



Tata Motors Becomes Demand Driven

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Would you have ever thought a \$2,500 car could be produced in 2008? We're guessing your answer is probably no, but Indian manufacturer **Tata Motors** has successfully delivered one for 1 lakh. The company built something even more important, though: a demand-driven value chain. This article is an interview about this transformation with Mr. Jagdish Belwal, head of the customer and dealer management project.

Never heard of Tata Motors? It is not a household name in the United States, but in India, it's the largest automobile company producing commercial and passenger vehicles. They company is also capitalizing on global expansion, with successful marketing in Asia and Africa.

Tata Motors is quickly becoming a global leader. With revenue over U.S. \$8B, it has 3 manufacturing locations and over 1,200 dealerships in India. In order to support growth and globalization, effectively manage its dealers, and gain downstream visibility, Tata Motors launched a customer and dealer management (CRM-DMS) program in 2003. It is this type of demand network, one that senses and shapes demand based on regional differences, that differentiates the leaders from the laggards.

Throughout its transformation effort, the company partnered with **Tata Consultancy Services (TCS)** for consulting and IT services.

Here's what Mr. Belwal had to say.

Q: Mr. Belwal, what was the vision behind this project?

Mr. Belwal: In 2002, we realized we had limited insight to what our customers wanted and what the consumer was buying. We needed to improve demand visibility while forging deeper relationships with dealerships. We also wanted consistency in delivering the customer experience. This included creating a brand with dealers so that showrooms looked like Tata, [having] standard operations across dealer networks to deliver the customer experience, [and implementing] common processes for sales, delivery, and aftersales. Why? We wanted the same customer experience across the network. This started out as a dealer management project, but soon extended to a customer management joint initiative.

Q: Can you describe some of the challenges you faced and how you overcame them?

Mr. Belwal: Historically, dealer initiatives failed because they did not want to share data and did not trust us. We needed to provide them with an easier way of doing business and receiving information from us, while reassuring them of the security of the data. This took time and a lot of change management, training, and guidance. Now the dealers are able to use **Siebel** to buy and sell cars, almost like a mini ERP.

We also had technical infrastructure and computer literacy challenges in India that needed attention.

Q: Please describe the technical infrastructure and applications deployed.

Mr. Belwal: We already had **SAP** and legacy systems in place for ERP, warranty, and finance and leasing. After an evaluation period, we selected Siebel eAutomotive and eDealer. These are deployed in a central hosted and web-enabled environment. We integrated customer-facing dealer functions, such as vehicle sales, service, and spare sales. We also integrated back-office functions of dealers, including spare part management, vehicle inventory management, and warranty and claim settlement with data feeds to the SAP accounting system.

Q: This was clearly a huge undertaking. What approach did Tata Motors take to this project?

Mr. Belwal: First, we laid out the business processes we required. Then, with TCS's help, we developed the CRM-DMS roadmap. This was back in 2003.

The project had executive sponsorship from the directors on Tata Motors' board. The team of business managers, led by senior executives, managed the entire program. This sent a clear message to the dealers and helped gain buy-in. We selected four of the largest dealers as part of the initial pilot. This enabled us to iron out our problems and create visibility.

Q: Who pays for all of this?

Mr. Belwal: We invested in the infrastructure for the centrally hosted system, for the Siebel costs, and the

satellite connectivity for the remote sites that cannot get leased lines. We have a pay-per-use model with dealers based on their turnover, but they have to invest in their hardware, software, and equipment for connectivity.

Q: How do the dealers feel about this now?

Mr. Belwal: This can be summed up by a quote from one of our dealers: "I used to be able to sell 150 vehicles a month. Now I can double operations without additional people."

Q: Where has Tata Motors seen the most improvement?

Mr. Belwal: Across the board: in sales, service and support, and spare parts. To summarize, we have better visibility, standard processes, and integrated and automated systems. All this has led to higher revenue and profits. And our customer satisfaction index is higher.

Q: This gave you tighter integration with dealers. How did this improve your ability to respond to actual customer demand?

Mr. Belwal: With Siebel analytics in place, we have complete visibility into the dealer chain and their inventories. This visibility better enables us to respond to demand dynamics. With a tremendous increase in speed of data flow within the Tata Motors organization, the visibility into dealer operations helped business planning, as the dealers' activities were taken into account while planning.

Q: How did dealer integration improve service and parts planning?

Mr. Belwal: We have seen tremendous increase in productivity, since data does not need to be repeatedly entered into various systems now. The customer also does not need to give his service history every time he visits as warranty integration and data flow happens automatically. The single view of customers and the vehicle greatly increases convenience for all stakeholders, thus increasing customer delight. For dealers, the processes are streamlined, enabling them to give standardized service to their customers. All this enables both the company and the dealers to present a common face to the end customer as brothers in arms.

Q: Tata Motors has implemented many new systems and technologies. Which have had the most impact to the business?

Mr. Belwal: Probably Siebel Analytics, which we [implemented] in 2005. This gave us real-time visibility of sales and pipeline by dealer. We also have a full view of inventory, spares, dead stock, and back orders. Dealers can also see all this via dashboards. We can slice and dice the information as we wish, and track dealers plus our own performance through key performance indicators.

Q: What key factors do you think contributed to the success of this major change?

Mr. Belwal: There were many factors, but most important was that it was led by the business with top management commitment. We reengineered our business processes, rather than just implementing technology, and we invested heavily in training and communication for Tata Motors and its dealers. And we made sure we had buy-in. The pilot helped with that.

Q: If you could do this over, what would you do differently?

Mr. Belwal: We would have had the data quality and usage quality metrics in place at the start of the project itself. This would have ensured all data was being used accurately by the stakeholders and software features were being utilized fully.

Our take: What can Detroit learn from India?

AMR Research performs extensive research on value networks. The Tata Motors case study is a testimonial to being demand driven, as well as to the role of demand-driven processes in driving success in global markets.

What does demand driven mean in the automotive channel? It means better use of downstream data and customer insights. While this information is often readily available to companies selling direct to consumers, businesses that sell through indirect channels, such as dealers or distributors, often face partners reticent to readily share downstream data. Many dealers believe their primary values lie in the ownership of the customer and fear disintermediation by the OEM

As Tata Motors discovered, the issues of trust, data sharing, and process can be much more challenging to overcome than the technical issues associated with better dealer management. Once Tata Motors was able to demonstrate to the dealer channel that the new dealer management system represented a business opportunity rather than a cloaked disintermediation exercise, the benefits began rolling in. Such an effort only works if there are benefits to both sides. Tata Motors demonstrates a classic win-win.

Tata Motors also truly recognized the benefits from a CRM implementation by focusing on the key ingredients for success. The effort was a combination of process redesign alongside software technology—a practice we advise to our own clients. Such an effort rarely succeeds if led purely by IT, which is one of the reasons CRM

deployments continued to see upwards of 30% failure rates in 2007. But thoughtful process design championed by the front office led to much better visibility into the dealer business.

We welcome your comments and would like to hear your experiences—jbarrett@amrresearch.com or rbois@amrresearch.com.

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