

AUTOMOBILE DEALER MANAGEMENT SYSTEM AND CHALLENGES- A PANEL DISCUSSION

GBS has organized the panel discussion on Automobile Dealer Management System and Challenges-A panel discussion involving experts from different companies. It was organized on 14-Mar-2015. Dr. M N Manik, Dean Academics moderated the discussion.

Panelists were:

1. Mr. Prashant from TATA MOTORS LTD- Passenger Car Division(TML)
2. Mr. RajuYeli from MAHINDRA & MAHINDRA two wheelers(M&M)
3. Mr. VinayHegdal from FORCE MOTORS LIMITED (FML)
4. Mr. ShrikantKulkarni from FORCE MOTORS LIMITED (FML)

The discussion was

Key Challenges faced by the companies in terms of inventory management, order processing and projections with the dealers

Tata Motors: Usually 3-4 variants of each model are stocked with a dealer. A dealer always has a mix of different models for sale. Projections are done by brainstorming, with year on year (YOY) as basis or Year to date (YTD) as the basis. Manpower availability is the biggest challenge faced by them.

Mahindra and Mahindra two wheelers are not very popular among the masses.

M&M:It acquired Kinetic and launched its own product CENTURO and GUSTO in the 110 cc market which is a very competitive market.Centuro has advanced features like the anti –theft system.But since the product has low awareness, market share has been around 2-3 %.However M&M has plans for aggressive marketing campaigns for the future.

Opportunity that Indian markets offer to the auto firms

FML: Force Motors primarily targets the rural market and the semi-urban market. It has more than 80% of market share. The orders in the pipeline are huge and hence waiting time is quite long. The company faces the challenge in terms of ramping up production. Once produced the finished goods inventory becomes large and the company asks the dealers to stock products for a month. Butto stock goods for a month requires high amount of investment from the dealers' end. Dealers do not have such high working capital and hence can stock products for a maximum of 3 weeks only. Example: 20 vehicles of a particular model would cost the dealer around 1.5 crores a month.So FML faces supply side bottlenecks.

TML: Globally 8 persons out of 10 own a car where as in India it is only 3 out 10.So there is a gap of 5 customers who can be wooed to buy a car. So there is a huge opportunity and the market has the potential for car sales.

Competition from the used car markets- is it a challenge or an opportunity?

TML: Globally the used car market is 70 % and the new car market is 30 %.Tata has the TATA MOTORS ASSURED program for pre-owned cars. Usually the first time buyers' purchase these cars and these customers later buy new cars. So there is overlapping of customers. Driving schools are being run in metros to tap into this market to convert them into new car customers. Also going to a dealer for buying a preowned car is more hassle free in terms of documentation, financing, RTO issues etcvis-a-vis buying

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from a broker. M&M and FML do not have pre-owned vehicle section. Instead it is customer to customer sale in case of these commercial vehicles.

Issues of product failure from the cars coming from the TATA stable

TML: Suzuki and Hyundai are having markets globally. Hence they test their products there and once proven there, the products are introduced in to the Indian markets. Consequently they have a higher success rate. On the contrary TATA is an Indian manufacturer catering to predominantly the Indian market. Hence the testing happens in Indian markets only. As a result the rate of success is lower for TML. Consequently the dealer network is of critical importance to TML. Dealers are given complete support in terms of financial, marketing and manpower building requirements.

In case of technical issues with the product, the OEM takes complete responsibility and ensures repair or replacement of the product.

The NANO failure

TML: The Nano issue was basically a battle of perception. Tatas wanted Nano to be an affordable car which was perceived to be a cheap car. The problem started with the plant at Singur, West Bengal. The plant had to be shifted to Gujarat thus delaying production. On the demand side, due to the hype created around the car, advance bookings of 3.5 lakhs, a world record was generated. But the delay in production lead to loss of orders. But production on the other end was being ramped up. As a result a huge inventory of cars was built up and the booking were reducing. In order to sell these cars, an aggressive sales strategy was adopted and in the process cars were sold to anyone and everyone, even to people who could not buy it. The financiers had to take the car back from the customer and the disgruntled customer branded it a bad product. To this day, the NANO car is a reliable product with no issues.

The TATA Aria failure

TML: The Aria was priced at Rs.21 lakhs in direct competition with the Innova. However the Indian consumer being price sensitive considered the ARIA to be overpriced. Secondly it was a highly technical product, far ahead of its times. This innovative product did not match the customer segment it was selling to. Hence the customer demanded a less technical product. Also customers, sales and service teams were not trained on the technical features of the product. The result was customers of Aria shifted to the Tata Safari. TML had to downgrade the technical features of the Aria and the sales are now picking up. Rebranding the product is another solution to the problem

Issues with selling vehicles to an informed customer

TML: Classroom training and On the Job training for the sales and service personnel are conducted to handle the customer queries.

Handling Unsold Vehicles Inventory

TML: Temporary stoppage of production is the solution.

Other Key points of the discussion:

- Upgradation of products is needed on a regular basis else the customer switches brands.
- Force One and Force Gorkha need be promoted aggressively.
- Tata Zest is not a failure but has seen reduced sales due to overestimated projections.
- Forecasting demand is critical in the industry and it should be on the conservative side.
- The R&D cost for one vehicle variant is around 200 crores.

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- Taxation structures in the country, high reliability of the cars are responsible for conversion of family cars into taxis.

Director Uday Lawate welcomed the panelists and gathering. Dr. Bhargav Revankar introduced the panel members to the gathering and oversaw the complete coordination while Prof Nitinchandra More kept the notes on proceedings. The students in the question answer session posed various questions to the panel members and sought the answers.



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