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Overview of project

Objective

The objective of this exercise is to:

- Find, summarize and apply five articles on an appropriate marketing mix element on the category chosen.
- Analyze, and if applicable, provide recommendations to one brand in the Industry based on a specific behavioral concept.

Category

The category chosen for this assignment is the small cars segment which includes the traditional categories A1 and A2.

Overall Category Info

The passenger car segment has shown a 7% year-on year growth by March 09, driven largely by exports. Domestic sales have been flat. The market share of the market leader in the passenger vehicle industry, Maruti Suzuki India Ltd., stood at 82% in Mar '09.

MSI's total sales grew by 27% year-on-year by Mar '09 backed by both domestic sales and exports. Its domestic sales had risen by 19%. In its domestic sales, the sedans, compact cars performed while the C segment (Omni, Versa) and M800 declined. Its A2 segment that comprises of Alto, Wagon R, Zen, Swift and A Star grew by healthy 32% in Mar '09. Its A3 segment (SX4, DZire) grew by 14% in Mar '09. On the other side, its C segment slipped by 25% while its breadwinner M800 declined by steep 62%.

It has been posited that at least some proportion of the decline in the Maruti 800 brand is due to cannibalization in the A2 segment.

Hyundai Motors India's (HMI) total sales declined by 2% in Mar 09 owing to its domestic sales. Its domestic sales slipped by 16%. Its exports improved by 22%. The brands of interest of HMI in the A2 segment are workhorse Santro and the i10.

The total sales of Tata Motors (TM) slipped by 4% in Mar '09 owing to flat domestic sales and steep decline in its exports. Its domestic sales were flat and its exports crashed by 85%.

The Launch of Tata Nano

The Nano was launched in Mar '09. It would be offered in 3 versions – Base, CX version (with heating and air condition) and LX version (front power windows, fog lamps).

Segment wise, the Nano would be attraction for the entry level cars segment and existing car owners who would purchase small car for the city drive. However Nano could create a new need for 1st time vehicle purchasers who could think of purchasing Nano instead of 2 wheelers, as Nano provides better safety than two wheelers on Indian roads. The target customers for the Nano seem to be semi urban and rural consumers along with the city commuters.

Areas of focus in the Study

Main point of interest in this study is Nano's category membership. Will it be perceived to be a member of the A1-A2 category? While the question is very interesting, the study assumes that without strong efforts from the other brands in the segment, it could be perceived as a member of the category. There is also some categorization research which suggests the same. [1] If so, it throws up interesting questions on the price perception in the category. How will the reference prices be impacted? What would brands in the category have to do to ensure price acceptability? These are the main considerations of the study.

Selected Papers

Empirical Generalizations from Reference Price Research [2]

Overview

This paper provides an overview of the reference price research and provides us with some generalizations along with empirical support for them. The generalizations are:

1. *Reference prices have a consistent and significant impact on consumer demand.* This is a strong finding across different operationalizations of reference price and in different demand applications; whether using aggregate or household data or whether the dependent variable is brand choice or some other manifestation of demand.

Although this generalization assumed a comparison between current reference prices to the current observed price, an alternative reference price has received some empirical validation. It is **expected future price**. This expectation could be either compared to either current observed or reference price and is particularly **important for consumer durables** where timing of purchase might be heavily influenced by whether the consumer feels the price is going to rise or fall.

2. *“Internal” reference prices utilize past prices as part of consumer’s information set.* In every empirical study utilizing reference price concept as an internal, psychological construct, the authors make assumption about how reference prices are formed. Although research varies in terms of functional forms and the complexity of the model, all empirical studies of reference prices have assumed that past prices are important.
3. *Consumers react differently to price increases and price decreases relative to reference price. Consumers react more strongly to price increases than to price decreases.* This is based on the well known loss-aversion hypothesis.

Implications

The paper serves as a good starting point and elucidates various facets of the reference price concept. It highlights the importance of reference price in practice, asserts that it is influenced by past prices and that there is asymmetric response by the consumers to changes in observed price w.r.t. the reference price.

Limitations

There are several limitations of this paper as will become clear in the review of literature that follows. Primarily, generalization 2 fails to cover reference prices that get formed from stimuli rather than from memory. Secondly, the paper sees reference price as a single

point reference point in the minds of the consumers, later literature, however, suggests that it could be more nuanced than this simple comprehension of the concept.

Relevance

The paper is very relevant in this context since it sets the tone for future literature and provides a basis for using this concept in the current study.

Consumer Perceptions of Price (Un)Fairness [3]

Overview

This paper, through a series of studies, demonstrates that reference prices can arise from various antecedents, including past price, competitor price and the cost of goods sold. The paper also demonstrates that consumers are inclined to believe that the selling price of a good or service is substantially higher than its fair price and that they tend to underestimate the effects of inflation, vendor costs etc. It shows that consumers over attribute price differences to profit.

This paper investigates the role of three reference points – past prices, competitor prices and costs.

Past prices:

In the first experiment, it finds that consumers may be poor assessors in prospect and retrospect of the effects of inflation on prices. It finds that consumers are likely to underestimate the effect of inflation on lower priced items more than they underestimate the effect of the same on higher priced items.

Competitor prices:

In the second experiment, it finds that consumers will spontaneously spot the difference between a higher priced store and a lower priced store, and would be willing to pay a higher “fair” price at an expensive store. However, it also finds that fairness perception is likely to be higher for the lower priced competitor.

In the third experiment, it finds that consumers are more likely to attribute price differences to profit than anything else. However when the different brands are sold at multiple places, a quality attribution is significant. It also finds that even when percentage profits are similar, fairness assessment is made by the consumers on the basis of absolute profits as perceived by them.

The fourth experiment found that consumers are more likely to consider as fair attributions they make to quality than anything else, either endogenous or exogenous factors that make a firm incur higher cost.

Firm costs:

Experiment #5 found that consumers are likely to ignore costs like labor costs when making a profit attribution, experiment #6 validated this result across a wider population.

The seventh experiment found that when the details of the labor costs were cued, consumers were likely to reduce their cost of goods attribution to compensate for their perceived increase in the labor costs.

The eighth experiment found that consumers were likely to reduce profit attributions if they were cued with other costs like rent, markdowns etc., and increase their level of perceived fairness.

The ninth experiment found that when consumers perceived some costs as more “fair” than others. For example even though two firms had the same profit margins the firm with a higher promotional spending was deemed less “fair” than the one that had higher labor spending.

Experiment #10 finds that costs for services are deemed fairer than cost for similar goods and that fairness decreases as the number of transactions increases.

Implications

1. Consumers are unlikely to fully appreciate factors such as inflation; this is particularly heavily felt for low priced goods and commodities.
2. Consumers may not appreciate a firm’s costs fully and may attribute a relatively large share of the sale price to profit; this may diminish the “fairness” of the firm as seen by them.
3. Cuing various costs may help improve perceived fairness of the firm, however, these needs to be done cautiously as not all costs are perceived as equally fair.

Limitations

The study was done mostly on college students, who were likely to be above average in mathematical abilities. Hence the study may be understating the actual bias that exists. The goods and services used in the study were not strictly durable – they were consumer goods, and examples used were of retailers – department and discount stores. It is not entirely clear whether important implications on the reference price drawn from this study can be extended to durables such as cars.

Relevance

This study is especially relevant since it provides the attributes that influence reference price such as previous prices, competitor prices and the cost of goods sold. It also provides us with a useful guide to the perception of fairness by consumers and its important implications as summarized in the previous sections.

A Range Theory Account of Price Perception [4]

Overview

This paper postulates that a consumer's assessment of the attractiveness of a market price may depend on a comparison of the market price to the endpoints of the evoked price range in addition to the internal reference price. Four experiments performed in this study provide evidence that variance in the width of the evoked price range affects price-attractiveness judgments in the absence of any variance in the internal reference price.

The paper demonstrates that when the upper bound of the range of evoked prices is increased, perceptions of the market price become more favorable. Similarly, when the lower bound of the range of evoked prices is decreased, perceptions of a market price become less favorable.

A series of four experiments test the following hypotheses:

H1: Adaptation-Level Hypothesis: *Price-attractiveness judgments are based on a comparison of market prices to the internal reference price.*

H2: Range Hypothesis: *Price-attractiveness judgments are based on a comparison of market prices to the endpoints of a range of evoked prices.*

It finds that H2 is consistent with the experimental output and H1 does not fully explain the results.

Implications

The attractiveness of a market price for a good is very sensitive to the **range** of the prices in the evoked set rather than a single internal reference price alone. Hence context can change the perception of attractiveness of a price while it remains constant.

Limitations

The study was performed primarily on the subjects who were students of “principles of marketing” class. The generalizability of such a study to the general car buying populace in India is not known.

Relevance

This paper has high relevance to the category since; the findings in the paper suggest that changes in context can bring about changes in the evoked price range and perceptions of the attractiveness of a market price. This is the case in the small car segment since the context has been drastically altered with the entry of Nano at the price point at around one half or less of average A2 segment car price.

Reference Price and Price Perceptions: A Comparison of Alternative Models. [5]

Overview

This paper extends the hypotheses tested in the paper [4] . The authors posit that range-frequency theory provides a better fit to psychological data either range theory or adaptation-level theory based on [7]. The paper also tries to correct certain statistical issues in the paper referenced in [4].

The paper tests the following hypotheses using two experiments:

H1 (*Adaptation-Level Hypothesis*): *According to adaptation-level theory, consumers compare the target price against the mean of the contextual set of prices.*

H1 (*Range Hypothesis*): *According to range theory, consumers compare the target price against the two prices that define the range in the contextual set.*

H1 (*Range Frequency Hypothesis*): *According to range-frequency theory, consumers compare the target price against all of the prices in the contextual set.*

The experiments found that H1 (RFT) was supported by all the tests while H1 (RH) was supported when the mean reference price was held constant while the variance was manipulated and H1(ALT) found support when the range was held constant and the mean was varied.

With an additional experiment it tested the following hypotheses:

H2: *Frequency effects will be larger for stimulus-based price judgments than for memory-based price judgments.*

H3: *Range effects will be larger for memory-based price judgments than for stimulus-based price judgments*

The experiment provides empirical support to both these hypotheses.

Implications

The reference price, which began as a single reference point for the price has been nuanced by this paper to include factors such as – the range of prices, the frequency distribution encountered and the context of the reference price – whether internal and thus memory based or external and thus stimuli based.

Limitations

Although based on [8], the paper argues that the set of college students used for the study could provide external validity to the paper's generic results, the applicability of the results to the Indian car buying public may not be clear. Further, the goods used in the study are airline tickets and carbonated beverages; it is not clear whether the findings of the study will fit exactly in the durables market.

Relevance

This paper is relevant since it extends and enriches [4] to include factors missed by it. These include the frequency of price encounters and the context (internal versus external).

Correlates of Price Acceptability [6]

Overview

This paper defines **price acceptability** as *a judgment of a price based on a comparison of the price cue of a range of acceptable prices stored in memory*. It then goes on to elucidate that the price acceptability measure encompasses both the price level and the width of latitude of price acceptance. This study emphasizes psychological correlates of the price acceptability construct by bringing together two consumer research streams: **price perception** and **product involvement**.

It tested the following hypotheses with running shoes as product on a specialized sample:

H1: *For consumers who believe that price and product quality are positively related, the level of acceptable prices is higher than it is for consumers who do not believe such a relationship exists.*

H2: *For a given product class, price consciousness and product involvement are inversely related.*

H3: *Price consciousness in a product class is inversely related to price-quality inferences and price acceptability levels.*

H4: *Involvement in a product class is positively related to price-quality inferences (when product knowledge is taken into account) and price acceptability levels.*

H5: *Price consciousness negatively affects the width of the latitude of acceptable prices.*

H6: *Price acceptability level is positively related to the width of the latitude of acceptable prices.*

It found support for all the hypotheses in the experiment.

Implications

Reference prices not only provide us with a useful guide for negative element (sacrifice needed on part of the consumer) as seen by the consumer but also provides us with possible positive elements such as price-quality inference. The research also implies that reference price may be related to product involvement of the consumer – here involvement is not mere temporary purchase-driven interest motivated by perceived risks but genuine involvement.

Limitations

The paper acknowledges that the sample itself was specialized and thus generalization may not be easy. Within the context of this assignment, the primary limitation might be the applicability to Indian car buying population.

Relevance

Up till this point the literature referred to were specifically related to reference prices. This paper was selected because it provides a broader base for the concept to be embedded in: that of perceived risk and product involvement. Hence this paper is highly relevant and adds the add dimension to the analysis that follows.

Application of the papers to the brands

Brands considered

For analysis the brands considered are: the Maruti 800, Maruti Alto, Maruti Zen Estilo, Maruti WagonR, Maruti AStar, Hyundai Santro, Hyundai i10, Tata Indica and Tata Nano. A brief description of the brands and their target segments follow. All prices are indicative and are taken from the base as ex-showroom Bangalore.

Maruti 800:

The Maruti 800 is the bottom end car of MSI. It is priced between 1.9 lakhs to 2.2 lakhs. It is a longstanding model and is not advertised heavily in the recent times. The imagery built around the car is that of a stable, reliable car that is safe and economical. It emphasizes peace of mind. The car comes in two versions – petrol and LPG.

The self-expression and family values that are the highlight of the communication seems to suggest that the profile targeted by the Maruti 800 is the psychographic profile of the “believers”. As noted in the overview section, this brand has seen a steep decline of about 62% in the last one year.

Maruti Alto:

The Maruti Alto is priced between 2.3 lakhs to 2.6 lakhs. The imagery built around the car is that of a “dream car” that is economical. It emphasizes having fun. The self-expression, fun and family values that are the highlight of the communication seems to suggest that the profile targeted by the Maruti Alto is almost the same psychographic profile targeted by the Maruti 800 (which is more conservative). The profile of “believers” seems suitable. Note that MSI has probably thought out a strategy to cannibalize and phase out Maruti 800 using the Maruti Alto. One reason based on the literature review done previously is that consumers may be unwilling to give the price warranted based on inflation and other factors were MSI to increase M800’s price, hence it may have been imperative to launch this new brand.

Maruti Zen Estilo:

The Maruti Zen Estilo is one of the offerings of MSI in the A2 segment. It is priced between 3.1 lakhs to 3.8 lakhs. The ads of the car highlight youthfulness and stylishness. The company is positioning the different form factor as the “oomph factor” that is stylish and fashionable. The imagery built around the car is that of a youthful, chic and fashionable.

The self-expression and youthfulness that are the highlight of the communication seems to suggest that the profile targeted by the Zen Estilo is the psychographic profile of the “makers”.

Maruti WagonR:

The Maruti Zen WagonR is another offering of MSI in the A2 segment. It is priced between 3.2 lakhs to 4.4 lakhs. The ads of the car highlight high utility and thus being “smart” to buy the car. The company is positioning the different form factor as smart way to commute safely and be convenient. The imagery built around the car is that of a youthful, sophisticated and smart.

The achievement and youthfulness that are the highlight of the communication seems to suggest that the profile targeted by the WagonR is the psychographic profile of the “strivers”.

Maruti AStar:

The Maruti Zen AStar is the newest offering of MSI in the A2 segment. It is priced between 3.4 lakhs to 4.1 lakhs. The ads of the car highlight high technology and thus best your money can buy. The company is positioning the car as high tech and a Sauvé car. The imagery built around the car is that of a youthful, trendy and high tech.

The achievement and youthfulness that are the highlight of the communication seems to suggest that the profile targeted by the AStar is the psychographic profile of the “strivers”.

Hyundai Santro:

The Hyundai Santro is the workhorse offering of HMI. It is priced between 2.6 lakhs to 3.7 lakhs. The ads of the car highlight family car that is high on reliability and is economical. The imagery built around that of first car (Santro-wale) is family oriented, reliable and economical.

The self-expression and family values that are the highlight of the communication seems to suggest that the profile currently targeted [in the past there were several other associations including celebrity endorsement that seems to be played down now] by the Hyundai Santro the psychographic profile of the “believers”.

Hyundai i10:

The i10 is the other offering of HMI in the A2 segment. The kappa version is priced between 3.9 lakhs to 5.4 lakhs. The ads of the car highlight stylish, high technology, durable and economical. The company is positioning the different stylish and economical car that is endorsed by a popular celebrity. The imagery built around the car is that of the said celebrity.

The achievement, style and self-expression that are the highlight of the communication seems to suggest that the profile targeted by the i10 is the psychographic profile like the “innovators” in a low resource way.

Tata Indica:

The Indica is the main offering of Tata Motors in the A2 segment. It is priced between 3.5 lakhs to 4.8 lakhs. The ads of the car highlight cutting edge technology and economical car. The imagery built around the car is that of a sophisticated, smart and success.

The achievement and high technology that are the highlight of the communication seems to suggest that the profile targeted by the Indica is the psychographic profile of the “strivers”.

Tata Nano:

There is no advertisements or imagery around the brand as of yet. The price is around 1.2 to 1.5 lakhs and entire positioning is based on this.

Application

<i>Paper Brand</i>	<i>Empirical generalizations From Reference Price Research</i>	<i>Consumer Perception of Price Unfairness</i>	<i>A Range Theory account of Price Perception</i>	<i>Reference Price and Price Perceptions: A Comparison of Alternative Models</i>	<i>Correlates of Price Acceptability</i>
<i>Maruti 800</i>	Maruti 800 has been around since a really long time. Hence the past price associations are strong. This must be considered whenever any pricing changes are to be made to this brand. Although past prices may not be “past purchase price” for durable goods like cars, it seems reasonable to assume some sort of price memory that may	The implication of this paper is strong on long standing brands like the Maruti 800. Consumers may not be willing to consider the effects of inflation in comparing the current price with the past price. Also, the competitor comparison may now evoke the	As range theory posits that a range or prices (high-low) are likely to be used as reference price rather than a single point price, it is important for a brand like Maruti 800 now to cue a different category than the category of Tata Nano. If Tata Nano were to be considered to be in the same	Range effects are likely to dominate in memory based references and frequency effects are likely to dominate in stimulus based reference. In a durables market like cars, both effects tend to show up as there is an internal price	Given that the 800 brand caters to people with low acceptability of prices the way for Maruti to sell more profitable variants of the model, they should probably build on price-quality attributions for the brand.

	be based on prices as remembered.	price of Tata Nano, which is significantly lower in price. Some of these reasons might be why MSI may be trying to cannibalize the 800 with models such as Alto.	category as the Maruti 800, then the evoked price range is likely to involve a low of 1.2-1.5 lakh, showing the 800 in a very bad light in absence of product quality attributions to price.	reference and there is an intentional search for information regarding products. Hence both range and frequency effects become important. For the Maruti 800, the price range is very focused and narrow. Hence the price is likely to be perceived as low in comparison with all cars other than Nano.	
Maruti Alto,	Maruti Alto also has been around enough to create price associations for it. Hence past prices are relevant when pricing. There is a need to consider expected future pricing every time a price discount is to be considered.	Maruti Alto has been around for some time now. Hence it is likely that consumers have a reference price already. Thus, it will remain a challenge to the company	Although Maruti alto may be sufficiently differentiated from 800, it is important for the Alto brand also to cue category membership clearly since any comparison to Tata Nano	Maruti Alto's price is unlikely to be frequently repeated as it is narrow and just above the 800's price level. Hence the frequency is likely to be seen as low. However,	Alto also caters to people with low price acceptability. So the strategy to increase sales in more profitable variants is to either increase the involvement of consumers in the product category (or

		to convince the consumers about any price hikes it will need to do in the future owing to inflation or firm's costs.	would be very bad in absence of quality attributions to price.	given the frequency distribution of prices in the category (without the Nano), it is likely to come out as low.	target consumers who are highly involved with the product already), or to make price-quality attributions.
Maruti Zen Estilo	Maruti Zen Estilo is a relatively new brand and may not have as many past prices in the minds of consumers. Hence the marketers have a little more liberty at tweaking prices or offering discounts for sales promotions, if need be.	Maruti Zen Estilo may not have strongly entrenched reference price as yet. However, given that consumers may view any increases in prices as unfair. It was imperative on the company to price the car right not only w.r.t., the competition but also considering any impact on costs in the near future.	It is important for the Zen Estilo brand also to cue category membership clearly since any it is important to that the evoked price range does not involve the Nano price which could lead to undesirable effects in absence of quality attributions to price.	Maruti Zen Estilo's price band also seems focused and narrow and it the price at which it is located occurs quite frequently in the category. Hence the reference price frequency distribution is to support the positioning as economically priced car.	Maruti Zen Estilo is trying to target customers who are involved in the category (it claims to customize cars to the styles of its consumers); it probably has higher latitude for price acceptability assuming the strategy is successful in the marketplace.
Maruti WagonR	Maruti WagonR has had a decent amount of time to create past price perceptions among consumers. Hence it is likely	Maruti WagonR has been around for decent amount of time now. Hence it is likely that	The Maruti WagonR's price at the lower end compares favorably with the competition. Hence it seems	While the price at the lower end of WagonR compares favorably with the competition,	Maruti WagonR seems to target people who are not as price conscious as the target segment for 800 or Alto. They seem less

	that tweaking of prices would need to take into consideration all things like loss aversion, expected future price etc.	consumers have a reference price already. Thus, it will remain a challenge to the company to convince the consumers about any price hikes it will need to do in the future owing to inflation or firm's costs.	like a good idea to cue the category price range – like the “sold elsewhere at” cur in retailing to build in a favorable price perception. It is, however, necessary to ensure that this is not attributed to price quality perception by the consumers.	the range is wide and the mean of the frequency of prices is centered on the mean of WagonR's price range. This means that most of the prices of WagonR models are likely to be recognized in stimuli based search. The brand managers need to take this into consideration.	price conscious and more utility oriented within the A2 segment. If this strategy is a success in the marketplace, then WagonR has higher latitude of price acceptability than the other brands of the Maruti company.
Maruti AStar	Maruti AStar is a new brand. The company has not, in its communication, emphasized that this car is an economical car. The positioning so far has been based on high-tech, trendy and youthful. Hence it is likely that reference prices are not formed for the brand specifically.	Maruti AStar is a new brand. Hence there is not likely that reference price for the brand is present in all the consumers' minds. Hence it is imperative for the brand managers to consider the pricing decision carefully while considering	The AStar brand's models have a very narrow band of prices and are focused. Hence if the range of reference prices evoked is wider than this, it would reflect favorably on the AStar's price. This could be exploited in the brand's communication.	The AStar's price range is narrow and the frequency of prices in the range would be high because the price is a little higher than the mean of the frequency distribution. This means that in stimuli based search, AStar is likely	AStar is trying to target people who are less price conscious and has similar advantages as listed in the WagonR.

	Hence the category-specific reference price (or band/frequency-distribution) is likely to be evoked. It is therefore crucial to cue in the category membership correctly.	possibilities for future price increases due to inflation or firm's costs.		to be seen as a slightly pricey model (w.r.t the category).	
<i>Hyundai Santro</i>	Hyundai Santro is a pretty old brand now and hence may have some really entrenched. It is imperative that brand managers consider the expected future price and the loss aversion if they are to tweak pricing, offer sales promotions etc.	Hyundai Santro has been around for quite a while now, and hence may have a very strong reference price. Given this, the company may find it hard to raise prices. Hence it may, in future, have to resort to cannibalization strategy. It may already be doing it with the i10 brand.	The Hyundai Santro brand has a very narrow & focused price band. Hence it is likely to fit in an evoked range of prices so long as the category association cues are proper. Same caution against being in the same category as Nano applies.	The Hyundai Santro brand has a very narrow price band and the frequency of the prices around this is good since it is a little below the mean. Hence it is likely to be seen in the lower end of the A2 segment, this is intended by the brand managers and needs to be managed for in the future.	Santro caters to people with low price acceptability, the communication emphasizes economical as one of the main themes apart from family values. So the strategy to increase sales in more profitable variants is to either increase the involvement of consumers in the product category (or target consumers who are highly involved with the product already), or to convince

					consumers to make price-quality attributions.
Hyundai i10	Hyundai i10 is relatively new. So far the brand communication has emphasized on trendy-ness, high technology and style. Hence the relevant reference price (range/frequency-distribution) may be taken from the category. Hence it is important to cue the category membership correctly.	The i10 is a relatively new brand. Hence the reference prices may not be very strong yet. It is imperative that the brand managers use the competition/category reference price along with the predicted increase in prices due to inflation, firm's costs etc when determining the pricing for the brand.	The i10 has a very wide price band, and the price difference between non-kappa lowest versions to kappa-highest version is significant. This does not help in brand specific reference price band creation. This could be detrimental in cases where the price of an extreme model is above or below the evoked reference price band (from memory). This could lead to adverse price-quality attribution or negative price appraisal.	The i10 has a very wide price band and the frequency distribution is sparse over the whole band. This is likely to confuse the positioning of the brand itself within the A2 category. This needs to be looked into by the brand managers.	Maruti Zen Estilo is trying to target customers who are involved in the category (it claims to customize cars to the styles of its consumers); it probably has higher latitude for price acceptability assuming the strategy is successful in the marketplace.
Tata Indica	The company has, through its communications made it clear that Tata Indica vista is economical; the	The Tata Indica brand has been communicated as being economical.	The Tata Indica's price band is well focused for the vista brand. However when	The Tata Indica has a focused price band; however the frequency	Tata Indica, as per the communication of the brand, is trying to emphasize value

	<p>legacy of the Tata Indica v2 is also the same. Hence the consumers already have a brand specific reference price and hence it is imperative that they take into consideration loss aversion and expected future price in all their future sales promotions and in tweaking the pricing.</p>	<p>Given that consumers are likely to underestimate the effects of inflation et al., on lower priced brands more than higher priced brands, the company will have a big challenge in the future dealing with the cost inflation.</p>	<p>the V2 version (which is extensively used in cab market) is considered the price band is wide. This could again pose the same problem of any extreme values lying outside the evoked range and attendant negatives. Brand manager of Indica has to deal with this important problem with respect to pricing.</p>	<p>distribution seems to indicate that the brand is positioned slightly above the mean, which is not in congruence with the economical car positioning. This needs to be looked into by the brand managers.</p>	<p>for money (more car per car). Hence it seems that the brand is trying to convince consumers to make price-quality attribution. This explains the brand's stand that it is economical while the actual price band seems to suggest otherwise.</p>
Tata Nano	<p>The positioning so far is based almost solely on price! Hence the company has set a very strong reference price and may find it hard to alter this in the future, should the need arise.</p>	<p>The whole positioning of the Tata Nano is based on price, at least, so far. It is also the lowest priced brand in the market. Hence the Nano brand manager will have an exceptionally hard problem of convincing the consumers about cost</p>	<p>The price range of Tata Nano is very narrow and focused. This reference price band itself is new to the consumer and the company is taking advantage of this.</p>	<p>Frequency of prices in the Nano range is non-existent and hence this it is likely to be seen as a very in-expensive brand.</p>	<p>Tata Nano is trying targeting presumably extremely price conscious consumers and will have commensurately low latitude of acceptability. Moreover, any attempt at price-attribution either by the marketer or by the consumer could lead to the brand being</p>

		inflation should it occur in the future.			perceived as very low quality and, in this category, increase the perception of risk (including post purchase dissonance regarding product utility and risk associated with safety etc)
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Application of a behavioral concept to a brand

Concept & Brand chosen

The last paper as applied to Tata Nano yields interesting result that any quality attributions made to the brand will likely cause the brand to be perceived as being of very poor quality (i.e., cheap versus inexpensive) and increase the perception of risk. This motivates the study of the concept of perceived quality as behavioral dimension that can be explored with respect to the Tata Nano brand.

Hence the concept chosen for this part is the **perception of quality** and **price/quality relationship** and the brand chosen is **Tata Nano**.

Summary of the concepts

To summarize the concept of **perception of quality**, consumers use intrinsic or extrinsic cues to perceive quality of a product. While they would like to believe that they form their opinions based on intrinsic cues, research has shown that they may base it on extrinsic cues as well. Important extrinsic cues include price, brand image, manufacturer's image, retail store image or even the country of origin. A study has also pointed out that consumers' perceptions of value, risk, trust, attitude towards the brand, satisfaction, familiarity, attachment, and involvement moderate the impact of country of origin and perceived quality.

To summarize the concept of **price/quality relationship** – consumers sometimes tend to rely on price as an indicator of the product quality. At times, products with lower prices may

be interpreted as being reduced quality. When consumers evaluate more concrete aspects, such as performance and durability, they rely less on price tag and brand name as indicators of quality than when they evaluate the product's prestige and symbolic value. Hence it is imperative for low priced product's marketers to counter any perception of negative quality. When the consumer is familiar with the brand name or has experience with the product, price declines as a determining factor in the product evaluation and purchase.

Application of concepts

An evaluation is made of various aspects that affect perceived quality for the brand Tata Nano in order to find any recommendations that may be useful to the brand managers of the said brand.

To look for intrinsic cues that consumers might find in the Tata Nano brand car, a few reviews of the car by a leading Indian TV news channel's review [9] and a technology portal of the brand were taken to come up with the following intrinsic cues:

1. Appearance is termed cute.
2. 15 liter fuel capacity
3. 624 cc, 34 bhp, four speed transmission
4. Top speed of 105 kmph, which Tata has deliberately capped for **safety** reasons.
5. Acceleration of 0-60 in 8.3 seconds
6. Mileage of 20 kilometers per liter.
7. 5 people can sit in the car
8. Dual color interiors.
9. Three spoke steering wheel.
10. Fabric seats and body color bumpers.
11. Stylized steel wheels.
12. Fog lamps
13. Central locks
14. Power windows
15. A/C with heater

In comparison with most other cars in the A2 segment, this list seems comprehensive and feature rich. Hence the perceived quality of the Tata Nano should not, theoretically, suffer because of the intrinsic cues.

Major extrinsic cues and how they relate to the Tata Nano brand is detailed below:

1. **Brand and manufacturer's Image** while the brand Nano is new, the brand Tata is one of the most reliable brands in the country. In the automotive domain (especially passenger vehicles segment), the Tata brand is very strongly associated with

- ruggedness, durability and hence build quality. But it has weak associations in terms of quality of materials used, driving comfort etc.,
2. **Country of origin** – India as a country of origin has dual images within India. It may be perceived with pride and considered to be great value for money (frugal engineering); the other possible image is that of not the greatest quality for least possible price. Tata Nano would have to work hard to cultivate the former image and distance itself from the latter.
 3. **Price** – the price of the Tata Nano, taken in isolation, can signal reduced quality. Marketers at Nano must take this up as the highest priority to convince consumers otherwise.

Given that it is imperative that brand managers need to, in earnest, try to signal high quality for Nano despite its price, we shall look at the moderating factors for quality image.

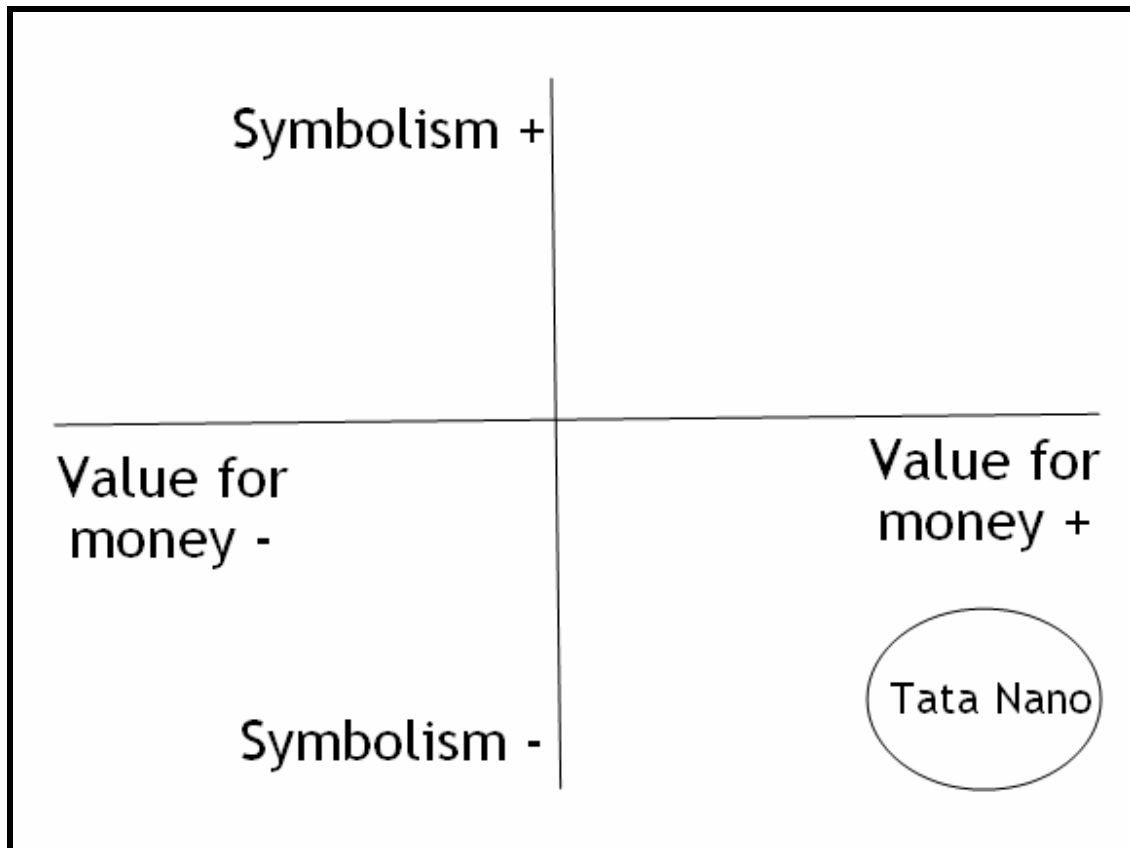
1. **Value** – the perception of value in this particular brand is particularly high since it is the creator of this new inexpensive car segment. Hence it is likely to give some latitude to brand managers.
2. **Risk** – the perception of risk in the brand could be high and this is an area where more research and attention of the brand managers is required. If the perception of risk can be brought down (say by publicized crash tests), the perception of quality would improve.
3. **Trust & attitude towards the brand** – this is strong positive for the Tata brand, since it is considered reliable and trustworthy brand, the quality perception might need little less attention than otherwise would be necessary.
4. **Satisfaction & attachment** – since these effects are mostly post-ante, they are not applicable to a brand whose products are yet to reach the market.
5. **Familiarity** – familiarity of the Tata brand is high, which helps the quality perception.
6. **Involvement** – the involvement of people who will buy the product as a first car is likely to be high (at least temporarily due to perceived risks), and hence it may have a rub off on the quality perception.

Recommendations to the Nano brand

1. Intrinsic cues are working already to the favor of the brand and do not need tweaking.
2. The country of origin association needs to be managed to bring forth the value for money association.
3. Leverage the Tata brand for trust and reliability associations.
4. Emphasize value for money in communications.
5. De-emphasize symbolic value and highlight tangible benefits such as fuel economy, reliability and value for money.

6. Encourage product trial as it will improve the quality perception and reduce the association between quality and price.

Final positioning of Nano



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