

TATA NANO

The global auto industry is in the midst of dramatic growth and change, the likes of which it hasn't experienced since the industry's inception. In 2010, a shift in the balance of power within the global auto industry occurred when the world's emerging growth market led by China, India, Brazil, and Eastern Europe accounted for slightly more than one-half of the 73.2 million light vehicles sold worldwide. This marked the first time in the 120-year history of the auto industry that the world's mature market led by the U.S. and Canada, Western Europe, and Japan didn't account for the lion's share of sales. Since then, emerging growth markets have extended their lead in the global sales race for light-vehicles (cars, SUVs, vans, and light trucks under six tons gross vehicle weight), with 52% of the worldwide market in 2011 and 54% in 2012. More specifically, the automotive industry in India is emerging as one of the fastest growing automotive markets in the world and is the seventh largest in the world. The Indian automotive industry is going through a phase of rapid transformation and growth, driven chiefly by growth in the economy and infrastructure development. Automobile sales volumes have grown at a CAGR of 13.1% during FY06-FY12. The automotive industry's contribution to the national GDP has risen to 6% presently from 2.77% in 1992-93.

However the automobile industry in India has seen distinct shift in demand patterns across vehicle categories in the last few years. Traditionally, the Indian automobile market has been dominated by the two wheeler segment which accounted for almost 75% of the automobile sales in the country but since, 2005 passenger car segment has boomed. The Passenger car sales stood at 1.89 million units in 2012-13 where as the production of passenger vehicles in the country was recorded at 3.23 million in 2012-13 and is expected to grow at a compounded annual growth rate (CAGR) of 13 per cent during 2012-2021, as per data published by the Automotive Component Manufacturers Association of India (ACMA) and also According to SIAM (Society of Indian Automobile Manufacturers), the Indian passenger car market is expected to grow from the current 2.5 million to 4 million units by 2015. Within the passenger vehicle segment although the, demand for high-end cars continues to be strong; the small car market continues to dominate the Indian market. Thus India's burgeoning small car market holds huge potential because of the accelerated growth of lower middle class in India (As per Mc Kinsey estimates, by 2025, the Indian middle class is expected to grow from 50 million to 550 million), Indian middle class propensity for low

cost fuel efficient cars and the youthful population (over half the population is less than 25 years of age and India has the highest proportion of population below 35).

Consequently automobile companies are increasing focus on the small segment to cash in on the burgeoning demand from this segment, which accounts for bulk of the car sales in India. Unlike some of the other emerging markets where market shares are more fragmented, the Indian small vehicle segment has been dominated by three major players – Maruti Suzuki, Hyundai Motors and Tata Motor's. These players with their strong product portfolio, particularly in the small car segment, extensive distribution and servicing reach and strong brand franchise (created over several years) have maintained their market position for years together.

Tata Motor's targeted this segment for itself in the Indian automobile industry with its Tata Nano. Tata Nano a small car from a big idea attained immortality the moment it was unveiled at the Auto Expo in New Delhi, causing a seismic shift in the automotive world. The creation of Tata Nano is a result of innovation leading to new market creation to tap latent opportunities lying at the bottom of the pyramid in the automobile, four wheeler segment. The car has been widely publicized as the world's cheapest car at Rs.1 lakh that would bring greater mobility to the masses of India and, eventually, the world. The financial times reported- "If ever there were a symbol of India's ambitions to become a modern nation, it would surely be the Nano, the tiny car with the even tinier price-tag. But those ambitions stalled. Despite a booming economy and strong consumer outlook, Tata Nano failed to leverage this opportunity to gain a foothold in this segment and after four years it was repositioned.

The proposition that prompted Tata to think about a people's car was a social concern. On a wet August night in 2003 Mumbai, when Tata was driving back home from his office Bombay House in Flora Fountain, he saw a young couple travelling with their two children on a two-wheeler and was struck by the enormous risks of riding on a wet road. The thought of a small car germinated in his mind and a week later, on a visit to the Tata Motor's plant in Pune, he shared his thoughts with MD Ravi Kant. Instinctively, his first query was whether the two-wheeled scooter could be made safe. "The first doodles," in Tata's words, "were sketches of a two-wheeler with a bar around it and some weather-proofing." Thereafter, a

core team of 500 (including those in charge of setting up the plant) worked on the concept for four years. Indeed the first thoughts centered on a door-less four-seater that was more a quadricycle than a car. The design envisaged the use of plastic weather-proofing of the kind seen in rickshaws and contemplated using new materials. But somewhere down the line, the ideas ran into a conflict with Tata's brief. It was simple: it would seat four, have a low operating cost and meet all safety and emission standards. The team dumped the nascent design and focused on the process of building what would be a car differently. Accordingly Ratan Tata, former Chairman, Tata Motor's, shared his vision of making ₹1 lakh car at the Geneva Motor Show, in 2003. There was cynicism and doubt from all quarters. Tata's ambition was deemed unrealistic and critics wondered how it would be possible to make a car at almost half the price of the cheapest car (Maruti 800) available in the market. Nevertheless, Nano was finally unveiled in the 9th Annual Auto Expo on 10th January 2008 at Pragati Maidan in New Delhi, India; its successful development was welcomed with rapturous applause. And, when it could not be manufactured in the originally envisaged green-field plant at Singur there was disappointment all round that one of the best indigenous industrial marvels of India was being hindered. Well-wishers followed Nano's manufacturing journey from Singur in West Bengal to Sanand in Gujarat and appreciated Ratan Tata's commitment and gumption to commercialize Nano despite the multitude of challenges and finally Nano was commercially launched on 23rd March 2009.

The word "Nano" connotes high technology and small size. The Tata Nano's design is such that it offers an incredibly spacious passenger compartment which can comfortably seat four adults. With a length of just 3.1 metres, width of 1.5 metres and height of 1.6 metres, the Tata Nano has the smallest exterior footprint for a car in India but is 21% more spacious than the smallest car available today. A high seating position makes ingress and egress easy. Its small size coupled with a turning radius of just 4 metres, makes it extremely maneuverable in the smallest of parking slots. The engine enables the car to have a top speed of 105 kmph and negotiate inclines with a gradeability of 30%. Its fuel efficiency of 23.6 km/litre, certified by the Automotive Research Association of India (ARAI) under mandated test conditions, is the highest for any petrol car in India. The high fuel efficiency, coupled with a low kerb weight of 600 kg, ensures that the Tata Nano - at 101 gm / km - has the lowest CO₂ emission amongst cars in India. Tata Motor's has reportedly filed 34 patents related to the innovations in the design of Nano. The three trim levels available at launch were Tata Nano Standard, Tata Nano CX and Tata Nano LX. Based on the Society of Indian

Automobile Manufacturers (SIAM) Automobiles classification, Tata Nano is classified in A1 segment, i.e. a mini car.

Exhibit -1 Passenger car segments in India

Segment	Type	Length
A1	Mini	Up to 3400mm
A2	Compact	3401-4000mm
A3	Midsize	4001-4500mm
A4	Executive	4501-4700mm
A5	Premium	4701-5000mm
A6	Luxury	Above 5000mm

Tata Motor's wanted to develop the effective positioning strategy for Tata Nano in India. Because one of the most important aspects of successfully marketing a product is "Positioning. In fact, brands can succeed – or fail – depending on how they are positioned. As the target customers for Tata Nano were lower and middle income families, who aspire to upgrade to 4- wheelers from being 2-wheeler users and since many of such families stay away from purchasing 4- wheelers primarily due to the affordability factor .Management at Tata Motor's tried to focus on the price factor and developed "Price Positioning Strategy" for Tata Nano. Tata Nano tried to position itself as the most Affordable Car in the world. The former Chairman of Tata, Mr. Ratan Tata, has envisioned Tata Nano to become a "People's car." The car was positioned as a people's car since it offers comfort and affordability to every person but inadvertently Tata Nano got positioned as the "Poor Man's Car" and "Cheap Car".

Failure of Positioning Strategy

The reasons for Nano getting wrongly positioned was the failure of its primary positioning strategy i.e Price Positioning Strategy .Tata Nano was positioned on the price attribute dimension and was widely publicized as the world's cheapest car at ₹ 1 lakh. While the endeavour was presumed to be an exciting, and brilliant societally, for any consumer buying the Nano, there is the inherent danger of being viewed by his social group as poor as they

were owning a car that is thought of as cheap. Because of the intense perception of class position in India, it turns out that many poor people would rather buy a used, higher-end car than buy a Nano, which would mark them as poor. Also because in India price serves to signal quality i.e higher price serves to signal higher quality and lower price serves to signal lower quality to the customer. (Aaker and Shanby ,1982). Further Within a few months of initial sales, technical problems were found in the product and there were a few reports of Nano catching fire, which further weakened the trust for the brand 'Nano' .and people further believed that low price is because of low quality. Thus Nano though a good car did not carry enough prestige to be a passenger car.

Positioning is an ingredient of total strategy, Product, brand, price, promotion and distribution must all be consistent with the positioning strategy But Tata Nano's positioning strategy and communication tactics didn't gel with each other. While Nano was intended by the company for the lower-end belt who are price conscious, instead of reaching out to the intended segment .Tata Motor's relied heavily on non-conventional methods like social-media: They created a special Nano website where one could design their own Nano and play games; used social networking sites such as Facebook and Orkut; leveraged blogs; and purchased online advertising. The online medium was hardly the right way to sell to their target segment and the strategy failed to create buzz around the car. The sales reflected this. Half of the Nano's purchased were second cars, clearly violating the positioning which sought to transition people from two wheelers to four wheelers. The lack of communication to the appropriate customer segment led to the downfall.

Tata Nano's distribution system was not also consistent with its positioning strategy .The Nano did not have a large enough dealer network in the rural areas and smaller towns where the positioning by price was more relevant The paucity of dealer networks meant they could not capitalize on the initial enthusiasm and interest. It was targeted at the small family of four which owns a two wheeler and would want to upgrade to a car. The target market knew how to buy scooters but they didn't know how to buy cars. In India the two processes are completely different and it appears that many people were simply intimidated to go into a car dealership. Tata doesn't sell scooters and appears to have underestimated this issue. The distribution strategy failed to bridge the last mile to the consumer segment that Tata Motor's built this car for. Lower income customers were apprehensive and hesitant to walk into large Tata Motor's showrooms.

The road ahead for Tata Motor's continues to be challenging, yet full of opportunities but Tata Motor's is committed to improve its customer-centricity, to better understand customer needs and translate them into exciting and appropriate products for their markets in order to increase the "perceived value" of its aspirational venture Nano .After four years of its commercial launch Tata Nano, decided to create a new niche for itself in august 2013 , by managing to move away from tag like the “world's cheapest car to "smart city car". Thus they are repositioning Tata Nano as a "smart city car" by focusing on the youth to rejuvenate its image.