

Integrated Business Experience

Assessment 1- Topic: TATA Motors in Australia Report

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Student names: Vandeth Prak

Student number: 18246591

Lecturer: John Edwards

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1. Executive summary

This report gives a full glance at the TaTa Motors' market in Australia for its first launch of Xenon ute. It starts with an analysis of Australian car industry with the detail of Michael Porter's five forces analysis. Then it focuses on the competition and potential threats that may harm the global market expansion of TaTa Motors. And last, it provides recommendations for improving.

2. Introduction

The purpose of this report is to provide an overview of TaTa Xenon ute and analyses opportunities and threats in the Australian car industry. TaTa Motors decided to launch its Xenon ute in Australian market on 22th October 2013 in order to expand its international market as well as to compete with many well-known car makers (New Delhi 2013). Now TaTa Motors is working with its partner, Fusion Automotive, and other 16 dealers to deliver the products to its potential customers across Australia. The new configured Xenon is priced from Au\$22,990 to Au\$29,990 with the variety of different options, which aims to target the budget-end customers (Feann, T 2013). Further more, if this model is successfully settled and achieved in obtaining the Australian market share from its rivals, by 2016, TaTa Motors will fire another shot with an array of all-new compact cars, sedans, and SUVs (Feann, T 2013).

3. Car industry analysis

Car industry is one of the major industries in Australia earning the revenue of Au\$61.7 billion and proximately Au\$1.4 billion in 2014-15 (Vehicles Dealer, 2014). Australian automobile industry has declined its revenue these couple years due to the surge in oil price, which shifts consumer's preference to compact and high fuel-efficient cars, despite the world economic recovery. Over the next five years, the auto vehicle tariff is predicted to be removed due to the close of local Australian automobile production; as a result, the volume of imported vehicles will increase largely (Vehicles Dealer, 2014). Furthermore, the low interest rate also makes new cars more affordable, which helps increase the demand in car sale. The Australian Bureau of Statistics pointed out that the demand in car loans has increase 7.4% of over the last five years until 2014 (Vehicles Dealer, 2014). Next we are going to use the Michael Porter's five forces analysis to examine the car industry in Australia. The five forces include

the threat of new entrants, the power of buyers, the threat of substitution, the power of suppliers, and the threat of rivalry. Lets start with the threat of new entrants. The threat of new entrants in Australian car industry is perceived to be medium-high since the car franchisor are able to integrate via 'web, factory owned stores, joint ventures with existing franchisees, direct fleet and government sales' (The Australian Automobile, 2002). Major car companies such as Ford, Volvo, and Toyota are already using some of these approaches. With the use of these activities, the establishing company like Tata Motors will face high risk of not only competing with the existing well-known firms but also with the new forming competitors as well (The Australian Automobile, 2002). The power of buyers is also high. There are many major car companies competing in Australia, and since now people shifted their preference toward small and affordable cars, they can find one that fits their preference easily, if TaTa Motors choices not satisfy their needs (Vehicles Dealer, 2014). However, the threat of substitution is more preferable. Even though there are public transportations such as trains, taxies, buses serving around the country, car is still the most important, and demanding way for Australian people to commute. In addition, in term of power of suppliers for car industry, we mean the shipping and distribution power of suppliers. Because TaTa Motors partnered up with Fusion Automotive in accessing Australian market, this strategy allows Tata Motors to strengthen its bargaining power more over its suppliers (New Delhi 2013). Last is the threat of rivalry. It is perceived to be high of the threat of rivalry since TaTa Xenon was just brought into Australian Market while other dominant players already established a strong foothold with best well-known brands.

4. Competition

Light commercial vehicle is the third-largest segment of Australian new-vehicle market. There are 13 major players in this market, which Toyota Hilux ranks as the top one among the other competitors such as Mazda TB-50, VW Amarok, Nissan Navara, Ford Ranger, and Mitsubishi Triton (Paul, G 2013). In order to compete with other well-know car-makers, TaTa Motors differentiate its Xenon

utes from its rivals by positioning the products in the low-budget category, while aiming at masculine and rough customers. Among other players, Xenon ute is beating the price of the others but not the Chinese Great Wall ute. Recently, TaTa Motors cut the price to \$16,990 for its MY14 4x2 single-cab in order to gain more customers attention (Beissmann, T 2014). Despite its new entrance to Australian market, it predicted to sell 2800 units in 2014 (New Delhi 2013). Xenon is equipped with an array of options from Bluetooth connectivity, USB pots, back-up camera, leather-covered steering wheel, to a keyless entry. However, the downside is TaTa Xenon is not intended to have an automatic transmission yet, while other companies have both manual and automatic transmission models for customers to choose.

5. Conclusion and Recommendations.

Because TaTa Motors just currently entered to Australian market, it is a great move to be a partner with Fusion Automotive because the company already has a strong foothold in understanding the local customer demand (Feann, T 2013). However, it should increase relationship with more dealers because they are able to deliver its products directly to customers across Australia effectively and efficiently. Building a brand image is also an important task that TaTa Motors should not ignore because many customers have not recognised its brand name yet. Since customer's preference shifted toward small, fuel-efficient cars, and compact SUVs, TaTa Motors should focus more on satisfying this demand in the near future. Other critical point for TaTa Mortos to improve is that it should provides its customers the automatic transmission utes instead of having only one transmission model, which leads to lose some advantages to its competitors.

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