

Tata motors marketing analysis



The automotive industry is concentrated with market leaders in each segment with a strong share of over 40 per cent.

New product launches

Large number of products available to consumers across various segments; this has gathered pace with the entry of a number of foreign players

Reduced overall product lifecycle have forced players to employ quick product launches

Improving product-development capabilities

Increasing R&D investments from both the government and the private sector

Private sector innovation has been a key determinant of growth in the sector; best example is the launch of the Tata Nano, the world's cheapest car

Alternative fuels

Over 2008-10, the number of CNG vehicles increased at a CAGR of 60 per cent

The CNG distribution network in India is expected to increase to 250 cities by 2018 from 30 cities in 2009

Emergence of large automotive clusters in the country

Strong inflow of FDI into the automotive sector in India

Accumulated FDI inflows into the automotive sector over Apr 2000 - Aug 2010 was USD 4.7 billion (4.5 per cent of total FDI) - The last three years (2007-10) accounted for 40 per cent of this total (USD 1.9 billion)

HISTORY OF TATA MOTORS

Tata Motors Ltd is a multinational corporation headquartered in Mumbai, India. Part of the Tata Group, it was formerly known as TELCO (TATA Engineering and Locomotive Company).

Tata Motors is India's largest automobile company, with consolidated revenues of USD 20 billion in 2009-10. It is the leader in commercial vehicles and among the top three in passenger vehicles. Tata Motors has products in the compact, midsize car and utility vehicle segments. The company is the world's fourth largest truck manufacturer, the world's second largest bus manufacturer, and employs 24,000 workers.

Since first rolled out in 1954, Tata Motors has produced and sold over 4 million vehicles in India.

Established in 1945, when the company initiated manufacturing locomotives, the company manufactured its first commercial vehicle in 1954 in collaboration with Daimler-Benz AG, which ended in 1969. Tata Motors is a dual-listed company traded on both the Bombay Stock Exchange, as well as on the New York Stock Exchange. Tata Motors in 2005 was ranked among the top 10 corporations in India with an annual revenue surpassing INR 320 billion.

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In 2010, Tata Motors outshined Reliance to win the coveted title of ‘ India’s most valuable brand’ in an annual survey conducted by Brand Finance and The Economic Times.

Tata Motors has auto manufacturing and assembly plants in Jamshedpur, Pantnagar, Lucknow, Ahmedabad, Sanand and Pune in India, as well as in Argentina, South Africa and Thailand.

JOURNEY OF TATA MOTORS SINCE 1945

BUSINESS MODEL OF TATA MOTORS

Product: Tata has a wide range of products it has passenger cars, utility vehicles, Trucks, Commercial passenger Carriers and Defence Vehicles.

Price: The prices of Tata motors are generally affordable acceptable by the broad public at large. Tata always have something for the lower class people with Nano being their trump card. Giving discount every month and special promotion for certain type of vehicle also one of the strong strategy use by Tata Motors. Discount can be made from Company’s profit or from dealer’s profit at certain range.

Place: Tata Motors has an extensive dealer network covering Indian and Global markets. Wherever you are, there is a Tata Motors Sales and Service dealership close to you. The channel of distribution, physical location, and dealership method of distribution and sales is generally adopted. The distribution of vehicle must be in a very organised way, from the plant to dealership and to end user. This is not only in India itself but also to the world-wide dealership.

Promotion: Tata motors promote their products via Advertising and after sales services. They also offer different promotional offer according to the situation and the place. Discount of festive season, cash back offers, free RC and insurance etc. are often provided by Tata Motors. It also invests heavily on advertisement both nationally and locally. Advertisements are mostly done with television commercials, print media, billboards etc.

ORGANIZATION STRUCTURE:

DEALERThe organization structure of TATA MOTORS in every city is very simple. The organization structure consists of two parts- one under the company head and the other under the dealers head. Though the personnel hired by the dealers are not included in the company's payroll but it's well defined by the company. Each of them are trained and supervised by the company's personnel appointed at each city. The structure of a dealer's outlet looks like:

GENERAL MANAGER

SALES MANAGER

TEAM LEADER

TEAM LEADER

TEAM LEADER

S. E

S. E

S. E

S. E

S. E

S. E

S. E

S. E

S. E

(SE = SALES EXECUTIVE)

(Organization structure of Tata Motor's dealers)

The organizational structure of a Tata motor's dealer is headed by the Dealer (Head of the unit) himself with a General Manager, who leads the employee and is responsible for any decision making with the permission of the Dealer.

Then there is a Sales Manager who is responsible for all the sales related decisions. Under him there are many Team Leaders who leads a team of 4-8 Sales Executives. Team are divided according to the variant of cars. For example a team is responsible for only Nano variant cars and the other is

responsible for only Sedan variant cars or the Hatchback variant cars. These groups of sales executives are led by a Team leader.

On the other side the company appoints a Product Manager/ Sr. Product Manager who is in-charge of a region (for example- Southern region). The Product Manager is accompanied by a Regional Sales Manager. Under them in each city or region they have one Area Manager and few Territory Sales Managers (according to the variant of products).

They altogether form a matrix form of organizational structure. This more or less looks like:

COMPANY DEALER

PRODUCT MANAGER

REGIONAL SALES MANAGER

DEALER / OWNER

TERRITORY SALES MANAGER

AREA MANAGER

SALES EXECUTIVES

TEAM LEADER

SALES MANAGER

GENERAL MANAGER

Matrix Structure of Organizational Structure in a Regional basis.

SALES OF TATA MOTORS

Production:

Tata Motors is one of the major players in the automobile industry which produces more than 3.25 lakh cars per year. Having five manufacturing units, its production capacity had increased.

Manufacturing Plants

Jamshedpur in the East

Pune and Sanand in the West

Lucknow and Pantnagar in the North

Sanand plant in Gujarat was the recent plant after the fight back from Singur, West Bengal. The production was in an increasing trend till 2012 but the projected production in 2013 is slashed may be due to the hike in petrol and diesel prices.

The last month production and the projection of production for the next financial year are given below:

Source: www.tatamotors.com

(Production forecast of Tata Motors)

Sales:

The global sales of Tata Motors have increased by 13% in August to 97,225 units, over the same period last year. Sales of luxury brands from Jaguar Land Rover were at 24,060 units in August, up 13% from the same month last year. While sales of luxury sedans of Jaguar brand stood at 2,960 units, Land Rover sales were at 18,798 units. The total number of passenger

vehicles sales stood at 47, 141 units in August, 2012, a jump of 23% from the same month last year. Commercial vehicle sales were also up by 4% to 50, 084 units from the same month last year. The Tata Motors group's global sales comprise Tata, Tata Daewoo and Hispano Carrocera range of commercial vehicles, Tata passenger vehicles, along with the distributed brands in India, Jaguar and Land Rover.

In India the sales are in an increasing trend in its Large and Medium Commercial vehicles. It has received its largest ever single order for commercial vehicles from Siddhivinayak Logistics Ltd. (SVLL), to supply 1, 314 trucks to be delivered during the financial year. The order coincided with the launch of an innovative scheme by SVLL, meant for the well-being of their drivers, called ' Chalak se Malak'. The Passenger car segment is still stagnant though it is expected to grow from early December of this year.

The projections for the next financial year both Domestic and Export are given below:

Source: www.tatamotors.com

(Projected sales forecast of Tata Motors)

SALES OF TATA MOTORS IN HYDERABAD:

Number of dealers (outlets): There are 7 (seven) dealers in Hyderabad. All of them are placed at different area of the twin-city. They are:

Tejaswi motors private limited (Madhapur)

Tejaswi motors private limited (Kukatpally)

Malik cars (Banjara hills)

Malik cars (Himayatnagar)

Detroit motors pvt. ltd. (X road)

Concorde motors (india) limited (L. B. Nagar circle)

Concorde motors (india) limited (Khairatabad circle)

Number of Sales Executives: Each of the dealer's outlets has an average of 12-17 sales executives.

Sales Target: Sales target are passed on down the hierarical order.

Competitors

Tata Motors faces competition from numerous domestic as well as foreign automobile manufacturers in the Indian automobile market. The expansion in the infrastructure and the higher growth of India's economy has led to compared to other mature markets are now attracting a number of automotive OEM's to India. These companies have either formed joint-ventures with local partners or have established independently-owned operations in India. The global competitors bring international experience, global scale, advanced technology and significant financial support, for the operations in India.

The competition is likely to further intensify in the future. The Company has designed its products to suit the desires of the Indian market based on specific customer needs such as safety, driving comfort, fuel efficiency and durability. The Company believes that its vehicles are suited to the general

conditions of Indian roads, the local climate and comply with applicable environmental guidelines currently in effect.

The Company also offers a wide range of optional arrangements to meet the specific needs of its customers. The Company is developing products to strengthen its product portfolio in order to meet customer expectations of aspiring for world-class products.

Forecasting Of Sales:

The forecasting of sales in a regional level is done on the basis of the growth in the market. It also focuses on the competitors forecasting. The regional level forecasting is mostly done seeing the interest rate of banks and the economy as a whole. Regional festival or festive season also varies the sales forecasting. The dealers and the sales personnel's play a vital role in forecasting the upcoming sales. Usually the ultimate sales forecasting is done by the higher officials but they do consult with the dealer and the sales representatives.

Dealerships

Criteria for dealership:

Tata Motors being one of the major players in the automobile industry is very focused on selecting its dealers. They have few criteria that should be fulfilled before getting a dealership. The primary criteria are:

They must possess a land with the specification given by the company.

They must have a bank guarantee of Rs. 20 Cr.

They must have a minimum of Rs. 5-8 Cr as working capital.

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Each dealer must have its own service station. (exception if there are more than enough service station then it may be exempted)

Training :

Training is one of the most important part which is to be imparted to the sales executive before they get involved to any selling process. For a company like Tata Motors, its sales executive should have the same stature which should reflect during any selling process. For any sales executive, they must know every minute detail about the product, its specification and about the company, so that no customers are turned down during the sale.

The sales team of Tata Motors has an extensive training process just after they are recruited. This training is compulsory for each of its sales force members. The training in Tata Motors can be divided into two parts- one for the higher officials or managers and the other for the junior level executives. The higher officials or the managers are trained in its Pune head office and the junior executives are trained by third party training firms.

Dealers' Role:

A dealer has many jobs to perform. As in an automobile industry the dealers are the only touch points to the customers, they play an important role in the selling process. They are one of major source of sales forecasting and revenue generation. A dealer must be very careful to stock its inventory in this type of industry as the loss on stock out are very high and also the inventory cost. The dealer as facilitates the selling process must be careful of not losing its customers. The dealer should also follow the norms and the procedure of the company for smooth flow of sales.

Tata Motor also follows some rules and norms which are to be followed by its dealers. They also give ease to the dealers in certain form which other of its competitor don't. few of the criteria are:

Placing of orders – Number of orders placed & Booking time:

The dealers should order at least 12 cars each time they order. That is the order size should be 12 (the order may be more but it should be a multiple of 12). There are no rules to order at a particular period. The dealer may order any time during the month. Every dealer are equipped with an ERP system (SAP-H) which makes the ordering very simple and on a real time basis.

Inventory:

The stock of inventory is one of the basis amenities that a dealer must have for having a dealership. Thus the inventories are stored by the dealers in their warehouse. The level of inventories stored should be reported continuously to the company. As there are no fixed times to order or reorder the stock, it depends upon the dealer how much to store but he must be careful of stock outs as the lead time for the delivery of the product is 2-3 days. In the inventory store, the dealer must also store few other spare part of the product so that there are no stock outs in the time of servicing. So as a whole inventory management plays an important role in maintaining the dealers warehouse as the minimum order size is 12 cars per order.

Delivery – Transportation cost & time:

Once the order is placed by the dealer, the assignment is managed and transit starts as soon as possible. The ERP system that Tata Motors use (SAP-

H) enables real time order placement as a result the order can be dispatched soon. The transit takes around 2-3 days (in some case it may vary) to reach the dealer. The freight cost is Rs 5000 per car, which is paid by the dealer initially and then recovers from the customer.

Payment System:

The payment option provided by the Tata Motors is very stiff. The dealers have to pay the whole payment before the order is dispatched. It also includes the freight cost. Very rarely the company allows credit. In some situation when it finds the demand is very high and the dealers are not able to make the payment, then the company allows some credit to the dealers. The other situation where the company provides credit is when it has a product which is not performing well in the market for which the dealers are not interested in stocking those products, and then the company provides credit scheme for the dealer to stock those products.

Promotional and advertising activities:

The promotion and advertising activities are done in two ways. The basic advertising and promotion is done by the company as a whole. The company invests a large amount of money for the promotion and the advertising activities. Many of the promotional activities are done on the basis of specific region. For example in order to increase sales of Nano cars in Hyderabad region the company has introduced a promotional offer in which a customer can buy a Nano car by making a low down-payment and paying low EMIs. The customers will also get a bonus of Rs 10, 000 with 4 years or 60, 000 kms manufacture warranty.

The details of the offer collected from the dealer are as follows:

Standard model

Bonus amount: Rs. 10, 000

Down-Payment amount: Rs. 18, 000

EMI: Rs. 2, 626

Model: CX

Bonus amount: Rs. 10, 000

Down-Payment amount: Rs. 22, 000

EMI: Rs. 3, 183

Model: LX

Bonus amount: Rs. 10, 000

Down-Payment amount: Rs. 25, 000

EMI: Rs. 3, 631

The other promotional activities or local advertisement are done by the dealers, which is solely on the dealer. The offers are offered and provided by the dealers.

Selling process

Additional services offered to customers

DISTRIBUTION

The success and failure of the firm depends largely upon the efficiency of distribution. We can say that a channels of distribution may be defined as an organized work of agencies and institutions which is combination, performs all of the activities required to link producers with users, and users with producers in order to accomplish the marketing task.

Why is distribution required?

Important Factors In Distribution Channel Selection

Four Fundamental In Distribution

Product Mix

Financial Strength

Inventory Management

People Network

DEALER'S

WAREHOUSE

PLANT

Distribution cycle from factory to the customer

DAY OF SALE

CUSTOMERS

2-3 DAYS

SAME DAY

OUTLET