

# Tata nano global business plan

Business



Tata Group was started 142 years back. It diversified across different dimension and expanded very rapidly. The corporation opted for partnerships and acquisitions and transformed into a global corporation. Today it is regarded as the largest corporation of India. One of the most important portfolios 'Tata Motors' did partnership with Daewoo, Fiat and major technological businesses. One of the recent breakthrough new product developments includes Tata Nano. It received positive words from Indian Customers. Mean while the business decide to expand itself in Thailand, Vietnam and Malaysia.

Its global expansion plan into Malaysia reflects strategic planning approach. The situational analysis of Malaysia reveals that economic upheaval has affected the consumption pattern and exports have decreased. There exists potential market for Tata Nano in Malaysia since majority pertains to the lower income group. The government of Malaysia is continuously working to encourage MNCs for FDI and has lessened import tariff and provides duty drawbacks and tax incentives to MNCs. Moreover the country went into an agreement under AFTA to promote its automobile sector and persuade global corporations to expand into the potential market.

Political situation seems disturbed due to misconception between government and the religious people. However the government is continuously working to establish transparency and accountability. Due to the emerging markets like Vietnam, India and China, majority of the businesses have shifted their manufacturing plants to these countries. Malaysia is making efforts to improve the infrastructure for the business environment. The banking sector is gaining expertise in technological advancements in

order to compete at the international level. Previously terrorism was the not major issue in Malaysia however it has increased in recent days.

The government has taken actions on the large scale to overcome the problem. Legal and economic risk seems moderate and repatriation of funds can be done easily. Both India and Malaysia went into an agreement to avoid double taxation. Tata Nano established itself in Malaysia and opted for local management. It continuously performs with its suppliers to create a win-win situation. The entire plan was based on three stages. In the beginning Nano CX was launched and at the second stage they further introduced Nano LX. At one time Tata is expanding globally but meanwhile it has opened doors for competitors in India towards luxurious segment.

The business decided to export the entire kit of Tata Nano from India to Malaysia where it is assembled. It has located sales office in Malaysia and communicates directly with individual customers. The business established the entire quality management department and R&D facility which performs the work. Tata Nano meets the environmental standards requirement of Malaysia. The business established strong monitoring and control system to gain feedback and make attempts for further improvements. Introduction of Tata Group: According to Tata Group (2010), the business was started in 1868 by Jamsetji Nusserwanji Tata.

It further expanded into Empress Mill, Taj Mahal Hotel, Steel Production, Hydroelectric power, Tata Chemicals, Tata Motors, Tata Industries, Ratan Tata, Tata Industries, Tata Tea, Tata Consultancy and many more. Today it is considered as the major corporate group in India and owns deference throughout the world. The head office is located in Mumbai, India. Recently it <https://assignbuster.com/tata-nano-global-business-plan/>

has gained expertise in automobile industry, communication technologies, steel manufacturing, healthcare and IT etc. The business operates in more than 85 countries throughout the globe and exports quality products in 80 different countries.

It owns 114 major corporations which reflect important role in seven major business sectors. According to the recent survey, Tata Group gained 11th position among 600 world class companies. The most interesting fact reveals that 68.5% of the ownership of the business functions under a charitable trust which contributes to the betterment and prosperity of the overall society. Tata Chemical owns the largest production capacity of Soda Ash in India. Tata Power performs among the largest power plants in the private sector across India. Tata Motors is the largest commercial vehicle manufacturer in India. Tata Motors:

The business commenced in 1945 by the name of TELCO (Tata Engineering and Locomotive Company). In 2008, it acquired Jaguar and Land Rover. According to the survey conducted by OICA (International Organization of Motor Vehicle manufacturers) Tata Motor is the 19th largest automobile manufacturer and the 2nd major player in commercial vehicle manufacturing business. It is considered as the 4th largest truck manufacture and the 2nd largest bus manufacturer in the world. Recently the business introduced Tata Nano which is considered as the cheapest car in the world. Moreover the corporation acquired one of the manufacturing units of Daewoo.

Today the business has its own manufacturing facilities in India, Thailand, South Africa and Argentina. For the past two decades the firm has aggressively focused on expansion strategy in multi-vehicle, passenger cars, <https://assignbuster.com/tata-nano-global-business-plan/>

commercial vehicles and many more. Some of its successful brands include Sierra, Estate, Sumo, Indica, Tata Ace, OneCAT, Safari, Xenon, Xover, Starbus and many more. It opted for joint venture with Marcopolo of Brazil (for the mass production of commercial vehicles with complete designing, body building and assembling capabilities) and Fiat and Iveco (to specialize and gain expertise in diesel engine technology).

Tata Nano: The earliest Tata Nano Car was introduced in 2008 as a four passenger city car. It is also known as 'The People's Car'. It is considered as the cheapest car of the world with the average mileage 26km per liter. The brand was commercialized on March 23, 2009 and within 16 days 200,000 bookings were recorded. The price of the car was US\$2,160 in 2009. It has outshined Maruti 800 which was priced at US\$3,988. According to Newsweek, Tata Nano has brought revolution and dynamic changes to the transportation system with the capabilities of manufacturing inexpensive personal vehicles.

It took major assistance from Italy and Bosch subsidiary located in India. In 2009 new versions were introduced comprising of basic (no extras), deluxe (have air-condition), luxury (comprises of central lock, fabric seats, power windows and air-condition) and Europa (a European version with 3-cylinders, ABS (anti-lock braking system) and strictly meet the terms of European personal vehicle and environmental standards). Mission Statement: "To endeavor with state-of-art product development centers and establish world-class automotive engineering facilities so that Tata Motors can become top-notch corporation of the world."

” Vision: “ To paramount in business operations, key products, ethics, value system and gain expertise in corporate planning and development. “ Tata Nano Global Expansion in Malaysia: Needs Assessment of Tata Nano in Malaysia: Paultan (2010) acknowledged that the recent economic upheaval had impact of developed, developing and transitional economies and India, China and Vietnam are being considered as the fastest developing countries throughout the globe. Sudden decline can be seen in the consumption pattern.

Malaysian economy also faced financial turmoil and living standard has decreased to a certain extent. Malaysian export market has faced issues due to slow down of US economy. Customers are looking for both efficient and effective use of the alternatives. In Malaysia alone, there exist 5 million motorcycles as compare to 4 million motorcars. Greater part of the market belongs to lower income group and middle-classfamily. Mostly Males drive motorcycles in Malaysia. One of the recent introductions of Tata Nano has changed their perception. Tata Nano has reflected immense impact on Malaysian market.

Majority of the potential customers affirm with the brand name, purchase intention, favorable price factor and long-term effectiveness and productivity. Some of the market leaders in Malaysia i. e. Proton and Perodua will be no longer market leaders. Customers might shift from motor bikes to Tata Nano as well. Affordability is not the issue and they will not even facefinanceburden since installments can be met within 2-3 years. Several customers believe that the brand strictly follows environmental standards and fuel consumption seems very low.

Recently the industry minister of Thailand urged Tata group to establish its manufacturing facility in their country which reveals major opportunities. Region analysis of Malaysia: Yean (2004) instigated that Malaysia acted in accordance with WTO and implied developed countries rules and regulation within no time. About 58.3% of the 10,368 tariff lines are duty free. It is further promoting trade liberalization and FDI specifically green investments. Unfortunately tariff peaks are applied up to 300% on automobiles in case of MFN (most favorite nation).

Furthermore bound rates are kept high as compare to applied rates. In case of exports the country provides subsidies, duty drawbacks, guarantees, insurance, tax exemptions and many more. Malaysia has imposed several anti-dumping measures on export of different products. Regrettably there exists poor safeguard legislation in the country. However major emphasis is being given to the manufacturing sector. One of the recent dual-track trade strategies highlights the importance of electronics and automobile sector. The electronic sector is export oriented.

Most of the value addition is done on the imported products and they are further exported to potential markets. Regional Alliances: Recently Malaysia went into an agreement under AFTA and is obliged to schedule automobiles and component parts with its rules and regulations. It has further pressurized the government to liberalize automobile sector which has imposed a major challenge on indigenous automobile manufacturers. The international market presence of the domestic players is still insignificant and they compete for market share within the country.

More importantly Malaysia performs as an important member in ASEAN (association of Southeast Asian Nations) and APEC (Asia Pacific Economic Cooperation). According to PMO (2009) MAA (Malaysian automotive association) is continuously working to overcome the impact of economic downturn. The recent international automotive conference discovered new implications. The automobile sector relies on domestic automobile manufacturers and the recent economic upheaval resulted into decline in sales by 12.4%. Malaysia NAP (national automotive policy) consistently works on value creation.

Along with ASEAN members Malaysia is formulating FTA (free trade agreements). Under AFTA, the country just signed PTA (preferential trade agreement) by the name of CEPT. This will provide employment opportunity to 570 million people in Malaysia. The government is also cheering MNCs to engage in partnerships. A massive amount has been invested to promote R&D (research and development) function and continuous efforts are being made to introduce green technology in the sector which will further improve its overall performance. Economic analysis of the region:

The GDP grew by an average rate of 6.5% from 1957 to 2005. The country is well-known for the export of quality semiconductors, electronics products and ICT (information and communication technology). Unfortunately the country faced financial crises during 1998, 2001 and 2009. However experts believe that it will regain position in 2010 and reflect positive performance. It actively participates in NAM (non-aligned movement) and OIC (organization of the Islamic conference). It removed peg system in 2005 and introduced managing float system to promote stability and avoid uncertainty.

The financial system follows conservative environment where investment is strictly prohibited in riskier portfolios. Recently Iskandar Malaysia Master plan was formulated to further strengthen the economy. Most important developments include ECER (east core economic region), SDC (sabah development corridor), SiLC (southern industrial and logistic cluster), Technology Park Malaysia and SCORE (Sarawak corridor of renewal technology). Country Analysis: Political Analysis: Kumar et al. , (2009) acknowledged that Malaysia reflects one of the strongest Muslim economies.

Instead of mumbling and disgruntlement among insistent Muslims across several states, Malaysia seems implausible to desert modest Islam. Unfortunately there prevails inequality issues across the country not only in case of level of employment or jobs but also in perspective of wealth as well. In the contemporary era, it used to follow close political system. However the recent election issue has surfaced key problem and it has strategically directed towards attaining transparency and accountability.

Ethnic issues do not seem violent but rumble and threaten to revive forcefully the Islam religion which reflects an unethical perspective and even in opposition to Islam as well. More importantly the poor performance of the elective body in 2008 has put the recent government in major pressure. Economic Analysis: For the past few decades the business has transformed from a dependent economy into a source of major businesses. It is the 4th largest economy in terms of pepper, rubber, hard wood and oil producer and one of the largest exporters of crude oil as well. These all facts have enabled the country towards prosperity.

Conversely the price shock has affected the energy sector of Malaysia and it might be importing crude oil after 5 years. The economic openness might transfer into a major vulnerability and further threatened by global development. Recently the Government opted for privatization in order to generate funds and reduce budget deficit. Further in comparison to China and Vietnam, the wage rate is greater in Malaysia and as global expansion is taking place, it might be possible that the organizations might put up the shutters of their manufacture plants and establish themselves in India, China or Vietnam.

The country is focusing on stabilizing the internal investment and maintaining the exchange rate so that it can gain competitive edge and transform into an export oriented industry. Business Environment: Since 1990s, when the country recovered from financial crises, it has consistently worked on improving the corporate governance as compare to any other Asian country. Government always welcomes MNCs and global corporations specifically foreign manufacturing businesses and they are provided with immense benefits like tax break and concessions.

But the business environment is closed linked with the political influence. Malaysian government does not prefer to award civil and construction project to a particular foreign company who has any sort of affiliation with the previous government and relationships are preferred a lot. In advance, the state has decided to privatize governmental organizations and it reveals an opportunity for investment and improving businesses. Malaysia has struggled to compete internationally in the banking industry but lack behind due to lack of technological advancement among domestic banks.

It is assumed that China will outshine Malaysia in terms of investments due to poor formal institutions and lack of piracy control and effective measures to control piracy. Many firms like Motorola, Penang, Seagate, Solectron and many to other countries of Asia. Financial: The financial market of Malaysia is governed by MYX (Malaysia Stock Exchange) also called Bursa Malaysia. MR (Malaysian Ringgit) is termed as the official currency of the country. Bank Negara performs as the central and other foreign banks have also done investment.

It is basically considered as an open economy and is the 34th largest country of the world in reference to the purchasing power parity. Malaysian open economic has promoted development and improved financial condition. Terrorism: Gatsiounis (2010) instigated that Malaysia was considered as free from major terrorism activities. Unfortunately, the recent act has affected the perspective. It has been that racial and religious dimension is strongly against the political implications in Malaysia and results into severe circumstances. Freedom of expression is mainly suppressed and private sphere has further reduced.

However the government has taken important steps to overcome the problem and security measures have been further strengthening to prevent any disastrous situation. Country Risk Analysis: Political/Legal/Regulatory risk: AMB (2009) stated that there exists moderate level of political and economic risk for Tata Nano in Malaysia. Due to recession the export side has been affected and experts believe that the economy might contract by 3.5% in 2009. The country policies encourage foreign investment but foreign equity is discouraged and persuades technology transfer.

In order to establish a free market economy and gain transparency the business has opted for price control and less government involvement. It has decided to transform into a developed country till 2020. Exchange and repatriation of funds risk: According to MIDA (2010) the country has always opted for liberal foreign exchange policies. It performs to gain stability both financial and economically. The cost of doing business in Malay has reduced to a certain extent. There exist consultants, Embassies, MNCs and international organizations. It provides loans to MNCs and portfolio investment opportunities.

Ringgit system allows repatriation of amount at any time however one cannot pay for imports from the same amount. Taxation and double taxation risk: Malaysian Government went into an agreement with the India State in order to evade from double taxation. It comprises of Income tax, tin profit, timber profit and development taxes in case of Malaysia. India is only charged income tax. Every business firm must give income tax and share certain amount of their profits with Malaysian Government which is mostly considered as a limited amount. SWOT Analysis: Strengths:

- The international strategy highlights the importance of local management in the host country and very few senior members are allocated from India to the foreign country for the purpose of expansion, control and evaluation.
- Tata group is well known for building long-term relationships with other parties and exchanging expertise, experience, skills to perform through mutual consent.
- Tata Motors has continuously expanded its portfolio and collaborated with one of the mass producer Fiat (an Italian Corporation) and gained one of the strong competitive edges.

It utilizes the capacities of the suppliers and exchange knowledge with them resulting into a win-win situation. It further explores new markets in cooperation with its partners and suppliers and work closely with in order to develop the finest product in the market. Weaknesses: • The business manufacturer passenger and personal cars on 3rd and 4th generation platforms which is considered as the major disadvantage since it limits the capabilities in order to compete with major competitors. Opportunities: • In 2008 the business purchased Jaguar and Land Rover, known as the finest brands having separate markets for each of them.

It has provided the business an opportunity to expand in the luxury markets.

- It further purchased Daewoo commercial unit and became the 2nd largest manufacturer of buses worldwide.
- The business owns the privilege for the cheapest car which is known as Tata Nano which has retail price just more than a bike. Most of the emerging economies like China and South Korea were in the thirst to avail the opportunity to manufacture the cheapest car but failed. It has persistently looked for the opportunities and invests while looking into the long-term profitable business.

- The corporation has formulated CSR (corporate socialresponsibility) team which looks into the situation and works in order to formulate sustainable strategies.
- The business considered environmental issues as an opportunity rather than a challenge. It came up with Super Milo buses comprised of eco-friendly fuel engine which has excellent air intake and fuel consumption is reduced to a major extent.

Threats: • Some of the major competitors are involved in the passenger car manufacturing business for the past 40-50 years and have attained learning curve.

Tata Motors is performing responsibly and reflect reliability and is incessantly focusing of lean management and quality products. • Participating in environmental concerns and opting for sustainable development might result into increase in cost and expenses and profitability margin might further shrink in case of low-cost products like Tata Nano. This will further deteriorate it competitive advantages of major competitors. • As Tata Motors is transforming into a global corporation, it might fail to stabilize its business in India.

Moreover it has opened Indian market for major competitors who can aggressively promote themselves to capture potential luxury segment. Tata Motors is focusing on small vehicles and commercial business rather than the luxury segment. Recently Daimler Chrysler along with the assistance of ICICI bank has done green investment to established Pune-based plant and it will be able to produce 5000 Mercedes Benz in a year. Moreover Toyota, Ford and Honda are also promoting themselves in India. • The rising prices of raw material international might cause Tata Motors to increase its cost of production.

Moreover Steel and Aluminum are getting expensive. Tata Motors utilizes diesel in most of its vehicles and the rising prices of the fuel international as well as domestically might threaten the business to look for the alternatives. Mode of Entry: Tata Motors formulated objectives periodic wise. It opted for aggressive marketing strategy for the first three years as follows: • Stage 1: Tata Motors forecasted that the sales for Tata Nano Cars will reach to 25,000 units between July 2009 and December 2009. • Stage 2: During January

2010 to December 2010 the business predicted an increase in sales by 10% on quarterly basis.

- Stage 3: The same strategy was followed from January 2011 to December 2011. Marketing Mix: Product: The corporation focused on product line extension. It introduces similar brand in Malaysia without any changes. It saves product development cost, major product changes or promotional expenses. Once the business gains stability in those markets, it further expands in the similar markets in accordance with the Malaysian requirements. The company came up with three different variants Nano, Nano LX and Nano CX. During the first stage Nano CX was introduced.

In the second stage product width further expanded into Nano LX. It exterminated luxurious items with inexpensive eminence material with tiny tires. The speed ranged till 65mph and includes 623cc 2 cylinder engines. Some of the key attributes are as follows:

- Style and comfort
- Efficient consumption of fuel by engines specifically designed by electronic engine manufacturing system.
- It is also known as People's car because it fulfills all regulatory requirements and imply with every safety requirement.
- The emission of carbon footprints is very low

- The branding strategy comprises of corporate name along with individual name. It gives warranty of 3 years or maximum coverage of 100, 000km. More importantly both brand name and logo were demonstrated on the body of the car as well as across different marketing campaigns. Pricing: The cost price including import tariff and tax accounted for RM 8, 954. The selling price determined is RM 13, 704. The strategy entails that it focused on

capturing the market share of Perodua. The pricing strategy revolves around three major objectives:

- Survival is term as a short term objective

- The focus remains with maximizing profit
- Low-price enables market-penetration strategy and increasing market share. More importantly Malaysian Government opted for FTA which will further eradicate foreign car taxes. Promotion: The business implemented brief promotional campaign to create brand awareness and develop brand equity. It adopted IMC (integrated marketing communication) plan to get prominence across Malay. Online advertising played the major role where tatanano. com was viewed by potential customers and diverse blogs were created. Tag Line: Placement:

The entire kit is exported from Tata Nano India to Malaysia where body parts are assembled. One of the competitive edges reveals that it is located very close to customers due to which delivery time reduces to a greater extent. Furthermore the business directly communicates to the customer therefore intermediaries like wholesalers and retailers are wiped out. This factor also reduces the price. The firm has deployed its own sales office in Malaysia which communicates with potential customers.

Management Approaches: Human Resource Management: Ahmad et al., (2009) stated that the business decided to hire people who dwell in Malaysia for the entire workforce. More often very few senior managers from Tata Nano India were assigned the task for the check and balance of the business operations in Malaysia. More importantly Malaysia reflects quality education and majority of population gain experience in automobile industry. About 33% of the workforce performs in the manufacturing sector. Furthermore English is given major importance and management at Tata

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Nano India can easily communicate with Malaysian employees. A separate unit operates for total quality management and lean production.

Employees are hired having competent skills and who meet the criteria's. Domestic team conducts recruitment and selection. In advance training, performance appraisal and compensation are also given by domestic HRM team. Supply Chain Management: The business has its warehouses in India. The entire kit is exported from India to Malaysia where they are assembled by local highly skilled and competent employees. Majority of the parts of Tata Nano are manufactured in India due to economies of scale. The business has opted for alliance with few suppliers and performs with them to come up with alternative solutions.

It has consistently worked for developing long-term relationship with its suppliers. The technological function has formulated customized ERP (enterprise resource planning) system which has facilitated a lot in two-way communication. Legal and Ethical Challenges: The business need to comply with strict regulations in case of environmental concerns. Contentedly, Tata Nano surpassed the regulatory requirements of European environmental standards. Unfortunately formal institutions perform in a poor manner and legal challenges comprise of major issues.