

## **The auto industry has ignored a revolution in the making.**

I'm writing from Mumbai, where a major milestone was achieved last week for the global automotive industry as a whole. Using entirely indigenous resources from concept to end-product, India's Tata Motors delivered on a promise they had made a few years ago. The shiny new Nano was unveiled with much fanfare across India, but it remains an event largely unsung everywhere else.

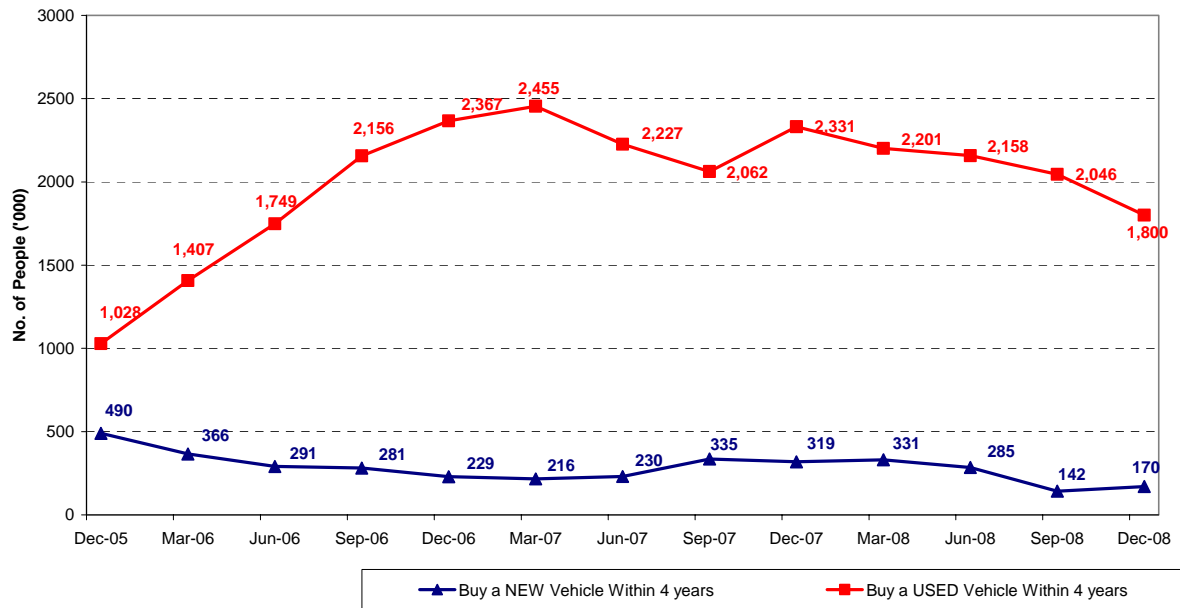
It is the world's cheapest car, at the remarkable price of two thousand US dollars. That's less than the cost of a modest two-wheeler in Indonesia. Exactly what it was designed to be, the people's car. Members of the international motoring press invited to test the car said they were impressed in many, many ways. "It was a very good ride, regardless of the price. At that price, it was an exceptionally good ride", said the motoring editor of a British newspaper after the launch. But in the world press, it has hardly received the attention it deserves.

Made to fit that unbelievably low price-point, the Nano has several new engineering marvels. At a time when gloom and doom has gripped the world, this little gem has captured the imagination of the world's second-largest population. It is a game-changer, at the cusp of the motorcycle and car markets. From the perspective of the middle-class, it has opened up a whole new world. It's birth has the potential to unsettle the automotive industry in Asia, offering the safety and comfort of four wheels at the price of two. In Indonesia, it could change the motoring landscape in the cities, towns and villages. If I was heading an automotive business here, I would be talking with Tata Motors for some form of partnership.

Critics had pounced on it long before it was born. It was lampooned as an unachievable dream, a death-trap at that price, a threat to the environment, an addition that would add to the congestion of city roads. I was among the non-believers. But this little automotive miracle needs to be applauded for what it is. It is a small car with a tiny price tag, capable of very big things. After all, it is not the responsibility of an automaker to provide adequate roads or to protect the environment. Those are societal issues for the people and their elected leaders to resolve, not for a company to deal with. It cannot be argued that only the rich who can afford an expensive car are entitled to the comfort and safety of four wheels. Having achieved this major breakthrough, Tata Motors are probably working on their next revolution. An electric version of the Nano, perhaps?

In Indonesia, the car market has remained in the doldrums seemingly forever while the motorcycle has raced ahead. Today, over 82 million Indonesians 14 years and older have a motorcycle at home, shared by the family. For cars shared by the household, that number is just over 4 million people. Had a financially viable alternative existed, the composition of the family-transport market could have been very different. The future holds no surprises either. Today, 1.8 million people are thinking of buying a used car, down from the recent high of 2.5 million people in March 2007. In contrast, 170,000 people are pondering whether or not to buy a new car, down from the recent high of September 2007. The car industry seems to crawl permanently, with a few bumps too many along the road.

**DEMAND FOR CARS, NEW & USED**



Overall, as a percentage of society interested in a set of four wheels, both the new and used car markets continue to shrink. When a recovery is made, it tends to be short-lived. In contrast, even though demand for motorcycles is also slowing down, it remains even now at very healthy levels. With over 7 million people thinking of buying a new motorcycle, the 2-wheeler industry is still riding high in these turbulent times. The obvious reality is that the motorcycle is used as a family transport in the developing world, instead of the out-of-reach car.

For the Nano's competitors everywhere, there are important lessons. As the global financial crisis rages on, new ways of doing things are going to break many of the old rules. Value for money is going to become a real concern again, not just tired old marketing spin. Across the board, this is a good time to introspect, to encourage fresh thinking. Without anything remotely revolutionary Toyota dominates the demand for new cars in Indonesia today, rendering Daihatsu a thing of the past. Honda's potential over the next four years is also growing, but small car specialist Suzuki continues to fall way short of its ability to grow the segment it commands in many countries, including India.

These conclusions are based on Roy Morgan Single Source, a syndicated survey with over 25,000 Indonesians 14 years and older interviewed each year. Almost 90 per cent of the population is covered, in the top cities, other urban and rural centres as well. That national database is updated every 90 days, tracking changes as they occur.

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