework with the help of chapter 2 (literature review). The conceptual framework developed in this chapter is not new idea but it is a mix of different concepts suggested by theories devised in chapter two. The conceptual framework explains the main concepts of research project undertaken. This chapter provides a guideline and fundamental for rest research process.

Chapter 4 define the methodology, philosophy, research approach and first hand data collection techniques used for this research study and finding

analysis methods used to analyse the first hand data. The methodology which is used for this project was survey sampling. Two methods were used to collect primary data as part of survey methodology. They are survey online questionnaires and survey telephonic interviews.

Chapter 5 includes the finding of primary research and discussion based on comparison of literature and findings. This chapter provides discussion based on comparison in favour and in contrast of existing literature and first hand data collected by the means of survey methodology. Based on the approach adopted (deductive) and nature of the research project (descriptive), the data analysis is descriptive in nature. A quantitative descriptive approach has been followed to describe the finding. Charts and graphs have been employed to interpret the results in simple form.

Chapter 6 includes recommendations and conclusion of this research study. This chapter defines the conclusion of whole research project and recommendation that have been developed on the basis of chapter five (analysis and discussion of findings).

## **Conclusion**

This chapter provides a summary of the whole dissertation. This chapter introduced to the research topic, objective along with an overview of the rest chapters of this dissertation. This chapter provided reader a guide to rest sections of this project. The following chapter looks at the literature surrounding to the research topic.