

Fiat's Strategic Alliance with Tata

Case Question Analysis

EMBA 240

International Residency: International Business
Strategy & Practice

Professor Sanjay Jain

Robert Paul Ellentuck

EMBA 2011

5/10/2010

What Would I Recommend For The Alliance To Be Successful?

I would recommend a number of things for the alliance to be successful, focusing on both improving the relationship between the two companies as well as on business issues in terms of products, distribution, and financing.

To start, I believe that meetings between the partners, rather than being held in Europe or India, should be held in a neutral place, ideally somewhere mid-way between the two company's home bases of operation. I was struck that the majority of the negotiations for the alliance took place in India, primarily because of the difficulty the Tata team had entering Italy, but it ended up that the meetings were on Tata's home turf. When the negotiations were going on, the Tata representatives were frequently late to meetings due to their other work commitments (though the lateness may be a cultural issue), and were interrupted during the meetings by other work responsibilities. Such delays and interruptions take away from the feeling that the relationship is truly one of equals, and prevents the parties from focusing 100% on the alliance. This may be less relevant now that the agreements are signed, and the focus of the alliance is on India, but it still makes me feel that if the high level alliance meetings are all in India then symbolically the relationship is not one of equals and this takes away from the alliance.

The alliance also needs to find a way to balance the two different types of cultural issues that faced it in negotiations, first the Italian and Indian culture, and second the company culture. It might benefit the alliance, in future negotiations and decision making, to have higher level Tata people present. This would avoid the apparent need to escalate decisions higher up into the organization, and balance the autonomy the Fiat representatives had in decision making.

Fiat and Tata should generate multiple product offerings across market segments, instead of presenting just a few models to the market. It will take a number of years for the joint venture to be profitable, the apparent life span of joint ventures in India is short, and offering just a few models will not allow market penetration of such a large, rapidly growing, and competitive market.ⁱ

It is important that they keep costs low at the Ranjangaon facility so that Fiat/Tata will have a price advantage over other manufacturers in others countries and be able to export the sizable production that is possible at the facility, both for automobiles and transmissions, in addition to selling the production in India. It is important for the alliance to consider all possible options for their production, both selling in India and exporting under the Fiat or Tata names.

The Fiats that are sold in India should be sold in unique Fiat-Tata showrooms throughout the country. This way potential buyers will have access to the Fiats, and can take advantage of the sales, dealer network and customer service of Tata Motors in one showroom. By selling in combined showrooms, the alliance would allow Fiat to take advantage of the strong reputation of the Tata brand in India, something that Fiat currently lacks.ⁱⁱ In addition, the alliance would benefit as Fiat would have access to the dealer network of Tata Motors providing customer service, spare parts, shared marketing and servicing facilities, and consumer financing, all areas that were major problems or lacking for Fiat before the alliance.

Of great importance to the alliance, Fiat would also be able to take advantage of Tata's goodwill in its home market and brand identity, which would help to improve Fiat's poor image

in India.ⁱⁱⁱ Though the alliance planned to offer the initial models in just a few major cities before expanding throughout the country, the alliance would benefit greatly by expanding aggressively to gain market share and take advantage of the capacity of the Ranjangaon facility. The Indian automobile market is extremely competitive, especially the small car market, with numerous domestic and international/joint venture competitors present or planning to enter the market. This would gain market share with the unique combination of Tata and Fiat products sold by co-branded dealers, especially with Tata introducing new small car models based on the technology provided by Fiat, and this would strengthen the alliance.

The alliance might consider having Fiat market the unique Tata Nano outside of India where the Fiat name and dealer network is strong. Once the car is upgraded for European standards, Tata can take advantage of the Fiat name, marketing and dealer network. The Nano would obviously cost more outside of India once the vehicle was upgraded to European safety standards, but it would still be a unique vehicle and a powerful seller for the alliance. The Tata brand name is becoming well known in the U.S. since the acquisition of Jaguar, and they probably wouldn't need Fiat to help market the Nano in the U.S.

The alliance might find it best to split up the Indian market with Tata focusing on lower cost automobiles and Fiat on higher cost Automobiles. For example, Tata could focus on the Tata One and Indica range of models and Fiat could focus on the Palio, Grande Punto and the Linea.^{iv} In addition to automobiles manufactured in Ranjangaon, Fiat could also import finished automobiles. They could still sell the imported automobiles in the Tata-Fiat dealerships as part of the alliance. The alliance could even consider taking advantage of shuttered Fiat facilities elsewhere in the world, producing Tata passenger and commercial vehicles for export from those markets for sale through Fiat's existing dealer network.

For the alliance to be successful it would be fundamental for Fiat to bring to Tata better access to technology, design and global markets, as well as inject the necessary cash for the joint venture, while Tata would need to provide to Fiat a larger presence in India, one of the world's fastest growing auto markets, without the heavy investment needed to build their own dealer network. This would benefit both companies, and strengthen their alliance, by providing what each company needs to compete and grow in the Indian and the world market. For the alliance to obtain the success that both parties desire they would have to be careful to avoid any brand dilution or product cannibalization that could be caused by the alliance. The alliance would need to carefully choose the vehicles that were marketed jointly.

The alliance must keep in mind that the Indian market is one of the fastest growing small car markets in the world, and numerous competitors have entered or are planning to enter the market, to compete in the small car segment. Fiat-Tata must be aware of the competition that does and will exist and be prepared to differentiate their products from the competition.^v There needs to be a strong focus on this segment, and the Tata Nano is an excellent example of a product that could differentiate the alliance from their competitors.

Fiat could help to guarantee the long term success of the alliance by offering Tata access to something they do not have: technology, design, and global markets. Tata could help to guarantee the long term success of the alliance by offering Fiat access to something they do not have: a quality dealer network in India providing customer service, spare parts, shared marketing and servicing facilities, and consumer financing.

ⁱ Shalley, Seth, & Satish, John. (2009, April 22). Tata-fiat joint venture to break even by 2011-1012. *livemint*, Retrieved from <http://www.livemint.com/2009/04/22224343/TataFiat-joint-venture-to-bre.html>

ⁱⁱ Netherland, B.V. (2008, July 22). *Tata-fiat joint venture launch fiat 500 in india*. Retrieved from <http://www.merineews.com/article/tata-fiat-joint-venture-launch-fiat-500-in-india/138021.shtml>

ⁱⁱⁱ Tata motors and fiat auto joining forces. (2007). *International Center For Management Research, BSTR248*. Retrieved from [http://www.icmrindia.org/casestudies/Business%20strategy/Tata motors and fiat auto joining forces /BSTR248.htm](http://www.icmrindia.org/casestudies/Business%20strategy/Tata%20motors%20and%20fiat%20auto%20joining%20forces/BSTR248.htm)

^{iv} Ciferri, Luca. (2006). Fiat, Tata may supply Europe from Argentina: Carmakers consider making SUVs/pickups in South America. *Automotive news europe*. Retrieved (2010, May 16) from <http://www.encyclopedia.com/doc/1G1-149980691.html>

^v Ibid.

**COPYRIGHT © 2010, 2011
ALL RIGHTS RESERVED
ROBERT PAUL ELLENTUCK**

THE COPYRIGHT HOLDER EXPRESSLY PROHIBITS ANY AND ALL COPYING, FAXING, SCANNING, XEROXING, REPRODUCING, TRANSMISSION, DISSEMINATION, FORWARDING, PRINTING, SUBMISSION (EITHER ELECTRONICALLY OR OF A SCANNED OR OTHERWISE REPRODUCED COPY, OR OF THE ORIGINAL COPYRIGHTED MATERIAL, A COPY OF THE COPYRIGHTED MATERIAL, OR OF A PORTION OF THE ORIGINAL OR COPIED COPYRIGHTED MATERIAL), OR ANY AND ALL OTHER ACTIONS: ELECTRONIC OR OTHERWISE, OF ANY PORTION OF THIS COPYRIGHTED MATERIAL OR THE ENTIRE COPYRIGHTED MATERIAL, WHICH MAY IN ANY WAY VIOLATE THE RIGHTS OF THE COPYRIGHT HOLDER. SUCH PROHIBITION INCLUDES THE ORIGINAL COPYRIGHTED MATERIAL, A COPY OF THE ORIGINAL COPYRIGHTED MATERIAL, A PORTION OF THE ORIGINAL COPYRIGHTED MATERIAL, A PORTION OF THE COPIED COPYRIGHTED MATERIAL, AN ELECTRONIC VERSION OF THE COPYRIGHTED MATERIAL, OR ANY OTHER POTENTIAL VERSION OF THE COPYRIGHTED MATERIAL (WHETHER THE TECHNOLOGY EXISTS AS OF THE COPYRIGHT DATE, OR IS YET TO BE INVENTED). THIS PROHIBITION EXPLICITLY EXTENDS TO ALL OF THE ABOVE ACTIONS, BUT IS IN NO WAY LIMITED TO THEM. ANY USE OF THE COPYRIGHTED MATERIAL, IN ANY MANNER, CAN ONLY BE WITH THE PRIOR CONSENT AND AUTHORIZATION THAT IS BOTH WRITTEN AND EXECUTED BY THE COPYRIGHT HOLDER AND THE OTHER PARTY, RELATING SPECIFICALLY TO THIS COPYRIGHTED MATERIAL. THIS COPYRIGHT, AND ALL OF THE PROTECTIONS THAT IT AFFORDS THE COPYRIGHT HOLDER EXPLICITLY EXTEND TO ANY COPYRIGHTED MATERIAL, IMAGE, FILE, DATA, OR ANY OTHER ATTACHMENT IN ANY FORM, ELECTRONIC, PRINTED, OR IN ANY OTHER FORMAT, THAT ARE ATTACHED TO THIS COPYRIGHTED MATERIAL IN ANY MANNER OR FORM, AND TO WHICH THE COPYRIGHT HOLDER HOLDS OR IS ELIGIBLE, UNDER THE WIDEST POSSIBLE INTERPRETATION, TO HOLD A COPYRIGHT TO. THE INTERPRETATION OF THE COPYRIGHT HOLDER'S RIGHTS SHALL BE AS BROAD AS THE LAW ALLOWS, AND IN NO WAY SHALL BE LIMITED BY THE RIGHT OR RESTRICTION NOT BEING STATED. THE COPYRIGHT SHALL ALSO EXTEND TO ALL FUTURE PROTECTIONS UNDER THE LAW, AS THEY BECOME AVAILABLE. THE FAILURE TO MENTION A PROTECTION OF ANY CURRENT OR FUTURE COPYRIGHT LAW SHALL NOT IN ANY WAY INDICATE THAT THE LAW DOES NOT APPLY IN FULL TO THE COPYRIGHTED MATERIAL. IF ANY PORTION OF THIS DOCUMENT OR COPYRIGHT IS NOT DEEMED TO APPLY, AT ANY TIME, FOR ANY REASON, THAT SHALL IN NO WAY LIMIT ANY AND ALL OTHER PROTECTIONS THAT THE COPYRIGHT GRANTS, NOR SHALL IT LIMIT FUTURE PROTECTIONS FROM APPLYING AS THEY BECOME AVAILABLE. THIS COPYRIGHT IS IN NO WAY INTENDED TO INFRINGE ON THE RIGHTS OF ANY OTHER PARTY.