

'COST EROSION' AT TATA MOTORS



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Short Description

'COST EROSION' AT TATA MOTORS case study

Description

The caselet describes the cost reduction initiatives undertaken by the company that led to a turnaround in a short span of five years. The caselet also highlights the company's move towards reducing costs significantly by maintaining healthy vendor relationships.

Issues:

- Q1. Cost reduction initiatives as a tool to company turnaround
- Q2. Need for a cross functional team to implement and monitor cost reduction initiatives
- Q3. E-sourcing at Tata Motors as an alternative to traditional purchasing
- Q4. Move towards single vendor policy and maintaining a healthy vendor relationship
- Q5. Shift from a hierarchical model to a collaborative approach

Introduction

Tata Motors Limited (Tata Motors) declared a profit of Rs.1,237 crores (Rs. 12.37 billion) against the gross revenues of Rs.20,483 crores (Rs. 204.83 billion) for FY2004-05. This marked a significant turnaround for the company that had posted a net loss of Rs. 500 crores (Rs. 5 billion) as recently as 2001. One of the most important

reasons for the remarkable turn around was a unique cost reduction program under taken by Tata Motors called 'cost erosion.'

Tata Motors, established in 1945, had a presence only in the commercial vehicles segment till the 1990s. It first entered the utility vehicle (SUV) segment in 1994 with Tata Sumo, which was a runaway success. In 1999, it entered into the passenger car (compact car) segment with the launch of 'Indica' followed by entry into the midsize segment with 'Indigo' in 2003....

Questions for Discussion:

Discuss the procurement strategies adopted by Tata Motors as part of the cost erosion initiatives. Relate these strategies with the organizational buyer behavior models and identify which model suits best in this situation.

Discuss the various vendor initiatives taken up by Tata Motors. Do you think these initiatives fall in the right direction in maintaining healthy relationships with vendors?

Details

- 1. Case study solved answers**
- 2. pdf/word**
- 3. Fully Solved with answers**