

# Marketing strategies for tata motors



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1. New Product Introductions The continued economic growth saw buoyancy in demand for commercial vehicles and passenger cars in the first quarter, with the industry showing a growth of 25%. The company outperformed the industry growth with its thrust on new product introductions, thereby gaining market shares in both commercial vehicle as well as passenger car segments. The company launched NOVUS- 1st Korean designed and manufactured Euro III truck range. The company has also launched Sumo Victa – a face-lifted version of Sumo with contemporary styling features. The company has recently launched a 9-ton truck in the EX series in May 2004.

It plans to launch the entire range of fully built buses (12-60 seater) with a lot of new attractive features. Adding to this, Tata Motor plans to introduce Bharat Stage – III complaint vehicles during FY 05. Tata Motors has planned an annual capital expenditure of Rs12bn for the next five years. The expenditure would mainly be on product development (a new platform each for cars, UVs and trucks). The company incurred capital expenditure of approximately Rs0.

8bn, including product development expenses, in Q1FY05. 2. Brand building The deal with M G Rover to export 1, 00, 000 Indica (in 5 years) in the UK market will not only add a lot of intangible benefit to Tata Motor's brand but will help in derisking its business model further. This tie up would also help in honing the product development skills of the company. 3.

Pricing TML has hiked prices of its commercial vehicle range by around 2-2. 5 per cent. The price increase has been across certain categories of vehicles

and with effect from May 1. An across-the-board rise in input costs has forced the company for this step.

In case of passenger vehicles Tata's products are viewed as economical as compared to some of its foreign counterparts. 4. Repositioning TML's changing times is also reflected in its brand repositioning and image makeover: the company, traditionally known as Tata Engineering for more than 40 years, underwent a name change to its current one. A major objective of this exercise was to reflect its global aspirations.

5. Diverse Product portfolio With more than 130 models spanning a wide range of Commercial Vehicles, Passenger Cars and Multi-Utility Vehicles, Tata Motors' growth in the domestic market is driven by its diverse product portfolio. In CVs, the company has vehicles across the range of tonnage categories including pick-ups. The imminent launch of new-generation heavier-tonnage vehicles will help it maintain its leadership position in the HCV segment. Strong outlook for industrial growth also augurs well for the company in the near term, as it would help sustain domestic demand. In cars and UVs, Tata Motors already has a highly successful portfolio and plans to add new models.

(See Exhibit 1) Exhibit 1 – Tata's CV volume mix 6. Distribution Tata Motor is supposed to appoint 25 more dealers across the country by the end of 2005, which will increase its dealership network to around 156 from the current 131 dealers. With nearly 500 service outlets across 175 cities, the company offers the second largest service network in the country. Though the company has already reached a critical mass in terms of service network,

they may still open up new service outlets with a view to addressing the existing needs in those regions. TML has managed to enhance its distribution and service network by introducing supply chain management and addition of 576 Tata certified garages.

This is coupled with a nation-wide sales, service and spare parts network. 7. Focus on attributes Tata is no more a typical outdated Indian company which had very little focus on the modernization and technology orientation of the attributes of the product. Tata is planning to come up with a 'Truck of the future' which would be equipped with a lot of new technological advancements which could never before be related to an Indian manufacturer. Its current products like Indica and Indigo are known to be equipped with cutting edge technology. It had set the main USPs of these 2 products as space and fuel economy.

International Market strategies 1. The senior management at Tata Motors was faced with a dilemma which made them wonder whether they will we remain exporters of vehicles or do they venture into the international automobile market as a company that can match the best in the business? The answers were obvious. The first step was to align the international business to the two business units – the Passenger Car Business Unit (PCBU) and the Commercial Vehicle Business Unit (CVBU), to bring greater focus and increased synergy between the domestic and international operations. The Business Units have classified different markets in terms of size, growth opportunities, product segments and target volumes. Therefore, from being present as an exporter in 70 countries, the company today focuses on 15 to

20 key countries, where it will have a significant presence in terms of volumes and market shares.

2. The company entered into a deal with M G Rover to export 1, 00, 000 Indica (in 5 years) in the UK market. The company exported over 6, 500 cars of City Rover since its commencement of shipments in Q3 FY04. Indica distributed in UK through Rover's dealerships. This benefit will provide impetus to the other markets where the company plans to export Indica on its own. 3.

Tata Motor's acquisition of DVCL for \$ 102 mn is the first step taken by the company in using inorganic expansion route to improve its presence in the international market. This acquisition is just the beginning of the company's global expansion plans which would further help the company in making an easy entry into other significant export markets. The synergies between both offer a lot of benefits to Tata Motors like\* The company through this subsidiary now has access to South Korean CV market which is one of the fastest growing truck markets.\* The Korean company has a capacity of 20, 000 M/HCV units and makes commercial vehicles in the 200-400 HP range while Tata Motor's CV's stop short at 200 HP ( leading to a complimentary product range).

\* Tata Motors plans to use DVCL's manufacturing unit as a hub for exporting to India, Russia, China, South Africa and Latin America.\* DVCL would also assist Tata Motors in developing its global truck platform for launching the " Truck of the future". This is scheduled to be launched in FY07. 4. The company also plans to consolidate its position in traditional markets like Sri

Lanka, Bangladesh, Africa ; Middle East. In addition, it is also looking at newer markets like Russia and South East Asia.

Apart from the deal in UK with Rover, Tata Motors also plans to strengthen its position in the rest of Europe. This strategy of the company of derisking its business model with increasing geographical spread would significantly contribute to its already booming domestic revenue. Tata Motors's export revenues during Q1FY05 have increased by 25% to Rs 2. 12 bn from Rs 1.

69 mn earlier. This is in continuation after TML's excellent export performance in FY04 when exports for full year increased from Rs 4. 8bn in FY03 to Rs10bn in FY04. Exports currently account for 7. 6% of total revenues, up from 5.

2% a year ago. A further increase in the overall export proportion to total revenues is expected, following TML's acquisition of Daewoo Commercial Vehicle Co. (DWCV), and the ongoing consolidation of its market position in other emerging economies (SAARC countries, Africa). Together with revenues from DWCV, Tata Motors's exports should rise roughly by 10-20% in FY2005. By FY2006, this proportion is expected to rise to 20% plus.

An increasing proportion of exports, and a steady increase in contribution of the non-auto business should insulate Tata Motors from the cyclicity of CV sales. The company is targeting exports of 22-25% of its total revenues by FY07. Manufacturing TML has spread its manufacturing facilities across India by setting up plants at Jamshedpur, Pune and Lucknow. TML set up its first plant at Jamshedpur, in 1945. The Pune plant, manufacturing LCVs and cars was set up at Pune in 1966.

The Lucknow plant is the most recent plant, having been set up in 1992. The plant makes the Sumo, LCVs and medium commercial vehicles (MCVs). The company has stated that it intends to ramp up its car capacity to 2.25 lacs to boost volumes especially from the export markets which had suffered due to capacity constraints. The plant, which manufactures Indica and its compact car variant Indigo, was running at 80 per cent capacity for the first eight months of the previous fiscal and at 90 per cent for the rest of the year.

The capex will be funded through internal cash generation and money raised through the FCCB issue. The company improved operational efficiencies in CV division by cost reduction and global benchmarking. Continuous cost reduction efforts have resulted in significant margin expansion. Also Tata Motors through its effective inventory and receivables management has continued to maintain a negative WC for the second consecutive financial year. Its inventory and debtors days stood at 27 ; 12 as against 39 ; 18 days. Tata Motors-Passenger Car Unit, Pune was recently certified by Bureau Veritas Quality International-BVQI for ISO 9001: 2000 Quality Management System-QMS as well as ISO 14001: 1996 Environmental Management System-EMS.

ISO-QMS has influenced all aspects of the Quality Value Stream in line with achievement of the company's central objectives, namely, customer satisfaction and continual improvement. Auto Industry – Segment Wise analysis Seventy-eight auto and auto ancillary companies started the fiscal 2005, on a healthy note. For the first quarter ended June 2004, these

companies posted 44% jump in bottomline to Rs 1137 crore, on a topline growth of 27% to Rs 16700 crore. All the segments i. e.

commercial vehicles, passenger cars, two-wheeler, tractors and auto ancillaries continued with double-digit topline and bottomline growth. Tractor segment more than doubled its profit and registered a growth of 102%, while commercial vehicles segment profit grew by 90%. Auto ancillary and passenger cars recorded 50% and 45% growth respectively. However two-wheeler segment posted lowest growth of 12% during the quarter. These figures clearly indicate how well the auto companies, with the exception of two wheelers, have been performing recently.

Commercial segment specifically has been on a rapid growth path. This augurs well for Tata motors specifically as a major share of its topline comes from commercial vehicles. Overall auto sales during the quarter grew by 15% to 1886852 units. Total auto exports rose by 38% to 152315 units, while domestic sales were up 13% to 1734537 units. Total sales of commercial vehicles clocked an impressive 46% growth, followed by three-wheeler sales, which increased by 24%.

While passenger vehicle sales rose by 22%, two-wheelers recorded a modest 12% increase in sales during the quarter. Sharp recovery in tractor sales due to last year's good monsoon continued to help the tractor industry to perform better in the current quarter also. The recovery comes in the background of continuous fall in sales for the past couple of years. Four tractor companies registered 45% growth in sales to Rs 1788 crore while net profit more than doubled to Rs 95 crore. In the commercial vehicle segment,



topline of five commercial vehicle companies registered a 40% growth to Rs 4912 crore, while bottomline increased 90% to Rs 275 crore. The commercial vehicle (CV) sector comprising of both the medium and heavy commercial vehicles (M; HCV) and light commercial vehicles (LCV) registered 46% growth in sales volume to 72018 units during the quarter.

Of the total sales (domestic and exports), M; HCV registered a 51% growth in sales to 43421 units, while LCV registered a growth of 40% to 28597 units. The buoyant growth trend in commercial vehicles last year has continued in the first quarter of this financial year. This growth could be attributed to road infrastructure projects, restriction on overloading and on over-aged vehicles, lower interest rates and easily available finance. Passenger vehicles (PVs) segment registered a growth of 26% in sales (including export sales) to 262769 units during the quarter.

All the three sub-segments posted good growth in sales. Passenger car registered a growth of 27% to 209064 units, utility vehicles (UVs) grew 25% to 38469 units while multi purpose vehicles (MPVs) recorded 8% rise to 15236 units. Sales and profits of three passenger cars companies during the quarter recorded a rise of 22% and 45% to Rs 2711 crore and Rs 149 crore respectively. Nine two-wheeler companies registered 11% growth in sales to Rs 3770 crore, while the net profit rose 12% to Rs 347 crore. In terms of volume, overall two wheeler sales (including exports) grew 12% to 1461926 units. All the segments i.

e. scooters, motorcycles and mopeds registered good double-digit growth. Total scooters sales registered good growth of 15% to 240277 units during

the quarter. Motorcycles registered a growth of 12% to 1136268 units, while mopeds have registered 14% growth to 85381 units. The industry dynamics are fast changing and is moving from an arena of ' high growth – low competition' to a ' low growth – high competition'. In this scenario efficient cost management, proper positioning of products, widespread distribution network, strong R; D patterns and focus on the global markets would drive future growth of the players.

Operating profit margin for the 78 companies constituting the aggregates improved marginally from 11. 8% to 12. 1% leading to a 30% growth in operating profit to Rs 2021 crore. The improvement in the industry's OPM is noteworthy despite the fact that the price of one of its chief raw material steel or its intermediates went up during the same period. Other income during the quarter rose 28% to Rs 346 crore. Interest cost decreased 33% to Rs 122 crore, while depreciation increased by 12% to Rs 550 crore.

After which profit before tax recorded 48% growth to Rs 1694. Despite 55% increase in tax provision to Rs 557 crore, profits at end registered 44% rise to Rs 1137 crore. Cash profit stood at Rs 1687 crore, up by 32%.