

Tata Nano: A Positioning Disaster

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Case Summary: In the highly volatile markets and ever changing customer preferences, the key to survival is the right positioning. Positioning is all about getting the right position; but the game remains absolutely psychological. Tata Nano is the best example of positioning and repositioning where both the strategies failed. In the case of Tata Nano; a number of factors have played a significant role like production delays, product attributes, economic crisis, political controversies or failure to select the right market segment.

After a long time of its launch, Tata has strived to change its image from cheapest car "Lakhtakiya" to smart city car but this attempt also seems to fail again highlighting the fact that the first positioning remains most significant; just as the first move in the game of chess remains the basis for your success.

Even the first mover advantage, which has been central for the victory of the many of the most recognized big brands, could not save Tata Nano from its failure and the image engraved in the minds of Indian customers as low-priced car was so strong that all of the Tata's moves went futile.

In the present case the author takes the positioning and psychographic factors into consideration and endeavours to take a thorough analysis that how this "People's Car" of India turned out to be a positioning catastrophe.

Keywords: Positioning, Branding, Tata Nano.

I. Introduction

Tata Nano popularly known as people's car was launched at such time when India's largest car company known for its cost effective products Maruti Suzuki was pondering upon the strategic option of discontinuing the production of the than available cheapest car of Indian Market and its flagship product Maruti Suzuki 800. The Indian automobile market at that time was flooded with newly launched high priced cars of multinational brands.

When Tata launched Nano; it was not just a business opportunity, but also a tool to improve quality of lived of millions of Indian who were facing the dangers of fast paced roads and everyday were being exposed to accidents due to non-affordable four wheelers.

At that time and still true to some extent the average Indian customer could not afford a two wheeler because most of the two wheelers are out of the budget. The price list for lowest priced cars available make it clearer.

Table 1 Price List For Close Competitors Of Tata Nano

Model	Variant	Price
Maruti Suzuki 800	MPI STD BS III	Rs. 2,28,820
Maruti Suzuki 800	MPI STD BS III (Met)	Rs. 2,31,797
Maruti Suzuki 800	MPI AC BS III	Rs. 2,55,396
Maruti Suzuki 800	MPI AC BS III (Met)	Rs. 2,58,373
Model	Variant	Price
Maruti Suzuki Omni	LPG CARGO BS III	Rs. 2,37,926
Maruti Suzuki Omni	LPG Taxi	Rs. 2,47,059
Maruti Suzuki Omni	LPG Taxi (Met)	Rs. 2,49,492
Maruti Suzuki Omni	MPI CARGO BS IV	Rs. 2,43,597
Maruti Suzuki Omni	MPI STD BS IV (Met)	Rs. 2,71,381
Model	Variant	Price
ALTO 800	STD CNG	Rs. 3,41,308
ALTO 800	STD CNG (Met)	Rs. 3,45,209
ALTO 800	LX CNG	Rs. 3,62,239
ALTO 800	LX CNG (Met)	Rs. 3,66,110
ALTO 800	LXI CNG	Rs. 3,81,174
ALTO 800	LXI CNG (Met)	Rs. 3,85,062
ALTO 800	STD	Rs. 2,62,512
ALTO 800	STD (Met)	Rs. 2,66,399

ALTO 800	LX	Rs. 2,98,655
ALTO 800	LX (Met)	Rs. 3,02,542
ALTO 800	LXI	Rs. 3,21,279
ALTO 800	LXI (Met)	Rs. 3,25,167
ALTO 800	LXI Airbag	Rs. 3,38,038
ALTO 800	LXI Airbag (Met)	Rs. 3,41,926

Source: <http://www.nrliol.com/returntoindia/cars-price.asp> as retrieved on 12/08/2014.

These prices were not in the reach of Indian customers. In comparison to other countries the per capita income and purchasing power of Indians were still very low. If we look at the table given below, the scenario gets clearer; Gross Domestic Product per capita in India, which was last recorded at 5238.02 US dollars in 2013, when adjusted by purchasing power parity (PPP). The GDP per Capita, in India, when adjusted by Purchasing Power Parity was equivalent to only 29 percent of the world's average.

Table 2: Gdp Per Capita Ppp



Source: <http://www.indexmundi.com> as retrieved on 10/10/ 2014

After looking on the above figures it was not wonder that a major part of population of India was still riding two wheelers and not owning four wheelers as Ratan Tata narrated in the his address at launching ceremony of Tata Nano.

This venture was not only commercial but also carried a social concern for majority of Indians who could not afford to buy a four wheeler and were forced to face the challenges of tough weather and were also more prone to road accidents. So it was very natural for a company like Tata to take up aventurelike this. The excerpts from the speech of Ratan Tata (2009), on the launching ceremony clarifies this itself: “Today's story started some years ago when I observed families riding on two wheelers, the father driving a scooter, his young kid standing in front of him, his wife sitting behind him holding a baby and I asked myself whether one could conceive of a safe, affordable, all weather form of transport for such a family. A vehicle that could be affordable and low cost enough to be within everyone's reach, a people's car, built to meet all safety standards, designed to meet or exceed emission norms and be low in pollution and high in fuel efficiency. This then was the dream we set ourselves to achieve. Many said this dream could not be achieved. Some scuffed at what we would produce, perhaps a vehicle comprising two scooters attached together or perhaps an unsafe rudimentary vehicle, a poor excuse for a car. Let me assure you and also assure our critics that the car we have designed and we will be presenting to you today will indeed meet all the current safety requirements of a modern day car.”

Profile Of Tata Motors

Tata Motors Limited is India’s largest automobile company, with consolidated revenues of INR 2,32,834 crores (USD 38.9 billion) in 2013-14 is also leading in commercial vehicles in each segment, and among the top in passenger vehicles with winning products in the compact, midsize car and utility vehicle segments

It was established long back in 1945. It has about 8 million Tata vehicles on Indian roads, and the company’s manufacturing base in India is spread across Jamshedpur (Jharkhand), Pune (Maharashtra), Lucknow (Uttar Pradesh), Pantnagar (Uttarakhand), Sanand (Gujarat) and Dharwad (Karnataka).

One after another Tata has been on the road for innovation and improvement by joining together for world's most renowned companies. It joined a strategic alliance with Fiat in 2005, and set up an industrial joint venture with Fiat Group Automobiles at Ranjangaon (Maharashtra) to produce both Fiat and Tata cars and Fiat powertrains. The company's dealership, sales, services and spare parts network comprises over 6,600 touch points, across the world.

Tata Motors, also listed in the New York Stock Exchange (September 2004), has emerged as an international automobile company. Through subsidiaries and associate companies, Tata Motors has operations in the UK, South Korea, Thailand, South Africa and Indonesia. Among them is Jaguar Land Rover, acquired in 2008. In 2004, it acquired the Daewoo Commercial Vehicles Company, South Korea's second largest truck maker.

Tata Motors is also expanding its international footprint, established through exports since 1961. The company's commercial and passenger vehicles are already being marketed in several countries in Europe, Africa, the Middle East, South East Asia, South Asia, South America, CIS and Russia. It has franchisee/joint venture assembly operations in Bangladesh, Ukraine, and Senegal.

Not only this, Tata is one of the companies of India which has earned a great recognition for its social concerns and has received several awards in the field of CSR.

Source: <http://www.tatamotors.com/about-us/company-profile.php> as retrieved on 06/09/2014

Tata Nano

The Tata Nano is a small car manufactured by Tata Motors made and sold in India. Nano was initially launched with a price tag of ₹100,000 (US\$1,600) which was ultimately increased with time. Designed to lure India's burgeoning middle classes away from two-wheelers, it received much publicity.

With the launch of this car only Indian market was hoping big. Tata Nano's launch could expand the Indian car market by 65%, according to rating agency CRISIL (TNN, 2008). The low price makes the car affordable for families with incomes of Rs 1 lakh per annum, the agency said.

The predictions were also made about how Tata Nano can destroy the second hand car market of the country.

A record fall down in the price of second hand Maruti 800 (Nano's Closet Competitor) was also marked. The desire and anxiety at the launch of Tata Nano was even given a term called Nanomania (Mark Rainford, 2008).

But Nano could not live up to the expectations of the market and the sales graph for Nano was not so promising.

Nano was always more than just a car. It was Tata group supremo Ratan Tata's dream project to bring an affordable transportation solution within reach of the masses. The promise of a small car priced at Rs. 1 lakh had fired the imagination of an entire nation — and the global automotive industry. When bookings opened on April 9, 2009, Tata Motors dealers expected a surge of customers. The company printed over 20 lakh booking forms and expected bookings to be more than 5 lakh.

State Bank of India bought several thousand forms from the company expecting a rush to buy the people's car. Yet with each passing day, the disappointment was palpable. Showroom floors were empty and many had to coax existing customers to come and look at the Nano. On April 25, 2009, when the bookings were closed, Tata Motors announced it had received a total of 2,06,703 bookings. But only 1,00,000 'lucky' customers would get the delivery of the car till the last quarter of 2010.

But the sales figures were equally appointing in the market. In the first two years Tata Motors just managed to sell 1.75 lakh Nanos since the celebrated commercial launch in March 2009, which was far lower than the acclaimed figures predicted about the booking numbers.

The cumulative sales of Tata Nano during 2011-12 stood at 74,527, which was a 6% increase compared to 70,432 cars recorded during 2010-11. According to Indian Express, a leading newspaper, in spite of the growth in the last one year, the sales figures for the 2011-12 fiscal or the cumulative number of 1.75 lakh cars for the three years between July 2009 and March 2012 remained well below the plant's annual production capacity of 2.5 lakh cars. Moreover, these sales figures fails to impress considering the fact that Nano received 2.06 lakh bookings after its commercial launch on March 23, 2009 (Avinash Nair, 2012).

The Positioning Failure of Tata Nano

For every brand positioning remains inevitable if it wants to succeed in the market.

According to Kapferer (1997) brand consists of six main factors that are: physic personality, culture, relationship, reflection and self-image.

According to Kotler (2005), "Positioning is the act of designing the company's offering and image to occupy a distinct place in the mind of the target market."

Brand positioning remains highly crucial to face the cut throat competition in the highly volatile and dynamic markets. A brand can only succeed it is able to capture a unique and specific image and position in relation to its competitors. The main dimensions of branding are brand positioning and brand image. Both are the psychological attributes but play a crucial role when it comes to success or failure of a brand in market.

According to Ries and Trout (1969), positioning is a marketing method for creating the perception of product, brand or identity. Positioning is where your product's image is placed in relation to image of your competitor's products. Brand positioning is the sum of all activities that position the brand in the mind of the customer relative to its competition. Positioning is not about creating something new or different, but to manipulate the mind set and to retie existing connections (Ries& Trout, 1981).

The product can be a leader in the market, when the product attributes are coupled with marketing efforts.

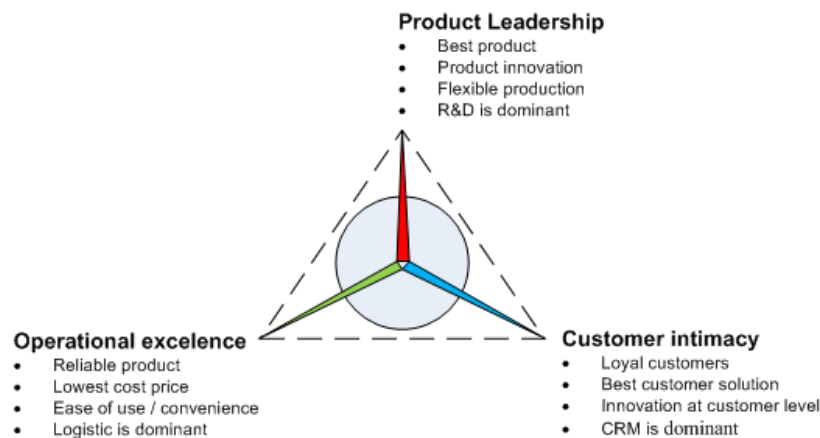


Figure 1. Value discipline model (Treacy&Wiersema, 1993).

William I. McGirr, (1973) provided following recommendation on product positioning:

"Position your product in the marketplace so that it stands apart from competing brands. You can cover that consumer space as if you had a patent on it. Find a strong product position and sit on it. Positioning tells what you stand for, what you are, how you would like customers to evaluate you. Your position telegraphs the simple truth of your products."

E. B. Weiss (1972), Suggested that positioning should also has an element of social accountability. But this trial to position Tata nana for social concern also did not work for Tata.

The positioning of Tata Nano was devised to place it as People's Car. The cause behind this was the social concern on the part of top management of tat Motors. During the initial campaign Ratan Tatapromoted it as a replacement of two wheelers or a people's Car. The advertisements also showed it as a lower middleclassIndian buying their first cat which was a budget or Rs. 1 Lakh car. Even the Then US president Barack Obama and the first lady of US Michelle Obama also took interest in the Tata Nano as innovation and expressed their pleasure for the launching of World'sCheapest Car.

Here the Cheapest Car was not a term used in absolute word meaning but it was a term showing relative price of Tata Nano to the other cars available in the market. The Cheap here was used as a replacementfor cost effectiveness and affordability but the social meaning of the car was taken as "Poor People's Car" literally.

Psychographic Factors responsible for Failure

The Models of ConsumerBehaviour clearly indicate the importance of psychographic Factors affecting Consumer Buyingbehaviour. Especially the product like Car is a matter of Social exhibit and prestige. The needs behind buying a car follow a different category.

Faulty Selection of Reference Group

According to Kotler (2006) reference groups have a direct impact on the buying decision process of consumer. All these groups include family, friends, neighbours, and co-workers. People also belong to secondary groups, such as religious, professional, and trade-union groups, which tend to be more formal and require less continuous interaction.

Reference groups influence members in at least three ways. They expose an individual to new behaviours and lifestyles, they influence attitudes and self-concept, and they create pressures for conformity that may affect product and brand choices. People are also influenced by groups to which they do not belong. Aspirational groups are those a person hopes to join; dissociative groups are those whose values or behaviour an individual rejects.

Kotler (2006) also emphasizes on the significance of opinion leaders that to be successful marketer the opinion leader has to be strong.

In the case of positioning of the cars and automobiles the economic class to which actually the person is belonging to is dissociative group. The middle class person doesn't want to be viewed as a member of the same economic class but the advertisements of Tata Nano directly were disclosing the association with their actual income class.

In a country like India, a car which a matter of social prestige and economic state, a consumer wants to be viewed as financially well doing prestigious owner of a four wheeler and this psychological need was totally ignored in the case of Tata Nano.

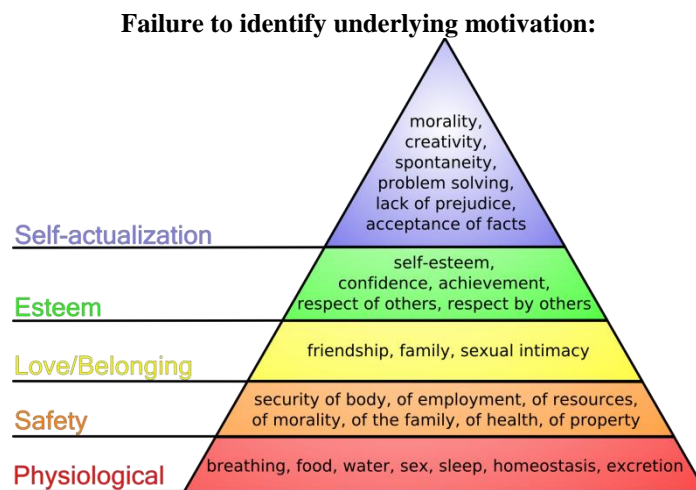


Figure 2 Theory of Hierarchy of Needs

Source: A. H. Maslow, *Motivation and Personality*, 3rd ed. (Upper Saddle River, NJ: Prentice Hall, 1987), cited from Kotler, P and Keller, K. L. (2006), *Marketing Management*, Pearson Prentice Hall, 2006

According to the A. H. Maslow (1943), as per need hierarchy theory person will exhibit the behaviour according to the need he wants to satisfy. As per Kotler (2006) implication of this theory in marketing says that the kind of need, a product is to satisfy will determine the factors affecting the buying decision process. Here Tata Nano was placed as a replacement of Two Wheelers as to enhance safety and security needs of a person and according the safety has to be available at lowest cost possible. But buying car doesn't fall in the category of the first two need of hierarchy, it is not just a matter of Physiological safety or security but this is a part of social need. So protection from weather is a hidden need but the underlying need also is of being viewed as an owner of a car.

As per Product Levels recommended by Philip Kotler (2006), for creating Customer-Value Hierarchy, the marketer needs to address five product levels out of which each level adds more customer value.

- The fundamental level is the core benefit: the service or benefit the customer is really buying.
- At the second level, the marketer must turn the core benefit into a basic product.
- At the third level, the marketer prepares an expected product, a set of attributes and conditions buyers normally expect when they purchase this product.

- At the fourth level, the marketer prepares an augmented product that exceeds customer expectations.
 - At the fifth level stands the potential product, which encompasses all the possible augmentations
- In case of TataNano, Tata group emphasized more on the core benefit of the product which id to provide asafe and secure mode of transportation at low affordable prices but it could not reach up to the expectations of customers and failed to be an augmented or potential products.

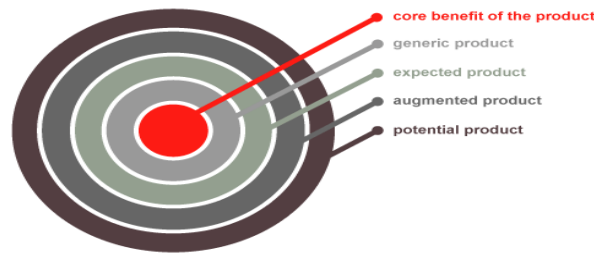


Figure 3: Five Product Levels

Source: from Kotler, P and Keller, K. L. (2006), Marketing Management, Pearson Prentice Hall.

Revival of Tata Nano

Shifting the Target Market from family to youth: now Tata is trying to build a youthful and aspirational value around the brand. Tata is now taking lessons from fashion designer Masaba Gupta on the launch of the Twist. They now concentrate on to get youngsters to look at the Nano as a fashion accessory. Looking at the markets researches Tata is trying to accessories Nano’s New Variants with alloy wheels, different interiors, spoilers and graphic designs.

The company promises more on-ground activities and showcases at colleges to woo the youth.

Radical Change in Positioning: From a people’s car and the world’s cheapest, the Nano is now emerging as the smart city car for young achievers. Though the stigma of cheapestcar has not totally been washed off the consumer’s mind but the profile of the consumer has tremendously improved — along with the features in the car. Based on market research, Tata Motors has segmented potential customers into first-time buyers, those looking for a replacement or an additional car and others who want more features and performance. Near-term plans include a variant with automated transmission to strengthen the smart city car positioning.

Change in Marketing Communications: Tata has also re invented its Integrated marketing Communication. Now Tata is endorsing people like electronic dance music DJ AkshaySarin, celebrity dancer Lauren Gottlieb, and professional golfer NehaTripathi. They are endorsing people who have an image of young achievers. They have moved away from the advertisements showing Tata Nano as the replacement of Two Wheelers and promoting it as a Lower Middle Class’s Family’s first budget car. Now the intensive campaign promotes Nano as a smart city car for youth and young couples focussing ion product attributeslike compact design, technology, fuefficiency and looks as other luxury cars have been doing.

Change in the Dealership and Distribution: The new dealer identity will make the consumer experience more exciting. The dealerships will have better displays, video walls, trained workforce to reinforce the smart city car image and all content will be centrally controlled. There are 95 standalone Nano dealerships and the company has no plans to increase the number this year Tata also has redefined its distribution system for this Car and has taken various innovative initiatives like setting up of F Class showrooms, Joining hands with giant retailer Big Bazaar, focussing on two tier cities launching of Tata Nano Finance Scheme for providing finance to its customers for a lower interest rate and extension of warranties on the cars.

Though the results have not been very encouraging as clear from the salesfigures of last one year as given below in table:

Table 3 : Sales Statistics Of Tata Nano

	FEB 2014	MARCH 2014	APRIL 2014	MAY 2014	JUNE 2014	JULY 2014	AUGUST 2014	SEP 2014	OCT 2014	NOV 2014
Tata Nano	2496	2452	1027	1001	1001	875	758	1703	1654	1900
Maruti Suzuki Alto	0	0	0	0	0	0	0	0	0	0

800										
Hyundai Eon	7312	7473	6500	6300	6579	6020	6757	6489	6986	6626
Hyundai Santro Xing	4002	3855	2624	2619	2333	2035	2724	2260	3348	796
Datsun GO	0	2068	2690	1992	1097	800	1098	1018	1354	507
Maruti Suzuki Alto K10	0	0	0	0	0	0	0	0	0	0

Source: Autoportal.com as retrieved from <http://autoportal.com/newcars/tata/nano/sales-statistics> on 12/11/2014

II. Conclusion

The failure of Tata Nano present with a great lesson for all the marketers the car was positioned as a symbol of social liberty and equality. It was positioned as dream car of common man of India. It was targeting the laymen who want to have a car and it got successful to some extent but only till a functional level. The Nano made sense in terms of a social mission, on a purely functional level. Good quality engineering focused on the task of making something reliable and safe as cheap as possible. Sell it to people with not much money. But it has been criticized all around as the one to the greatest positioning blunder as even the most cost effective producers do not label their products as cheap. Here the cheap has a great social connotation and the social tag because nobody aspires to buy the cheapest thing on the market, and driving around in a car is as big a statement as you get to make.

Human psychology is that the motivation behind buying isn't to have a car, or a shampoo, or whatever the product is. If a product is positioned as poor's product then poor people will definitely avoid it because they don't want to be viewed as poor yet.

The marketer just need to place their product right in the minds of customer and the brands like Giorgio Armani, Raymond's, Toyota and even other brands of Tata are examples of that. So positioning remains the main mantra behind the success of any product.

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