



India: End of Low Cost Cars

Affluent India rejects low-cost vehicles

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It is January 2008 and I am sandwiched in a packed hall with scores of others. No, it is not a rock concert! We are all gathered, shoulder to shoulder, in the Tata Motors hall at the Delhi Auto Expo, waiting for the much-hyped, much-criticised Tata Nano to be unveiled for the first time.

Such was the interest in the ‘people’s car’ that the overcrowding caused the organisers and security guards to stop visitors from entering the hall. Indeed, the head of a major two-wheeler maker told me that evening, “They closed the doors. I couldn’t get in”.

Cut to January 2019 and the Tata Nano did not register any sales or production volumes, after dying a slow death at the end of 2018. From a peak of 77,000 units in 2012, sales nosedived to a measly 500 units last year.

There are many reasons for the Nano’s demise, but perhaps being tagged as “the world’s cheapest” car played the biggest role. For a status-conscious, entry-level buyer, the idea of owning a vehicle dubbed as cheap would hardly be a badge of success in the eyes of their family, friends and neighbours.

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Datsun – which was launched as Renault-Nissan’s affordable brand for emerging markets – is perhaps perceived in a similarly unflattering light in India, as sales suffered a 15% slump last year. And with a nominal 1% share of the country’s Passenger Vehicle market, Datsun is not exactly threatening the market leaders.

India undoubtedly remains a market for mass models catering to a rapidly expanding middle class. And yet, nearly 7% of Passenger Vehicles sold in 2018 had a minimum starting price of ₹1 million (US\$14,000). This is not counting the many other vehicles sold at a similar price in their mid- and top-spec versions. This year, Mercedes-Benz and BMW alone are planning to launch more than 20 new products.

All the while, Maruti-Suzuki and Tata – whose entry-level products mean that they are generally seen as low-cost vehicle sellers – have been moving up the value chain, taking up more Premium positions. Maruti-Suzuki has gone one step further by establishing the separate NEXA retail network for its more upmarket products and Suzuki-branded models.

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Looking ahead, regulatory changes will force manufacturers to pack their models with more technological and safety features, thus taking Indian-made vehicles closer to their overseas counterparts.

Emerging India, meanwhile, is becoming more affluent. Couple this with evolving consumer tastes and regulatory upheavals, and the era of low-cost vehicles in India may well be over.