

SUSTAINABLE MARKETING BY TATA MOTORS IN PASSENGER VEHICLE SEGMENT

Dr. Alka Awasthi¹, Anshu Kumar Sinha²

¹Director, Department of Management Studies, IES University, Bhopal. Email ID: prof.alkaawasthi@gmail.com

²Research Scholar, Technocrats Institute of Technology–MBA, Bhopal. Email ID: anshu.business19@gmail.com

Abstract—Any company is expected to achieve its business objectives via including adaptability, ethical innovation, and sustainability. The companies sustain with its business plans in the market via developing different business strategies. The strategies can be either blue ocean or red ocean strategies. In red ocean strategy the companies compete with the competitors in the market to gain market share from the existing industry boundaries and known market space. In blue ocean strategy the companies try to gain market share from an unknown market space instead of directly competing with the competitors. In this research paper, we study the blueprint implemented by 'TATA Motors' to gain the market share in the Indian passenger vehicle segment via the launch of 'TATA Nano'. TATA Nano fulfilled the needs and dreams of passenger vehicles felt by numerous lower and middle-income section of Indian passenger vehicle consumers. Nano was a new line of an innovative product by TATA Motors under blue ocean strategy. Hence, in this research paper we verify whether TATA motors really built a sustainable business platform in the Indian passenger vehicle segment via the launch of TATA Nano. We have carried out the research by relying on company's financial statements i.e. Profit & Loss and Balance Sheet (secondary in nature). We have carried our descriptive research through financial analysis of gathered secondary data. TATA motors was traditionally known for manufacturing locomotives and heavy-duty trucks which forayed and cemented its position in the Indian passenger vehicle industry with the launch of TATA Nano.

Keywords: Secondary Data, Blue Ocean Strategy, Descriptive Research, Bullish, Bearish.

Introduction

In 1960, Indian automobile industry underwent a major transition with the formation of 'Society of Indian Automobile Manufacturers (SIAM)'. The objectives of 'SIAM' include enhancing the contribution of automobile industry in the growth and development of Indian economy, assisting the automobile industry to meet its social obligations, and encouraging the efficiency of industry. In 1960, as SIAM was formed, total number of passenger vehicles sold in the year was 24,207. With the passage of time, the sale of passenger vehicles improved each year. The sale of passenger vehicles reached figures of 350,000 in 1972. As the Indian economy started to blossom via automobile sector; the economy took a dip due to the political emergency in 1975; number of passenger vehicles sold was down to 31,000 only. As the country came out of the political emergency, the automobile industry witnessed a recovery in the sales of passenger vehicles. The number of passenger vehicles sold was back up to 50,000. The year 1980 is considered as the landmark in the Indian automobile sector. In 1983, Indian government decided to set-up Maruti Udyog (for manufacturing passenger vehicles) in India in collaboration with 'Suzuki Company' of Japan. There was a huge response by the Indian passenger vehicle consumers. By 1989, the sale of passenger vehicles witnessed a new benchmark. The number of passenger vehicles sold went up to 2,00,000 units.

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www.ijirms.com

¹<https://www.siam.in/>

²<https://www.autocarpro.in/feature/rise-automobile-free-india-9078>

³<https://www.autocarpro.in/feature/rise-automobile-free-india-9078>

In 1991, as the Indian government opened its economy for foreign direct investment (FDI) in various sectors, the Indian automobile sector witnessed, increased competition, technological advancements, and global integration. Post-liberalization, the different car maker companies which were prohibited from investments in the country, slowly started developing and stabilizing their passenger vehicle business in India.. The companies included Hyundai, Toyota, Honda etc. As a result, the Indian automobile sector witnessed a business value of \$4 billion by the year 2000. The sector's contribution to GDP had risen to around ⁴7.1% from 2.77% in 1992-93. In early 2000 as the Indian automobile industry and passenger vehicles witnessed different models of cars being produced for various segments of Indian passenger vehicle consumers; in March 2009 Tata Motors came up with a low-cost, inspirational car offering for the masses, specifically aimed at the large, underserved segment of the Indian automobile market that was seeking a more affordable and practical alternative to two-wheelers i.e. "**Tata Nano**". Tata Nano was the result of implementation of blue ocean strategy (BOS) in the Indian passenger vehicle segment by Tata Motors. The objective of a new line of product which was the need felt by many lower and middle-income segments of Indian passenger vehicle consumers was achieved by identifying the untapped market, value innovation, redefining value and creating new demand via reinventing the business strategies for the latest defined business goals. The change management helps in modernizing the overall competence of the business. This can include building periodic strategy, re-evaluate organizational structure, resource allocation, leading change initiatives, and controlling processes & resources.

Literature Review:

In this ⁵research paper, the researchers validate the issues which Tata Nano encountered after its launch in the market. Before its launch, TATA Nano was presented as a passenger vehicle for lower and lower middle class which relied more on two wheelers for their personal local transportation. TATA Nano was presented for the families who never thought of owning a personal four-wheeler in their family. However, as the car was launched in the market, the booking and the sales of the vehicle took off steadily with 70,000 units in the first two years each. However, as Nano started continued with its journey, the steady motion of its sales declined. The positioning of the car and the target customers identified by 'TATA Motors' were expected to be the root cause of the decline. The researchers conclude that the root cause of the failure of TATA Nano was that it was already tagged as poor's product.

In this ⁶research paper, the researchers confirm the growth of Indian automobile industry after liberalisation. In 1992, the share of Indian automobile industry was 2.77% into overall India's GDP which has been ever growing since then. As the market of higher end cars grew strong, the Indian consumer continued relying on smaller cars as well. As 'Nano' was launched in the smaller car segment in July 2009, with the creation of new market; the initial advanced booking and sales went on swiftly. However, in the long run 'Nano' proved to be not commercially successful. In this research paper, the researchers determine the reasons for failure of positioning strategy adopted by Tata Nano in India. The researcher conclude the price positioning as one reason behind the failure of Tata Nano. As Tata tried re-defining its target segment of customers via new electronic ads but failed

Research Gap:

In the earlier researches, the researchers have studied and identified the competitive advantage gained by Tata Motors by implementing blue ocean strategy while launching Tata Nano. The researchers have identified the factors like low cost & the pricing strategy as part of implementing blue ocean strategy. However, the researchers have not included whether the blue ocean strategy implemented towards the launch of Tata Nano earned 'Tata Motors' a profit earning platform in the Indian passenger vehicle segment among Indian passenger vehicle consumers.

Research Problem:

Tata Motors via implementation of BOS created a niche for lower and middle-income segments for Indian passenger vehicle consumers, who were seeking a low-end passenger vehicle; alternative to two-wheelers. However, we need to verify whether Nano provided Tata Motors a concrete platform in the Indian passenger vehicle segment mostly dominated by the consumers belonging to other higher segments. Hence, we verify the financial status of Tata Motors at the inception of 'Tata Nano' and if the company itself has sustained with its financial performance after two decades at the centre of Indian passenger vehicle market which is a mix of all segments of passenger vehicles.

⁴<https://static.pib.gov.in/WriteReadData/specificdocs/documents/2023/feb/doc2023217160601.pdf>

⁵https://www.researchgate.net/publication/366105393_CASE_STUDY_TATA_NANO

⁶https://www.researchgate.net/publication/331935976_REPOSITIONING_-_A_CASE_STUDY_OF_TATA_NANO

Objectives:

- I. To study whether Tata Nano; launched as part of implementation of Blue Ocean Strategy impacted 'Tata Motors' profit earning platform in the passenger vehicle segment.
- II. To study whether Tata Motors is a successful brand in the Indian passenger vehicle segment after two decades of the launch of People's Car.

Methodology:

Initially, we have carried out the exploratory research i.e. research based on the research papers already published in conjunction with our research topic. After identifying the research gap, we have relied on secondary data to carry out the descriptive research. The secondary data has been pulled out from the company's i.e. "TATA Motor's Profit & Loss and Balance Sheet statement". Also, we have relied on company's annual report for pulling the 'Net Promoter Score (NPS) & Composite Satisfaction Score (CSAT)'.

The methodology section outlines the use of top-down approach.

Results:

- TATA Nano production plant never got the opportunity to produce the maximum units; as a result the sales of TATA Nano was below par. However, the 'Initial Public Offering' (IPO) of 'TATA Nano' did help 'TATA Motors' to generate enough revenue from the market.
- This revenue was used in the purchase of Jaguar Land Rover (JLR) from 'Ford'
- Hence, 'TATA Motors' earned the global recognition in the passenger vehicle segment.
- Although, the domestic sales of 'TATA Nano' never touched the benchmark but 'TATA Motors' became the buzzword of every household in India.
- TATA Motors built its business in passenger vehicle segment from here on.
- The company has maintained a strong profitability and liquidity ratios.
- The company has built on its market share cementing its position at third spot in passenger vehicle segment within India.
- The Net Promoter Score (NPS) and Composite Satisfaction Score (CSAT) score suggest that company has developed a large consumer base.
- The data has been analysed relying on graphs generated by 'Power Business Intelligence' (Power BI) tool.

Discussion:

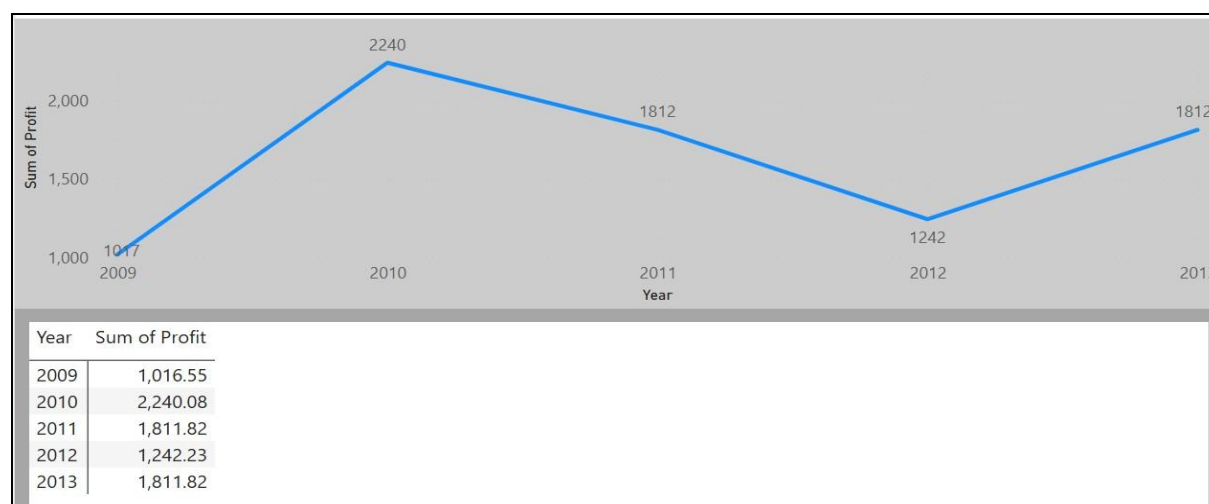
I - Study of Profit or Loss for Tata Motor Under Blue Ocean Strategy

⁷Table No. 1 represent Profit/Loss Data of Tata Motors for the first five financial years since Tata Nano's Launch in March - 2009

Year	Revenue (In Crore)	Expenses (In Crore)	Profit (In Crore)
31 st March 2009	26,581.96	25,568.20	1,016.55
31 st March 2010	36,594.15	33,764.61	2,240.08
31 st March 2011	47,511.41	45,167.77	1,811.82
31 st March 2012	54,880.64	52,954.37	1,242.23
31 st March 2013	46,853.92	46,262.79	1,811.82

⁷<https://www.moneycontrol.com/financials/tatamotors/profit-lossVI/tm03/3>

Profit/Loss Data in Table I represented by 'Line Graph' (Drawn Using Power BI Tool)



⁸Financial Analysis of TATA Motors Presented (2009 – 2013):

Key Financial Ratios of TATA Motors (in Rs. Cr.)		Mar-2009	Mar-2010	Mar-2011	Mar-2012	Mar-2013	Analysis
I-Per Share Ratios	Net Profit Per Share	19.78	39.26	28.41	3.91	0.95	The avg. net profit per share of avg. 18-20 (in 2011-12) laid the foundations for a strong passenger vehicle export market and substantial contribution to national GDP
	II- Profitability Ratios						
	II-(a) Return on Assets (in %)	2.64	4.38	3.34	2.27	0.57	Average ROA of 2.64 in 2011-12 can be considered as a profitable utilization of its assets towards generating profit.
	II-(b) Total Debt to Equity	1.06	1.12	0.73	0.56	0.75	Debt-to-equity ratio of average 0.84 can be considered healthy in automobile industry.
	II-(c) Asset Turnover Ratio (%)	66.81	69.22	86.89	99.60	85.78	Higher asset turnover ratio is considered health in automobile industry i.e. the company has generated more revenue per '\$' of assets.
III-Liquidity Ratio	III-(a) Current Ratio	0.54	0.52	0.58	0.62	0.48	Tata Motors held less 'liquid' during the period; however, did not succumb under any debt.
	III-(b) Inventory Turnover Ratio	11.51	12.05	12.10	11.84	10.05	Avg. Inventory of 11.51 in Automobile industry is considered as 'Gold Standard' i.e. the assets are being turned over regularly.

⁸<https://www.moneycontrol.com/financials/tatamotors/ratiosVI/tm03/3#tm03>

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IV- Valuation Ratios	IV-(a)	21,29 2.06	57.99 2.89	91,76 3.59	96,67 0.96	99,72 1.96	\$11,663.883 million in 2011-12 has laid a good foundation to build the valuation of \$27.53 billion as on date
	IV-(b)	0.11	0.05	0.02	0.01	0.00	
	Enterprise Value (in Crore)						
	Earnings Yield						

- The impact of global slowdown which started in 2008 could be still felt across the globe at the end of 2011 fiscal.
- Although, TATA Nano production plant never reached to full expectation to produce 2.5 lakh units annually but the launch of the vehicle tagged as “People’s Car” and the “World’s Cheapest Car” made TATA Motors make its mark among the global investors i.e. making innovation and value creation among the global investors.
- As a result, Jaguar Land Rover (JLR) which was purchased by TATA Motors from ‘Ford’ during the same period helped Tata Motors marking a major leap on the global automobile industry.
- Hence, the financial dip which TATA Motors encountered due to low domestic sales of TATA Nano during the period was overcome by sales at global level.
- The revenue and profit earned by TATA Motors at global level strengthened the financial status and performance of TATA Motors.
- Hence, Blue Ocean Strategy (BOS) helped 'Tata Motors' defining its position in the **global passenger carrying vehicle segment**.

II: To study whether TATA Motors is a successful brand in the Indian passenger vehicle segment after two decades of the launch of People's Car

A. ¹⁰Market Share of TATA Motors Under Passenger Vehicle Segment:

Year	Market Share of TATA Motors Under Passenger Vehicle Segment
2020	4.8%
2021	8.2%
2022	12.5%
¹¹ 2023	13.5%
2024	13.9%

- Investors normally want to rely on brands with higher market share as they believe them to be more stable and reliable.
- TATA Motors have gained this advantage via People’s Car as different models of passenger vehicles have been relied upon by various customers.
- This results in more customers sticking to a brand called TATA Motors.

⁹ <https://www.forbesindia.com/article/explainers/top-10-fmcg-companies-in-india-by-market-cap/89367/1>

¹⁰ <https://stockdividendscreener.com/auto-manufacturers/tata-motors-market-share/#tata-passenger-vehicles>

¹¹ <https://www.tatamotors.com/wp-content/uploads/2024/05/tata-motor-IAR-2023-24.pdf>

- Brands with larger market share often target premium customers and sell their products at premium prices to achieve sound financial health status.



B. ¹²Net Promoter Score (NPS) of TATA Motors in Last Five Years:

Year	Net Promoter Score
2020	65
2021	68
2022	68
2023	71
2024	72

- For TATA Motors, the Net Promoter Score has been on a high for last five years touching almost ‘80’ mark.
- The customers are highly satisfied, expected to recommend the brand to other purchasers.
- The customers are expected to stay loyal i.e. TATA Motors gain the customer base.

¹²<https://www.tatamotors.com/wp-content/uploads/2023/12/AnnualReport202223.pdf>

Net Promoter Score Data in Table II-B represented by ‘Bar-Graph’ (Drawn Using Power BI Tool)



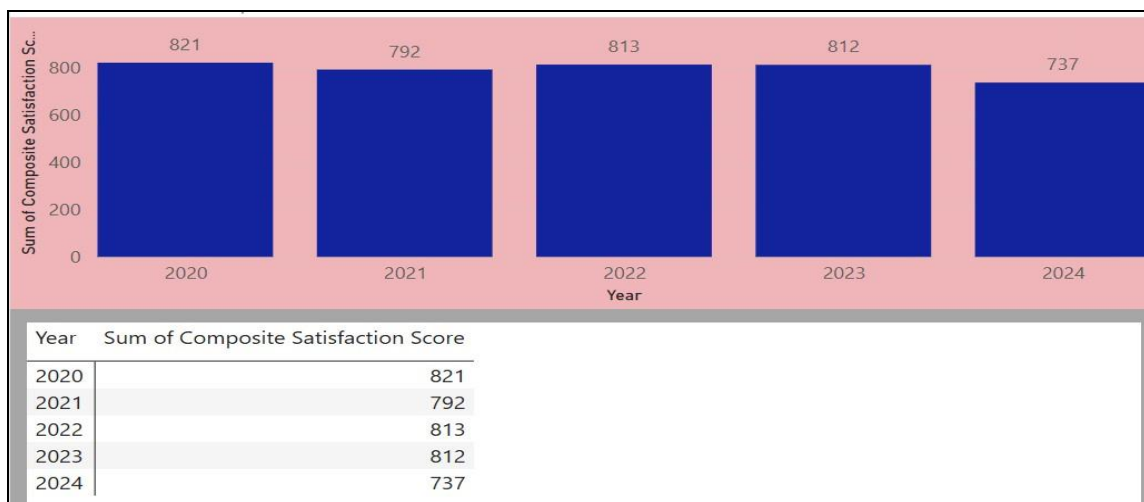
C. ¹³Composite Satisfaction Score of Customers for TATA Motors in Last Five Years:

Year	Composite Satisfaction Score	In %age
2021	821	82.1
2022	792	79.2
2023	813	81.3
2024	812	81.2
2025	737	73.7

- A good CSAT score is generally considered between 70 – 85%
- CSAT helps a company work upon customer feedback which in turn help making the customers feel happy and satisfied.
- Hence, TATA Motors have gained the edge in gaining the customer base and grow financially healthier, including the passenger vehicle segment with varieties of models for different segment of consumers in recent years.

¹³<https://www.tatamotors.com/wp-content/uploads/2023/12/q4fy23-presentation.pdf>

Composite Satisfaction Score Data in Table II-C represented by ‘Bar-Graph’ (Drawn Using Power BI Tool)



Empirical Findings:

It is true that TATA Motors were engulfed with commercial challenges after the launch of TATA Nano; but the project left an enduring impact on the company image. The brand became the buzzword of every household and TATA Motors team identified an understanding to establish an alliance between the global and Indian passenger vehicle market:

- The Nano project made the engineers of TATA Motors learn the technique and skills to develop cost-effective manufacturing processes and designs.
- The Nano project helped TATA Motors identify the indispensable skill of raising capital (via Initial Public Offering) which in turn helped the company in acquiring Jaguar Land Rover (JLR).
- Nano moralized the world about the commitment of Tata Motors to serve the consumers lying at the bottom level and unable to dream about the possibility of owning a passenger vehicle; to purchase an alternative, affordable transportation and thus bringing the members of a family together on a drive. Hence, TATA Motors became a brand among the customers looking to afford passenger vehicle as well.
- Tata Motors gained an insight about the requirement of target customers striving to own a passenger vehicle which was a help in disguise for high profile supplier companies (Bosch & MRF) as well. TATA Nano project of TATA Motors built a stage for the two high profile companies to operate collectively on a low budget project which was a memorizing experience for them as well.
- The Nano project was a valuable fascinating experience for Tata Motors, featuring the significance of addressing safety concerns, effective marketing, and brand perception.

Conclusion:

TATA Motors has experienced a significant turnaround in the passenger vehicle business. The company had a struggling phase before it made its mark in the passenger vehicle segment. The 'Nano Project' (although the Nano model was unsuccessful); helped the company to make an in-depth understanding of the requirements of different Indian passenger vehicle segments. The project also helped TATA Motors understand the optimization technique of running passenger vehicle projects. The BOS (in Nano Project); delivered TATA Motors an opportunity to shift its focus from volume to value-driven approach, stressing on safety, design, and technology. In recent years, as customers focus has shifted to rely on safe, green, and technologically advanced vehicles; TATA Motors in collaboration with start-ups have been counting more on Electric Vehicles (EVs) and Sports Utility Vehicles (SUVs). SUV models of TATA Motors like Nexon, Punch, Harrier, and Safari have achieved record sales. As the passenger vehicle segment of TATA Motors has matured over the years, TATA Motors look forward to demerge and separating its passenger and commercial vehicle businesses, which is expected to be completed by the end of 2025. In a nutshell; Tata Motors has triumphed in metamorphosing its passenger vehicle business by consolidating on strong leadership, product innovation, and a customer-centric approach with BOS remaining the nucleus of the growth strategy.

Scope of Future Research:

TATA Motors, after implementing Blue Ocean Strategy successfully opened the Indian passenger's vehicle market for consumers of all segments. This strategy allowed them to capture a new market space and create new demand, thus competing with settled passenger vehicle companies like Maruti and Hyundai in India. But in recent years as TATA Motors have successfully implemented red ocean strategy as well; we can further study the **strategy** implemented by TATA Motors to compete in the "**red ocean**" Indian passenger vehicle segment.

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