

## Why Tata Nano Failed? From Ascent to Ashes: Unraveling the Tata Nano Saga – A Chronicle of Triumph, Tragedy, and Missteps

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### ABSTRACT

The Tata Nano launched in 2008 was initially marketed as the world's cheapest car, designed to provide an affordable transportation solution for the masses in India. It was a revolutionary concept that aimed to bring mobility to a wider segment of the population. Ratan Tata, the former Chairman of Tata Sons, envisioned the Nano as a symbol of innovation and social impact. Under his leadership, Tata Motors endeavored to create a compact, economical car that could transform the way people in India commuted. The global ambition of the Nano was to showcase India's engineering capabilities and demonstrate how a low-cost, frugal design approach could result in a groundbreaking product. Ratan Tata's vision extended beyond the domestic market, aiming to position the Nano as a viable option for consumers worldwide.

However, despite the initial hype and anticipation surrounding the Nano, various factors contributed to its failure in the Indian market. Issues such as quality concerns, safety perceptions, marketing challenges, and changing consumer preferences played a significant role in the Nano's inability to meet sales expectations and establish a sustainable presence in the automotive industry. Ratan Tata made a roadmap to sell Minimum of 3 lacs of Tata Nano car in the first Years, but the reality is Tata Nano couldn't cross the selling of 3 lacs units even after 8 years, before its get retired.

Keywords: Anticipation, Envisioned, Groundbreaking, Innovation, Revolutionary

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### 1. Background of the TATA NANO CAR

The idea for the Tata Nano, the brainchild of Ratan Tata, emerged from his observations of families in India traveling on scooters, motorcycles, or in crowded public transportation due to the unaffordability of traditional cars. Ratan Tata envisioned a safe, affordable, and compact car that could provide a more comfortable and secure mode of transportation for the masses. The concept of the Nano was to create a "people's car" that would be within reach of the average Indian family. Tata Motors aimed to design a car that was not only inexpensive but also met safety standards and environmental regulations. To implement this ambitious project, Tata Motors had to innovate in several areas to keep costs low without compromising quality. They reexamined every aspect of car manufacturing, from materials to design to production processes. By simplifying the car's components, using lightweight materials, and optimizing the manufacturing process, Tata Motors managed to significantly reduce production costs. The Tata Nano was officially unveiled in 2008 at the Auto Expo in New Delhi, India. It was marketed as the world's cheapest car, priced at around Rs. 1 lakh (approximately \$2,000 at that time). The launch of the Nano generated interest and was seen as a significant milestone in the automotive industry, showcasing India's engineering capabilities and innovation. Ratan Tata's vision and determination to make affordable mobility a reality for millions of people in India were key

drivers behind the development and launch of the Tata Nano, marking a significant chapter in the history of Tata Motors and the Indian automotive sector..

## 2. Development of Tata Nano Plant 2006

While searching for a place for his Tata Nano Plant, he was confused that in which part of India should he construct the plant. The confusion was because he wanted to make the cheapest car, hence he require the Cheapest labour and Material too. He had an several option including Uttar Pradesh, Bihar and West Bengal. After winning the assembly elections again with a huge majority in 2006, the CM of West Bengal started working on rapid industrialization in the state like the western states like Gujarat and Maharashtra. He took a step which was completely opposite to the politics of the state and the ideology of his party. On 18<sup>th</sup> May 2006, he announced to give about 1000 acres of land in Singur area of Hooghly district for Tata's Nano car factory. This was the land where thousands of farmers were growing the crop of their choice. In communist-ruled Bengal, this was an announcement that surprised those who were keeping an eye on the politics of the state. Because this was a big radical shift by the left government which opposed big capital and big establishment. On 25 May 2006, Tata company officials visited Singur to inspect the land. This was the first day when the people of Singur started a movement against land acquisition. The people blocked the way of Tata officials. After a lot of effort, the police opened the way. Ignoring the voice of the people, the government issued notices to the affected farmers under Section 9(1) of the Land Acquisition Act 1894. The Singur movement continued and the year 2008 arrived, Tata's plant was ready. And work also started there. Engineers going to the plant were harassed by farmers for hours by stopping their vehicles. Often attempts were made to break the factory gate by attacking it. The Durgapur highway was jammed in which the top officials of the company were stuck for hours. The plant's goods were being stolen almost every day.



After seeing all this for many months, Ratan Tata finally gave a statement on this issue on 22 August 2008. He said, "Some people think that Tata will not leave the Singur plant. If someone is under the misconception that Tata has invested about Rs 1500 crore in building the Singur plant, so it cannot leave it, then thinking like this is absolutely wrong. I want to tell you that we can also move from there to protect our people. I cannot send my people to West Bengal if they keep getting beaten up and violence continues there like this. Apart from this, if any section of the state feels that we are exploiting them, then first of all it is completely false, but if this is the feeling, then we will leave Singur." On October 3, 2008, Tata officially announced to leave the Nano plant in Singur. And decided to set up a new plant in Sanand, Gujarat.

Thus before shifting his plant to Gujarat he were several challenges and issues of Land Acquisition Issues, Protests and Political Opposition, Legal Challenges, Security Concerns, Reputational Damage.

### 3. In Gujarat

After that, Ratan Tata's dream project, the Tata Nano plant, was established in Gujarat. At that time, Narendra Modi was the Chief Minister of Gujarat, who had invited Tata Motors to set up their plant in Gujarat. This decision by Narendra Modi was not only appreciated by the company but also received praise on many other occasions. In November 2008, along with the construction of the plant, Tata Motors initiated community development activities in the area. But the Establishment of Tata nano was not so easy in Gujarat even, because the aim for Tata Nano was to give a cheapest car. While Gujarat offered a more conducive business environment compared to West Bengal, it was still relatively more expensive in terms of land and infrastructure costs. This increase in operating expenses could impact the overall cost structure of the Nano, potentially affecting its affordability.



### 4. Inauguration and rise of Tata NANO

The transition from Singur to Sanand reaches its pinnacle with the commencement of Tata Motors' new plant for the Tata Nano in Sanand, Ahmedabad, inaugurated by Chief Minister Narendra Modi. This event signifies the realization of the company's vision to make the Tata Nano accessible to numerous families eager to own this car. Initially, the plant's capacity will be set at 250,000 cars per year, to be achieved gradually, and with adjustments, it can potentially be expanded to produce up to 350,000 cars annually. The facility also allows for future capacity enhancements. The Tata Nano, touted as the world's cheapest car, generated significant buzz and anticipation upon its launch in 2008. However, the sales trajectory of the Nano experienced both highs and lows over the years due to various factors.



When the Tata Nano was Launched 10 January 2008, people were attracted towards the cost of the car While making it Affordable for the People of India. The primary selling point of the Tata Nano was its affordability. Priced at around Rs. 1 lakh (approximately \$2,000 at that time), the Nano appealed to a segment of the population that aspired to own a car but found existing options beyond their budget. It made an Unique Positioning as a compact city car, ideal for urban commuting and maneuvering through congested streets, resonated with many consumers. Its small size made it practical for navigating crowded city roads and parking in tight spaces. It also focused on Innovative Design which focused on cost reduction without compromising safety and performance, garnered attention and admiration. The car's compact yet functional layout appealed to buyers seeking a practical and efficient vehicle. Moreover being the worlds cheapest car it automatically received the free Brand Association and reputation as a respected Indian automotive manufacturer lent credibility to the Nano. Consumers trusted the Tata brand for its quality and reliability, which positively influenced sales.

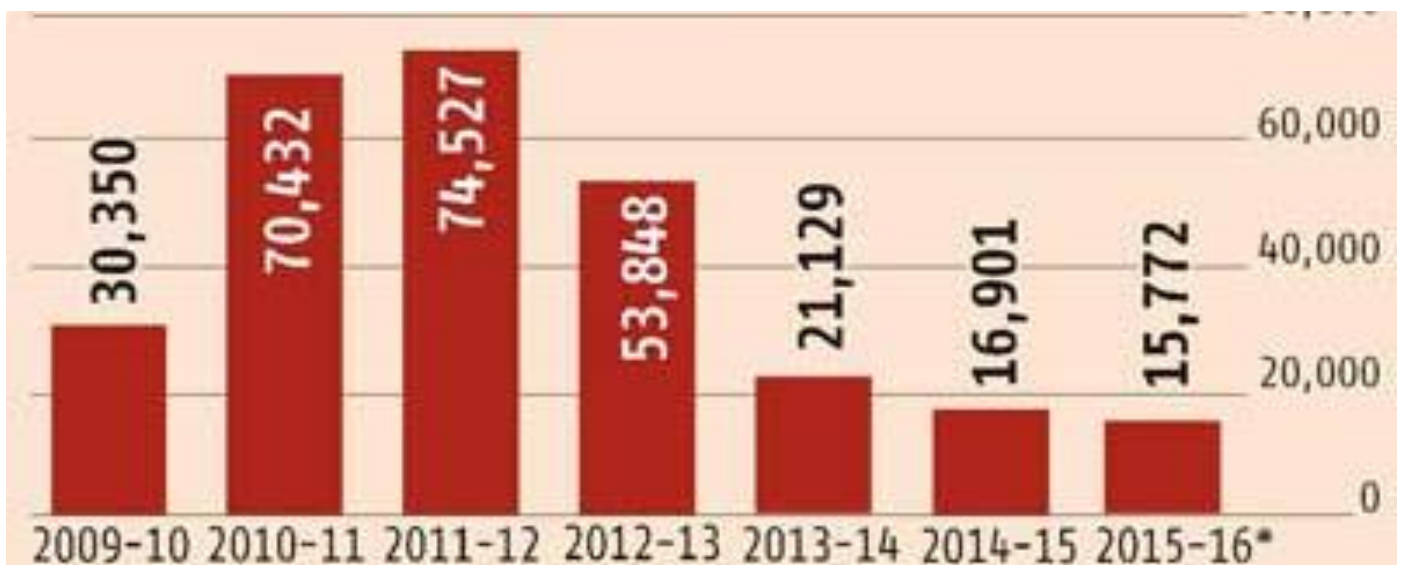
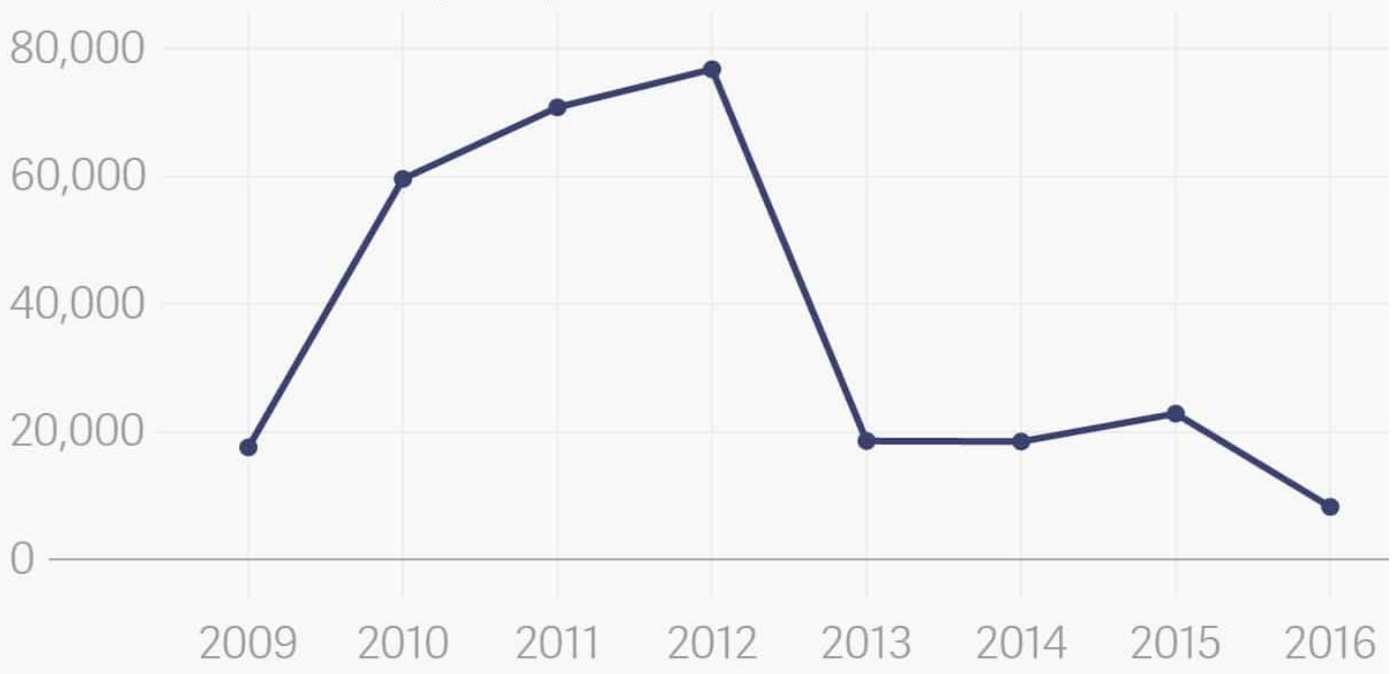


## 5. Comparative Analysis of Sale of Tata Nano

The lead-up to the Tata Nano's launch generated considerable excitement and anticipation, with extensive media coverage from both national and international sources. This widespread attention, however, primarily framed the Nano as a "cheap car," a label that was prominently used in the media's portrayal of the vehicle. In contrast, Ratan Tata, the Chairman of Tata Motors, consistently referred to it as a "people's car" during interviews, emphasizing his vision of making car ownership accessible to the masses. Unfortunately, the media's characterization of the Nano as "cheap" and, regrettably, the company's own alignment with this perspective, overshadowed Tata's original intent. With the intention of selling atleast of 3 lacs of cars in the first Year, Tata badly fails to attain the desired numbers. This disparity in perception can be attributed to a fundamental aspect of human behavior: the strong association between cars and social status. Traditionally, cars are viewed as symbols of success and prestige. The larger and more luxurious the vehicle, the more it is perceived as a reflection of higher social standing. Thus, when the Tata Nano was branded as merely "cheap," it clashed with the prevailing notion that cars should be status symbols. This misalignment between the Nano's branding and societal values significantly impacted its reception. At the time of its launch, owning a car was considered a luxury, an achievement that carried a certain level of social prestige. By labeling the Nano as "cheap," the brand inadvertently undermined the sense of entitlement and prestige that was typically associated with car ownership. As a result, potential buyers were less inclined to view the Nano as a valuable acquisition. Instead, they perceived it as lacking in status, which ultimately contributed to its commercial failure.

Tata Motors aimed to produce 2,50,000 Nano cars annually whereas the opening sales were 30,000 (approx.) only. The highest ever sales of 74,527 were achieved in 2011-12. Seeing a tragic jump in Sale of Tata Nano in 2011-12, Ratan Tata gave an interview and said “Tata Motors announced that it would extend the availability of its compact car, the Nano, to six additional states, including Gujarat, Jharkhand, and Bihar. The company revealed that the production facility for the Nano in Sanand, Gujarat, is now fully operational, with efforts underway to increase production levels. Initially, the Nano was sold directly to consumers in four states following the inauguration of the Sanand facility. Starting November 22, 2010, Tata Motors will open sales of the Nano to residents in Gujarat, Andhra Pradesh, Jharkhand, Bihar, Madhya Pradesh, and Chhattisgarh. Individuals in these states who had not previously booked the Nano in 2009 will now have the opportunity to purchase one.

Tata Nano car sales (units)



In discussing the challenges faced by the Nano, Tata Motors acknowledged shortcomings in their marketing strategy. The company admitted that they were not adequately prepared to promote the car as effectively as needed, which contributed to a loss of momentum. The Nano, a product introduced three to four years prior, requires a refresh to regain consumer interest. When asked about what went wrong with the Nano, which was initially marketed as a “people’s car” with a price tag of one lakh rupees and launched in 2009, the company attributed the issues to several factors, including various events in West Bengal.

## 6. Fail and Fall of Tata Nano

The Tata nano whose sales went to 2.5 times in 2011-12 went gradually down by 2016-17. The sale went down to 7591 units in 2016-17 and assembled only 1 Nano in June 2018 and closed production. The company seemed to have misjudged their target market’s needs. Their ambitious approach led them to launch the Nano without adequately understanding what consumers actually wanted. Tata’s **emotional** investment in the project clouded their ability to critically evaluate their strategy. They perceived the car as a necessary innovation, but consumers viewed it more as a luxury. Had they conducted a deeper market analysis, they would have realized that their audience was not interested in a “cheap” car. Instead, buyers were more inclined toward a vehicle that, despite being affordable, did not carry a stigma of being inexpensive. The Tata Nano was often referred to as “**Lakhtakiya**,” meaning “worth a lakh,” due to its penetration pricing strategy aimed at being the world’s most affordable car. The intention was to make the Nano accessible to a broad audience across various socio-economic backgrounds. However, this approach backfired. The simpler fact according to Indian mindset is that if something is cheaper, its either too old that’s why they are selling at lower cost or the product must have some loopholes. The emphasis on the car’s low cost overshadowed its perceived value, and consumers were reluctant to associate themselves with a product labeled as cheap. This perception led to doubts about the car’s quality, reinforcing stereotypes that affordability implies compromised quality. The foremost reason which cant be ignored is hype and delays. The Tata Nano’s launch was highly anticipated in 2008, but excitement waned when Tata Motors announced a shift in production from Singur, West Bengal to Sanand, Gujarat in October 2008. This decision followed controversies over land acquisition and protests led by local farmers and activists. The relocation, while welcomed by Gujarat, caused delays that dampened public enthusiasm. The hype surrounding the car focused primarily on its low price rather than its value proposition, which further impacted consumer interest.

## 7. Closing of TATA NANO

Initial models of Tata Nano experienced issues such as catching fire, which was attributed to either faulty wiring or foreign objects in the exhaust system. Additionally, the car’s lightweight design affected its highway stability, and the base model lacked an air conditioning system. These factors contributed to a perception of poor quality. The on-road price of the Nano was also higher than the promised 1 lakh rupees, at 2.59 lakh rupees, making it less competitive against models like the Maruti 800. Furthermore, the Nano received a zero-star rating in crash tests, failing to meet basic safety standards. These issues collectively led to the car's decline in the market. As the price of Tata Nano crossed 3 lakhs, people started comparing it with Maruti 800. And this is where perception is imposed and this is where Nano lost the battle of Perception. Ratan Tata himself accepted this thing, that instead of calling it the best car, if it is called “the most affordable car”, or is called the people's car, then it would have been a very different scnerio.

Only one unit of Tata Nano could be sold in 2019. Tata Motors had stopped the production of Tata Nano in 2018 itself in view of declining sales. In tenure of Tata nano only 275932 Nano cars were sold. Ratan Tata has achieved a lot but how bad he must have felt because he had planned to sell 300000 cars in the first year, keeping himself at a loss first in Bengal and then in Gujarat and then sold out the only 2.75 lakhs car. And even after 8 to 10 years of

career he could not achieve his goal. With the pomp and show with which Tata Nano was launched on the roads, it disappeared with the same silence from the market.

## 8. Key Takeaways for Business

- Never take emotional Decision in business. No matter how beloved the owner or product is if it is not marketed well, it will fail miserably.
- Always think and plan that what the buyers wants and what is the demand of the current market. Cars are social symbol of Luxury and respect rather than comfort
- Marketing terminology is very important. People want the cheap products, but not the cheapest. The comparative analysis is between JIO and Tata Nano. JIO provided the cheap rate of telecommunication, TATA Nano provided the cheapest.
- Avoid free Marketing and PR. The free marketing may lead to the wrong direction and mentality in the audience

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### TRENDING

"Could've Given Me...":  
Arshad Nadeem On  
'Buffalo' Gift From  
Father-In-Law

Life On Earth  
Originates From One  
Ancestor, Older Than  
Previously Believed

Karnataka Chief  
Minister  
Siddaramaiah To Be  
Prosecuted In Land



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