

Case Study 1 : Third Party Automobile Service Stations (New Product)

Situation

Mr. Ratan Tata, has just returned from Germany where he saw third party car service stations which were doing very well. So, he is thinking of opening a chain of such stations in India under Tata Motors and asking for input in this decision, so this study aims to analyze the corresponding market, the competitors, feasibility of the proposed venture and its strategic implementation.

Objectives

1. Analyze the market briefly.
2. Analyze the competitors using matrix framework.
3. Conclude if it is a good decision or not and state the problems that might arise based on your analysis.
4. Strategize how to go about it.

Goal : As high profits as possible from the venture.

Market Analysis

- India's automotive industry is one of the largest in the world, with a huge number of vehicles on the road.
- Most of the service stations are either authorized brand specific stations or local garages.
- The idea of independent third-party service stations chains providing service to a number of brands is something new and unexplored in India, so there is a potential opportunity for this type of venture.
- There is a need for affordable and dependable car servicing options apart from brand authorized ones because of cost and convenience issues.

Market attractiveness

Total Annual Revenue = (No. of registered vehicles in India) * (% Owners preferring third-party stations) * (Frequency of servicing per year) * (Average cost per visit) * (Market share)

- A. Total number of registered vehicles in India in fiscal year 2022 stood at **326.3 million** (<https://www.statista.com/statistics/664729/total-number-of-vehicles-india/>)
- B. Assuming a vehicle requires servicing after every 4 months, number of times a year = **3**
- C. The average cost of servicing a vehicle per visit = **Rs. 3000** (As per web sources)
- D. Assuming percentage of owners preferring third party service stations = **50%**
- E. Assuming market share to be = **~10%** (Which is a lot lower than Maruti Existing setup (~40%), this value is assumed because other brand authorized stations and local garages are also there along with a few third party service station pre-existing like go-mechanic and some others and also in a large sense market is discrete)

Total Revenue = **146.835 Billion Rupees** (Excluding FC because assuming TATA has the required Technical and operational setup)

This estimated revenue is quite high as which seem attractive and it's in line with the other subsidiaries of the company

Competitor Analysis

A comprehensive analysis of competitors reveals a variety of markets, including authorized service centers like the Maruti Service Stations, local garages, and possibly the upcoming third-party service centers by Tata Motors. We estimate this industry's competitiveness using Porter's five forces framework.

1. **Threat of New Entrants: High** (It is easy for new competitors to enter the market as the concept of third party service providers is new, open and even the other competitors can expand their business in the same)
2. **Bargaining Power of Suppliers: Low** (In-house capability of TATA to manufacture parts and components)
3. **Bargaining Power of Buyers: High** (Buyers can choose which station to opt for between local garages, third party, & company authorized)
4. **Threat of Substitute Products or Services: High** (Companies can open and expand their authorized service stations if they see a profit opportunity in the market of third party service stations)
5. **Intensity of Competitive Rivalry: High** (Local garages can be an intense competition due to low labor costs, their proximity and large coverage along with company authorized service stations)

Potential Problems

There is a potential for the success in establishing a chain of third party service stations and there is a chance of high profitability for this venture considering no financial constraints to TATA.

Problems may arise like:

- Competition from existing service station setups
- Difficulty to overcome the geographic advantage and proximity of the local garages
- Customer acceptance of the new type of service model
- As a free and new market concept more competitors can may come into this
- Regulatory Requirements
- Need to maintain consistent service quality in all locations
- Building trust and reputation for multi-brand service stations will take time.

Strategic Implementation

For successfully implementing this TATA should utilize its:

- Brand Reputation
- Financial Strength
- Economies of Scale
- Economies of learning

Key Strategies that should be there:

- Create a separate brand for the service to avoid conflicts with the authorized centers and also to prevent brand dilution
- Make collaborations with other automotive retailers, setups in the industry to provide attractive services on focus on less cost to the customer unlike authorized centers
- Strong marketing and branding strategies
- Phased market entry approach
- Quality Assurance along with focus on less servicing time, unlike authorized stations that often take a full day for car service
- Strict Compliance and operational efficiency through technology integration.
- In-house production capability of TATA can be used to bridge the gap between customer and part procurement like in local garages.

Conclusion

The market opportunity and Tata Motors' strengths suggest that entering the third-party car service station business is a viable and potentially profitable choice despite the difficulties and potential issues that may arise. Tata Motors can succeed in this market and diversify its sources of income with careful planning, strategic implementation, and a dedication to customer satisfaction. However, long-term success will require constant observation and adjustment to shifting market conditions.