**JAIPURIA INSTITUTE OF MANAGEMENT, INDORE**

**PGDM**

**THIRD TRIMESTER (Batch 2019-21)**

**END TERM EXAMINATION, APRIL-2020**

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| Course Name | **Strategic Management** | Course Code | **GM301** |
| Max. Time | **2 hours** | Max. Marks | **40** |

**INSTRUCTIONS:**

It is a closed book examination and no electronic gadgets are allowed.

All questions are compulsory and carry equal marks.

All institute rules regarding exams apply.

**Tata Motors (TaMo)**

Tata Motors (TaMo), formerly known as TELCO (Tata Engineering and Locomotive Company), was incorporated in 1945 to manufacture railway locomotives. The company produced its first commercial vehicle (CV) (truck/bus) in 1954 in collaboration with Benz AG. Since then TaMo has gone a long way in the manufacture of automotive (though it has stopped locomotive manufacture) with strong presence in various segments. It began passenger vehicle manufacturing in 1988 and is the 4th largest player in the segment in the country. It acquired the truck manufacturing of Daewoo motors in 2004 to expand its heavy CV product portfolio. It acquired Jaguar and Land Rover from Ford motors and entered the luxury segment in 2008. It has tie ups with Hitachi to manufacture earth movers and construction equipment and with Marco polo to manufacture a/c buses. Today it has wide presence in India and abroad in the segments of commercial vehicles, passenger vehicles, earth movers and construction equipment and defense and homeland security. It has manufacturing plants in about 6 Indian cities and equal international destinations. The company is endowed with a lot of remarkable advantages. It is a part of the Tata Sons conglomerate, that boasts of other stellar performers like TCS, Tata chemicals, Tata steels, Tata housing, Voltas, Tata communications, Tata automotive components, Taj hotels; to name a few. This helps TaMo to have a secure value chain where it can source a lot of its supplies from group companies; like steel and auto components which are critical for success in the commercial vehicles segment. The company also has deep pockets thanks to the parent entity Tata sons. The company has a brand name that is trusted and respected across the world.

For TaMo, one of the major business is its CV division. The CV division makes and markets Heavy, Medium and Light commercial vehicles (HCV, MCV & LCV respectively) and is an undisputed leader in the space with a total market share of 44%. The other 3 major players M&M with 25%, Ashok Leyland with 19% and Eicher with 7% share of the market. The 4 leading players contribute to 95% of the market share with rest 5% being contributed by foreigners like Benz and Volvo which has presence only in the HCV segments. The market size of the CV segment has grown by about 18% to 1 million units in FY 2019, compared to 8.6 lakh units in FY 2018. The total CV sales in India is about 50000 crore and TaMo dominates the HCV & MCV vehicles sales with a market share of 53% and unit sales of about 1.9 lakh units. In the LCV segment it has a market share of about 40% with a volume of about 2 lakh units. Its undisputed market position is due to its long history, trusted product, range of vehicles (no other player except Ashok Leyland is in all 3 CV segments), reliable products, in-house design, vast sales and distribution network, easy serviceability and unmatched economy.

However, there has been shift in trends in the CV segment due to various environmental factors. The commercial landscape has been fast evolving with growth of e-commerce. Companies are making hub & spoke type of distributions to meet the growing demand in the rural areas. The companies are setting up large regional ware houses and re-distributing goods from there regional hubs instead of district ware houses. This means that HCVs (large trucks, often multi-axle) are used for moving goods between factories and these centers and the last mile distribution is being done through LCVs (small sub 3 ton trucks) which has more maneuverability. TaMo has stiff competition in both these markets (players like Volvo, Benz, Tatra in HCV and M&M, Suzuki, Ashok Leyland in LCV). Their main strength, the MCVs, is fast shrinking. Another issue is the changing environmental norms with pollutions laws becoming more stringent resulting in higher manufacturing costs; which is detrimental to the interest of fleet owners – who are trying to improve the vehicle utilisation. The commercial fleets in India has been dominated by small players with less than 5 trucks and most of them being single truck driver owners. The market was being integrated by local transport agents. However, the whole thing is changing with the advent of third party logistics (TPL). The TPL space provides professional services to customers like storage, transportation, re-distribution etcetera; which improves the efficiency of customers. The TPL space is being fast occupied large organised players like Om logistics, DHL, BlueDart, SafeExpress, to name a few, which are well funded and looks at large fleets. They buy vehicles in large quantity from the manufacturers, often with maintenance contracts and is price sensitive due to the large size of business and drive hard bargains.

The technological changes are another significant influence of the market. The latest being electrical vehicles (EV) and radio tagging to track the vehicles (RFID). TaMo has shown some initiative in the EV segment as they were one of the earliest to introduce high performance electrical cars in India. The fact that TCS is a group company means that they also will not have troubles with the RFID technology and resultant commercial requirements. Though they have supply chain support from group companies; the recent Corona outbreak has created some troubles. Most of the modern vehicles use high technology control systems for which they are dependent on Chinese manufacturer. The virus outbreak has virtually shut China and stopped the supply of such critical components causing production drops for TaMo, across the world. There is also a major concern of the world economy entering the downward phase of the economic cycle. It is not clear how all this will play out and what is in store for TaMo. However, the management is positive with a slew of growth and expansion plans which include market penetration, market development and product development.

1. Based on the case, briefly comment of the concentration in Indian CV markets (calculate approximate H index). What are the troubles of concentration? (5+5 marks).
2. Applying the Ansoff’s Matrix trace the growth strategy of TaMo / TELCO (10 Marks).
3. Briefly elucidate on TaMo’s supply chain, based on the case and what are their strengths and weakness regarding the same (10 Marks).
4. Prepare a SWOT matrix for TaMo based on the case (include at the least 2 points each with brief explanations). (10 Marks).