

JAIPURIA INSTITUTE OF MANAGEMENT, NOIDA

PGDM / PGDM (M) / PGDM (SM)

SIXTH TRIMESTER (Batch 2022-24)

ENDTERM EXAMINATION, APRIL 2024

Course Name	Strategic Marketing	Course Code	20136
Max. Time	2 Hours	Max. Marks	40 MM

INSTRUCTIONS:

- This paper includes a total of four questions. All questions are mandatory.
- Use appropriate examples wherever relevant to amplify the concept of the point that you are discussing.
- Use diagrams and visual aids that may help you better explain the concept.

Case Study

Tesla, Inc. is not just a car manufacturer; it's a technology company with a mission to accelerate the world's transition to sustainable energy. Founded by a group of engineers, including Elon Musk, who became the public face of the company, Tesla has become a symbol of innovation and environmental responsibility.

During 2024, Tesla's entry in India will put a stamp of maturity on India's car market, the third biggest in the world after China and the US. Outside the US, Tesla has plants in Germany and China. As the Western countries struggle with slowing economies impacting demand and Tesla faces strong local competition from EV makers in China, selling its electric cars in India is an attractive prospect for the American company. Initially, it will sell fully built-up cars imported into India.

The talk of the government lowering India's steep import duties on cars for Tesla and others has created a flutter in the local car industry. Tesla CEO Elon Musk has been negotiating with the Indian government for long for lower import duties and the permission to sell fully built-up imported cars initially. Since, Tesla's engineering team believes that India lacks quality required to build electric cars. This is also due to the high precision machines and trained manpower that will still take a long time for the country to acquire. India's charging infrastructure and inconsistent power supply could deter lot of prospective customers to consider it's car. Tesla though requires infrequent maintenance, however, training engineers to handle customer queries will be another investment.

Tesla's demand for import duty cuts on fully built electric vehicles had divided stakeholders in the local automotive industry. Indian firms such as Tata Motors, TVS Motor Company and Ola Electric had objected to a reduction, contending that this will hurt investments made to scale up localisation.

However, foreign firms Hyundai Motor India, BMW India and Audi India had backed a reduction in duties saying it will help the industry generate demand and build volumes with imported electric vehicles. Elon Musk said Tesla could soon be setting up a manufacturing base in India, after meeting Prime Minister Narendra Modi in New York. Musk had said Tesla will be in India "as soon as humanly possible," changing stance from about a year ago when the carmaker had said that the levies imposed by India on automobiles are the highest among large countries and that it can only consider setting up a factory locally if it succeeds with imported models.

India's present customs duty regime does not differentiate between electric cars and those that run on hydrocarbons, and imposes high duties to encourage local manufacturing.

Tesla first tried to enter India in 2021 by pushing officials to lower the 100% import tax for EVs. Last year, the talks between Tesla and the Indian government collapsed when officials conveyed the company would have to first commit to local manufacturing. Indian officials weren't keen on providing duty cuts to Tesla. An outright cut in import duties, the government has apprehended, will result in the import of electric cars instead of companies setting up manufacturing facilities in India. This, in turn, will have an adverse impact on the kind of investments that lead to employment generation in the country.

India imposes 100% import duty on cars with cost, insurance, and freight value of more than \$40,000, and 60% on cheaper vehicles. In 2021, Tesla had sought 40% import duty on fully assembled electric vehicles. India was working on an EV policy that would cut import taxes for automakers that committed to some local manufacturing, citing sources with direct knowledge of the matter.

"A new category may be introduced in the import policy to ensure that clean energy driven vehicles are taxed lower," an official has told ET, while insisting that this incentive will not be "just for Tesla but for anyone committing to set up electric vehicle manufacturing units". It is expected that in lieu of reduced import duty, Tesla will have to pledge to initiate local production, source components domestically, and provide bank guarantees to uphold its commitments.

Tesla's entry with lower import duties could also lead to a substantial drop in the prices of fully-imported EVs. This reduction would not only benefit Tesla but also pave the way for other luxury car manufacturers to introduce their global EV models in India at a more affordable price point. India's EV market is not just an internal combustion engine (ICE)-versus-electric game. Tesla will have a complex terrain to tread in India. Industry experts say the passenger vehicle market is clearly splitting into four sub-segments, with electric, strong hybrids and compressed natural gas (CNG) seeing the most growth, even as expansion in traditional fuel vehicles slows down.

The likes of Toyota and Maruti Suzuki are pitching strong hybrids to retail as well as fleet customers, who want more sustainable transportation options but may not be ready to make the shift to fully battery-powered vehicles. Toyota leads in strong hybrid sales, with a quarter of its Hyryder and Innova Hycross sales.

(Reference: https://economictimes.indiatimes.com/industry/renewables/how-teslas-india-entry-will-disrupt-desi-tardy-electric-car-market/articleshow/105035198.cms?utm_source=contentofinterest&utm_medium=text&utm_campaign=cppst)

Questions

Imagine you as working as a consultant for Tesla and are involved in evaluating factors that can help Tesla win in India Markets. Answer the following questions:

1. Tesla needs to understand the favorable and non-favorable factors before committing to enter India. **Discuss** the external factors impacting Tesla's entry to India? [10 Marks]
2. **Propose** an **entry strategy** considering the relevance of strategic alliances with existing automobile players in India. Discuss the advantages in case Tesla decides to enter India via a strategic partnership with local Indian players. [5+5 = 10 Marks]
3. India is the largest automobile market after China and is very complex due to the multiple types of fuel options available. **Propose** a focus strategy that will enable Tesla to evaluate the response of Indian Consumers towards its products and services in the most time and cost-efficient way. [10 Marks]
4. **Elaborate** the competition's response to Tesla's entry, strategy especially of indigenous players such as Tata and Maruti. How are global automotive brands responding to Tesla's negotiations with the Indian Government? [5+5=10 Marks]