

# The Band Aid Man

*After two weeks of speculation, it has now been confirmed that Mayank Pareek, the erstwhile Sales / Marketing head of Maruti-Suzuki, is joining Tata Motors to head the domestic Passenger car business. IndiaAutoReport takes a look at the logic behind Tata Motors decision and if this has the potential to resurrect the company's fortunes in the domestic market.*

**Editor's Note: Normally IAR detests from doing pure opinion pieces without any data support. However, Pareek's appointment seems (to us) as Tata Motors' last ditch attempt at holding its relevance in the Indian passenger vehicle space. It is certainly a bold move with the potential to turn around things for the company. At the same time, if things don't work out, Tata badge may disappear from passenger vehicles in the Indian market within five years.**

**Reason enough for us to add our two cents.**

Tata Motors is on a roll; downhill that is. For the last many quarters, Jaguar-Land Rover has bolstered the company's balance sheet, while the domestic businesses have been

bleeding heavily.

Even though both the domestic passenger vehicle business and commercial vehicle businesses have been bleeding, the CV guys go scot free considering the cyclical nature of their business and how everyone else in the space has also suffered.

To their credit, Tata Motors has managed to mostly hold on to its market share across all the segments in the commercial vehicles space. This is commendable considering competition has been increasing in every segment – from Mahindra in the Small Commercial Vehicles space to BharatBenz and VECV in the M&HCV space. Tata Motors has managed to fend off most challengers and held on to its high market share.

However, the domestic passenger vehicles business has been the proverbial quagmire for the company. Nothing has worked really and Tata Motors has steadily lost market share during the recent slowdown. From 12.06% share of the market in December 2012 at the start of the slowdown, Tata Motors has come down to 6.26% share of the market in August 2014.

What has made the downfall even more dramatic is that the fall has been across the entire range – from the smallest Nano in the Micro segment to the Aria crossover in the UV3 segment.

The Nano has faced image and quality problems, which together have resulted in it becoming almost irrelevant. Monthly dispatches are down to about 1000 units, atrocious when the nearest rival does more than 20,000 units every month without breaking a sweat.

The Indica and Indigo eCS have both catered to the taxi segment and have faced headwinds lately due to their age as well as the increasing penetration of the Toyota Etios, Mahindra Verito and Maruti-Suzuki Swift DZire Tour models in the taxi segment.

The Vista hatchback and the Manza sedan are both targeted at

the individual buyer, who has mostly turned his back to Tata Motors. Manza dispatches are under 200 units a month.

To make matters worse, Mahindra, GM India and Toyota have collectively usurped the company's traditional stronghold in UVs. The Sumo and Grande now fail to address any unique niches in the market that the competition cannot address better.

And then there is the Aria, a decently packaged, contemporarily styled, aggressively priced crossover, which fails mostly because of the badge.

Even the recently introduced Zest Compact segment sedan has met with a cold response – media reports, quoting Tata sources claim 10000 bookings in three weeks while our own internal sources estimate bookings less than half of that. Even at 10,000 bookings in three weeks, this is not a roaring start. In contrast, the Honda Amaze had managed more than 25000 bookings in the first three weeks.

### **Leadership – Dilution and Eventual Vacuum**

To make matters even more complicated, Tata Motors has been facing a leadership vacuum for some time now. Since the unexplained, sudden departure of the capable Carl-Peter Forster in September 2011, they don't have a leader to speak of. Worst, they have also been continuously diluting the role of the leader of the company.

Carl-Peter Forster was a sort of trophy catch for Tata Motors. He came off very senior level assignments from BMW and GM Europe. In a way, it was the company signalling to the world – right after the JLR acquisition and the Nano debut, that Tata Motors would be a global automotive force to reckon with.

Forster was the Global CEO and responsible for everything that rolled out on wheels from Tata Motors. This included the domestic and international businesses as well as the Jaguar-Land Rover brands. Forster also sat on the board of Tata

Motors.

Post his departure, Tata Motors stayed headless for more than a year till the late Karl Slym filled the vacuum. However, Karl was only responsible for Tata Motors and not JLR.

Thankfully, he still had the reins of everything wearing the Tata badge, including operations in Thailand and South Africa. Importantly, Karl also had a seat on the Tata Motors board and carried the designation of Managing Director.

Post Karl's untimely demise in January 2014, Tata Motors has been headless. Since then, the company has been guided by a corporate steering committee with eleven members. As it often happens with committees, several people have collective ownership without well-defined responsibilities. Committees are good at maintaining status quo but often fail to move things forward.

That is precisely what has been happening with Tata Motors. Not a good situation to be in when you are grappling for a pie of one of the world's fastest growing automotive markets and competing against everyone...except Chrysler.

Tata Motors needed a leader as of yesterday.

### **Enter Mayank Pareek**

Since the day when Mayank Pareek announced his exit from MSIL, and it was being speculated that he will head to Tata Motors, we at IAR have been secretly apprehensive and yet optimistic.

Optimistic, because Tata Motors badly needs a shot-in-the-arm, so badly that even a half-baked measure would be welcome. Apprehensive, because as we later analyze, Pareek does not come with a well-rounded resume needed to lead a company. Most of Pareek's work experience has been in the area of Marketing. Things like product planning, production systems; supply chain management and product quality should be relatively new

concepts for him.

Not the right man then to lead a company like Tata Motors.

Actually, he won't! And that's a pity.

Scanning through the media reports announcing Pareek's appointment, one notes that he is moving in as the Head of Tata Motors' Passenger Vehicles business. In doing so, he replaces Ranjit Yadav who moves into a new role of the head of Tata Motors' international business.

Yadav's sideways move reeks of a demotion and we wonder if the debacle of the Zest has anything to do with it.

Pareek won't get to play Managing director of Tata Motors. He does not get a seat on the board and would only be a member of the corporate steering committee.

In effect, he does not replace Karl Slym.

Karl had not replaced Carl-Peter either.

The move is yet another example of Tata Motor's arguably harebrained strategy of diluting power at the top. This is a strategy that reeks of accommodating all the politics that the system breeds and not squashing it outright.

In a way, Tata Motors believes that the company can operate in silos where one individual would control the quality; someone else takes care of purchasing, some other guy looks after product planning, and some one else looks after manufacturing. Throw in some other guys running the commercial vehicle operations along with the ubiquitous Finance and HR team members and we have the proverbial committee that meets every Friday for tea & cookies.

That hasn't solved Tata Motors' problems till date and that is unlikely to in the near term.

## **Will Pareek Solve Problems?**

That is a loaded question. Pareek's forte is brand management. However, Tata Motors' problems are not due to its brand image; it is the other way around. The dismal quality of products, perennial product development delays and an indifferent (to customers) dealership network are what establish Tata Motors firmly at the bottom of the brand desirability pyramid.

Precisely the reasons why we feel that if Tata had bitten the Pareek bullet, they should have gone the whole hog.

Pareek cannot inconceivably separate the brand from the bullshit and hope to take it upwards. That is the biggest hurdle to **Pareek's** Tata Motors' success and why we believe that he – capable though he is – is nothing more than a Band Aid that the company is applying to a gaping gunshot wound.

## **Pareek – Pros and Cons**

Mayank Pareek comes with a formidable reputation. However, look at things more logically and shades of grey appear all around. To start with, Pareek led sales & marketing at Maruti-Suzuki, a well-oiled machine that doesn't need a genius at the top. Try to decipher MSIL's success and it is very difficult to say if Pareek was riding it or driving it.

There are significant projects within MSIL that Pareek has overseen and he doesn't have many failures on his CV. His detractors contend that he is a team player eager to reap the credit, not a uniquely bad trait amongst senior executives.

Most importantly, he has a big stature and that helps.

For a company, which believes in collecting trophies – Carl-Peter, Karl Slym and now Pareek – Tata Motors has perhaps collected the best one available in the domestic automotive industry. Across the Indian automotive industry, there are not many individuals – not counting Pawan Goenka – with Pareek's

stature.

Pareek's appointment would likely provide a shot of optimism to Tata's dealer network and perhaps stock traders (let's go long on Tata Motors for a couple of days). He comes with a strong track record of managing sales teams and networks.

His detractors point out that he was Jagdish Khattar's blue-eyed boy in the early days of his heady rise and has a good knack of managing people.

That comment was not made in a complimentary tone.

However, that very quality should come in handy at Tata Motors, an organization reputed for having a complex, politically charged environment and considered worse than many government offices on work ethics.

Perhaps, the ace up Pareek's sleeve is his understanding of the rural passenger vehicle market. Over the last five years, MSIL has worked extensively in this area to the extent that about 30% of the company's sales come from the rural market. Pareek would be hoping at replicating that with the Tata range, especially with the Nano.

## **Challenges**

It's a question that troubles us now and then. Can a genius driver in a bad car beat a bad driver in a good car? Or would an average driver in an average car beat both of them? It all boils down to the grade of the driver and the car. In this case, it is clear that MSIL is a good car and Tata Motors is the bad one. Now it will all boil down to how much of a genius Pareek is.