

# nano

The making of a  
**cult  
brand?**



**E**very once in a while comes along a product that re-writes the rules of the game, redefines its category. Nano, the 1-lakh car that was recently unveiled by Tata Motors is much more than a mere “promise” that its mentor, Ratan Tata has made. If positioned and marketed well, it could very well be the trigger for transition toward new economic paradigm for more eco-friendly, energy-efficient economic models across industries.

In an exclusive interview with USP Age, **Dr Partha Ghosh**, a renowned strategist and an innovator of Business and Economic models, and founder/Managing Director of Strategy/Policy advisory firm, Partha S Ghosh & Associates Boston, digs deep into his years of global experience in the Automobile industry in particular to throw light on the next course of action that Tata Motors could take in turning the Nano into a cult brand.

**1. How do you view the development of the car — Nano — by your friend, Ratan Tata?**

In my opinion, it is a historic event in the Global Automotive industry and in India’s enterprising spirit. Since the introduction of mass production by Henry Ford, and the subsequent development of ingenious organizational and branding concepts by Alfred Sloan of GM, the automotive industry has, over the last seventy years, developed essentially in a linear fashion. Of course, thousands of innovations to enable significant process and product improvements, particularly by the companies such as Toyota and Honda in Japan, are impressive, leading to Japan’s dominance of the automotive industry.

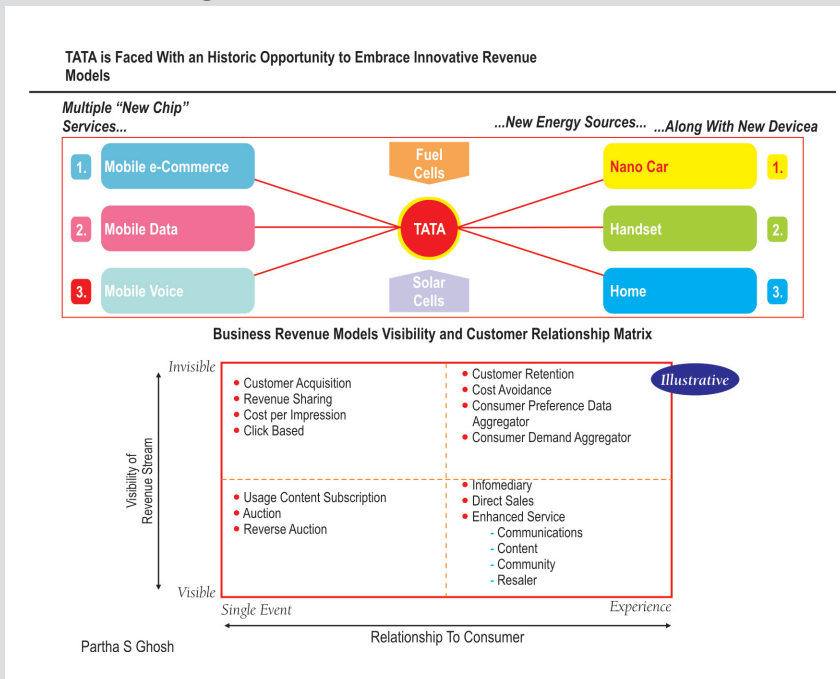
I view the development of the Nano as a new strategic pathway, with full of new possibilities that could redefine the global automotive industry, and have a spill over effect

on other industries important for the emerging economies, in a world of resource and environmental constraints. As you may suspect, I particularly relate with the Nano with a special passion as it has made real a vision of the auto industry I laid out in a Business India article in 1987/1988. It often takes 20 years for an “outside-in” vision to become a visionary product (inside-out). Given the heritage of the Tata Group, the background that Ratan Tata himself represents and the mindset with which he has connected with micro-economic opportunities and macro-economic possibilities, while I am impressed with this development, I am not surprised. Now, it is in India’s national interest to make this concept a global success.

The concept could well be India’s gift to the world – a design concept which is material-efficient, functional and, yet, aesthetic, and could potentially be energy and



## Exhibit 1: Strategic Possibilities of Nano



eco-friendly. While the base car, I understand, is only \$3000/unit, if the Nano could leverage India's competitive advantage in IT, in integration with the evolving high fashion design skills, the basic car with a few upgrades could be positioned as an "eco-friendly, energy-efficient, high fashion convergent car" that is fully connected with the universe outside, and interior customized for the global customers. Perhaps priced between \$3,800 and \$4,500, the Nano could indeed be positioned as a revolutionary concept, seeded with new possibilities and upgrades. (Exhibit 1)

Furthermore, beyond the automotive industry, it's my hope that the Nano concept will inspire other industries, such as agricultural machinery, household appliances, home and office electronics, and those industries which manufacture products that are required in the rural/agro sector to re-purpose their value propositions to serve the basic needs in a robust, yet resource efficient fashion.

So far, most of the products in Indian industry are linear extensions and/or modifications of products which were designed in an era of \$10/barrel of oil, for customers in an economic environment with high household incomes. India needs to redevelop products/solutions for today's environment when energy is at \$100/barrel, ecological balance is rapidly making the planet increasingly fragile,

and for consumers who are resource constrained.

Nano should, indeed, inspire new design principles which could fundamentally change the landscape of Indian industry as did Henry Ford's mass production. Of course, as did mass production lead to new organizational and operational principles, companies will need to review their organizations, re-examine leadership and management practices with significantly broadened scope so that the "Nano concept" could be truly embraced, and specific solutions could emerge in a high-speed fashion.

Over the years, as you know, I have been encouraging industries around the world to embrace organizational principles which enable innovation productivity, cultivate courage of conviction, promote experimentation

culture, reward "becoming" while being practical, work with holistic perspective while relating with nuts and bolts.

*As you served the automotive industry worldwide as a management consultant, what is the strategy you will propose to Tata Motors?*

I am sure Ratan Tata and his leadership team has thought through various strategic options to choose the course they are currently executing to manufacture about 100,000 units primarily targeted to serve Indian market. I will, however, in view of my answer to the first question, position the car as a global car and introduce the car in regions where infrastructure limitations are not yet a major constraint, where population density is relatively low, and where consumers are matured to value the car as a statement of the future, as an "eco-friendly, energy-efficient, intelligent, high fashion car".

I think Tata should plan to produce one million units of this car in three years, of which 75 to 80 percent is exported for TRIAD (the US, EU and East Asia) and SEA, thereby giving a tremendous boost to Indian engineering industry, by boosting its exports. In order to rapidly spread the Nano worldwide, Tata Motors could adopt a franchise concept for customization and distribution/servicing of the car in the local environments. In that fashion should it successfully



acquire Jaguar and Land Rover from Ford, it could open up new revenue possibilities for the distribution channels worldwide, who have been also affected by the poor economics of the conventional products.

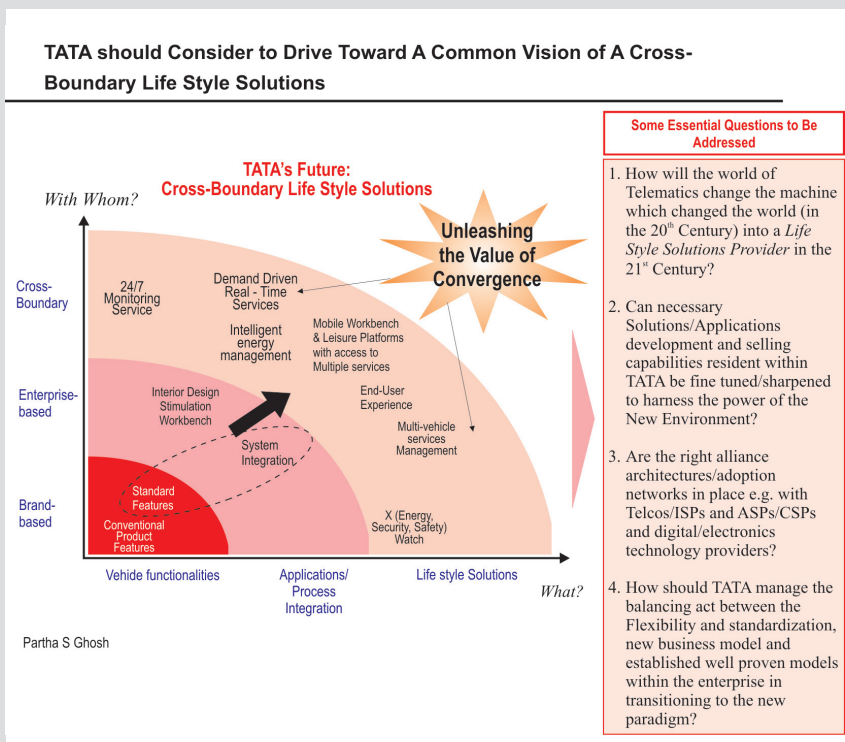
For the Indian market, Tata Motors' success with Nano at this stage could, indeed, create more strain on India's infrastructure. Unless more stringent regulations are put in place for increased energy efficiency for all cars, and unless serious law enforcement mechanisms are put in for stricter road discipline, more traffic on Indian roads because of Nano will mean more wasted energy in engine idling, which with increasing penetration of Mercedes, BMWs and high HP vehicles could be quite significant.

Accordingly, the Indian Government has to welcome the development of Nano with a strategic perspective as well, in guiding the development of the auto industry vis-a-vis India's infrastructure development, while enabling first time owners benefit from the car for whom it has been designed. If the Nano promises 50 miles per gallon now, and, with experience, curve effect and application of hybrid technologies, it could go beyond 75 miles per gallon, India must find ways to benefit from the development by enforcing several policy measures, such as:

- Increase taxes for cars above certain level of MPG (as a measure of energy efficiency) and Nano could be used as point of reference.
- Guide introduction of the car in those regions which will not over load the infrastructure.
- Develop graded tax system for car ownership so that the second and third car in a household will need to pay higher level of ownership tax.
- Encourage car pooling in certain times of the day in the top twenty cities of the country; such as Singapore or London, people could buy special permits to have the privilege for using cars in special areas or be prepared to pay heavy penalties when caught without permits.

Additional government revenues from revised taxation system and service fees for special driving privileges

## Exhibit 2: Tata Groups revenue streams around Nano could be significant



should be guided towards the development of mass transportation, improve automotive infrastructure which will enable holistic development of India's transportation system, which, in turn, is energy and eco-friendly and, yet, provides the consumer to make choices of driving their own cars in a responsible fashion.

Some may well critic my argument by raising the question: "why should Nano draw so much of government attention as India moves towards a free market?" My answer to this question is pretty simple. In times of discontinuities, free market cannot decide – what is the new path the market should ride? During such moments in history, markets need to be guided so that the invisible hand of Adam Smith could help the consumers and policy makers, industry and technologists make the right choices which are good for the nation and the world.

**I think Tata should plan to produce one million units of this car in three years, of which 75 to 80 percent is exported for TRIAD and SEA, thereby giving a tremendous boost to Indian engineering industry.**

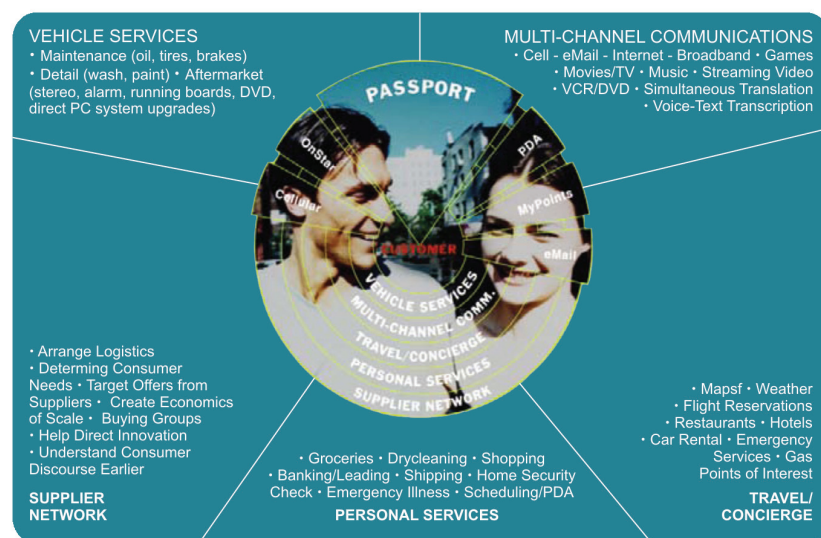
**Nano will obviously inspire other auto companies to think of fundamentally revisiting their design principles. So, the car has to develop enough volume base to create a first mover advantage.**

The impact of the Internet that we all enjoy today will not have been possible if the policy measures White House designed and deployed during the Clinton Administration did not guide its development. In the early years of economic development of Japan, after the Second World War, during the sixties and seventies, MITI played a similar role to guide development of specific industries.

Because of energy and ecological constraints, world wide, we are indeed in an era of turbulence and discontinuity. Nano, as I read about it, and the possibilities of my personal vision that I wrap around the concept, gives me the hope that it could provide a fundamentally new auto solution for the future. In order to make this concept a pride of India, the leadership, both at the macro and micro levels, will need to view the future with a new strategic reasoning, a new mindset to make the most out of the possibilities the Nano is impregnated with.

**Exhibit 3: Nano to Mega Possibilities**

**In the process, an Integrated User Oriented Approach will provide TATA access to multiple Revenue Streams**



Partha S Ghosh

***How should Tata Motors segment the global market to make the most out of the car?***

If it were up to me, because of my belief in convergent car as an electro-mechanical communication product, I will position the Nano in multiple ways. I could at least sense three different classes of usages:

1. Statement car for Hollywood types: The car will be a high fashion, convergent, eco-friendly, energy-efficient car. I believe the One to two percent of the TRIAD households could well fall in that category suggesting that demand base of this segment could be between 2-4 million.
2. Functional car: As a second car for short rides, mainly used for shopping, dropping off the children to school and/or play ground. For the US and EU, this segment could be naturally huge. I will focus on population centres where people are ready to replace the SUVs and Vans with functional cars.
3. Basic car: For the first-time owner, as an entry car. Entry car has to be promoted in conjunction with government infrastructure policies in developing countries.

Indeed, Nano could open up new possibilities for different customer communities if the car is positioned as a intelligent mobile portal with a full range of services.

***Although there is a huge demand for a low-priced car, what kind of production should Tata touch to become even a small player in the global market?***

Nano will obviously inspire other auto companies to think of fundamentally revisiting their design principles. So, the car has to develop enough volume base as I mentioned earlier, to create a first mover advantage in various segments of the market. Since I have spent significant time of my consulting career working in the automotive industry, I have a sense of the direction auto companies' thinking is

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**The real challenge will be in Tata Motors' ability to balance the development of Nano vis-a-vis competitive challenges, regulatory requirements, resourcing/capitalization, etc.**

moving towards.

For Nano to succeed as a global car, it has to quickly develop a global network around this concept, which is unique, non-conventional and, at the same time, "lock-in" the customers for lifetime loyalty to the Tatas.

*What kind of infrastructure does Tata have to create to become globally successful? What kind of an ad budget, marketing costs, service network, etc., would be involved if the company tries to make it even a successful Asian brand?*

I believe the single most challenging part of the development of Nano as a global car is the development of the delivery infrastructure. As a strategist, I will not rule out the lessons the industry could learn from (i) how Dell structured the delivery and service infrastructure for PCs (Desktops and Laptops) to go ahead of Compaq (now integrated with HP) and IBM; (ii) how McDonald's organized processes to develop and manage its franchisees worldwide to provide reliable, quality and clean interfaces with its customers worldwide; and (iii) how YKK set up its global manufacturing set up for its zipper business.

*In view of your experience with Japanese auto companies, what could Tata Motors learn from how the Japanese have built global brands?*



Japan introduced more than 100 brands to the world between 1955 and 1975. I think, if someone carefully analyzes the evolution of Japanese brands, at the most fundamental level, it is easy to observe that they all celebrate the principles of Vedic Philosophy in totality, in brand development. Behind each success story, there are three common denominators:

1. *Know they self* – to define the brand intent, or brand purpose.
2. *Harmony with nature* – to ensure brand positioning is in harmony with the overall challenges of the solutions space of the end user and the delivery process.
3. *Service to humanity* (with the fundamental belief that the divine resides in each consumer). This last thought enabled the Japanese industry to stay ahead of competition to sense articulated and non-articulated needs of the customers ahead of competition and respond to those signals, however weak they are initially, with uncompromising commitment to the promise.

The Tata Group leads Indian industry to celebrate some of the elements in the Indian context. If the above principles could be converted to dynamic knowledge management processes with global perspective so that the company could develop the natural rhythm to serve the cause for each of the segments, where Nano is positioned, it will soon become a brand perhaps with a few sub- and/or co-brands, which other companies will draw inspiration from.

*Although there is a huge demand for a low priced car, what kind of production Tata should touch to become even a small player in the global market?*

The demand for small cars globally will only increase and, ideally, the demand (for small cars) could be as large as the total market size of cars. The real challenge will be in Tata Motors' ability to balance the development of Nano vis-a-vis competitive challenges, regulatory requirements, resourcing/capitalization, which investors could support, without diluting the "economic-value density" of the concept. Exhibit 4 illustrates how the Nano could bring different interest groups together through the portal services it could offer in partnerships with mobile service providers to expand potential revenue streams by bringing different providers together.

I believe, in view of the possibilities ahead and the complexities associated with each possibility, Ratan Tata has to make several difficult choices in terms of various



strategic pathways the Tata Group as a whole could pursue vis-a-vis the Nano. It is, however, important that the development of Nano is viewed in the broadest context so that it could redefine the future course of the industry.

Simply put, Nano definitely represents a change in the basic principles in design and manufacturing in India. I believe Tata filed for around 34 patents on various components and design features of the car. It reportedly uses super glue instead of welds in several joints – a technique never used before.

We have to also realize that the Nano has created a rising optimism in an average Indian household that corporates in India are finally developing technologies locally, for locals, and not just copying western products. So, the production plan for the Indian market has to be managed in accordance.

*Turning back to India, the focus is more on fundamental issues, such as the rise in petrol and diesel prices, which is highly subsidised by the government, making the vehicle unaffordable to the middle-class; the lack of adequate parking places; and the crumbling infrastructure. How should these issues be addressed?*

For a country with more than a billion people, as we strive for equity, we have to think of economic paradigms/business models which are different from what the 19th century and 20th century value concepts and technologies have nurtured. So, in that context, all the questions you have raised need to be addressed with significant care. If all the cars on Indian roads switch from an average of 30 mpg to 50+ mpg for the same levels of passenger miles travelled, we will reduce our energy bill for cars by 40 percent.

On top of that, if we enforce a few of the policy measures which I have suggested earlier – that will regulate driving habits and use of car – the efficiency of energy usage per passenger mile could well increase by, say,

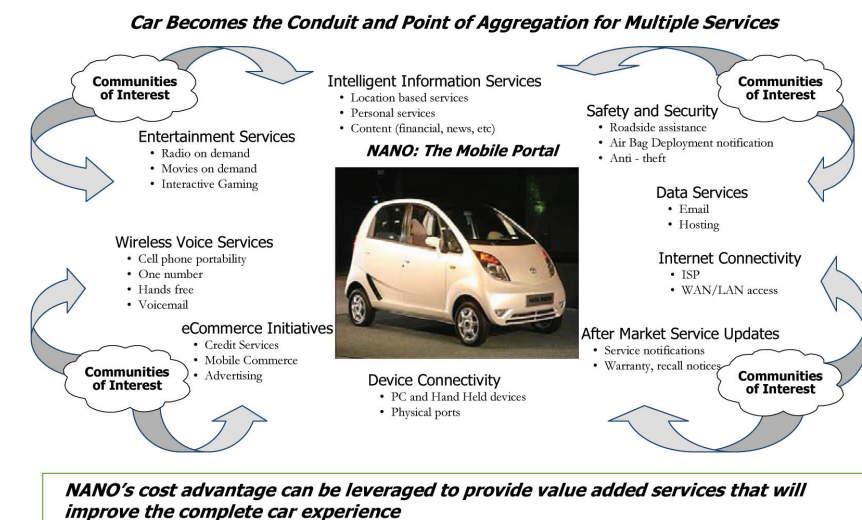
25 percent, thereby improving efficiency of personal transportation by another 15 percent. Furthermore, by enforcing traffic discipline, like car pooling, for instance, we could perhaps reduce traffic jams by another 20 percent or so, leading reduction in losses of energy of idling approximately by 20 percent.

If we do the mathematics right, and if we rally the auto industry around the Nano concept, we could lower our energy requirement per passenger mile travelled by car quite significantly. So, after the policy implications and infrastructure management requirements are worked out, Nano could be marketed in second or third tier towns where traffic levels are not yet as bad as they are in the large metros. Accordingly, the penetration of cars in India could be guided in a fashion which will address the issues related to energy bill, infrastructure, parking space, etc., while serving the consumer needs in a holistic fashion.

We, indeed, require a new policy framework and we need stricter and intelligent law enforcement measures that will enable India use and develop transportation infrastructure (roadways, parking, location gas stations and service centres) to accommodate the Nano breakthrough and the likes. But, I view the Nano as a trigger, as a vehicle for transition toward new economic paradigm for more eco-friendly, energy-efficient economic models across industries. ■

#### Exhibit 4: Nano as an Integrator of Services

**TATA should consider re-shaping itself around an entirely new business Model where the Automobile becomes a Mobile Portal aggregating Higher Margin Services**



Partha S Ghosh