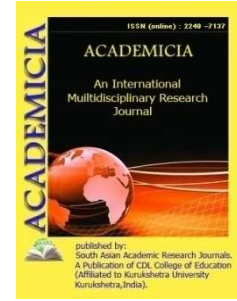




**ACADEMICIA**  
**An International**  
**Multidisciplinary**  
**Research Journal**  
 (Double Blind Refereed & Peer Reviewed Journal)



**DOI: 10.5958/2249-7137.2021.01726.2**

## THE ANALYSIS OF MARKETING STRATEGIES AND MARKET ENTRY TO THE COMPETITIVE MARKET (CASE OF LADA COMPANY IN UZBEKISTAN)

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### ABSTRACT

*Today's economic environment is rapidly changing, forcing companies to expand internationally. Foreign market entry has now become a well-studied topic among academics. When a firm enters a foreign market, crucial strategic decisions such as international market selection and entry mode selection must be made, and members of the management team are entrusted with making these complicated judgments that will set the company's path. There have been many studies showing that developing the strong strategies for entering to the market and based on this creating powerful marketing strategies can help company to succeed in the competitive market. SWOT analysis and interviews of Lada managers are used to comprehend the strategies of the LADA company used to enter Uzbek market and to ensure reliability of the findings.*

**KEYWORDS:** *Marketing, Expansion, Market Development, Market Entry, Barriers.*

### INTRODUCTION

In a variety of economic areas, developing countries are extremely appealing targets for international investment. To achieve operational success, foreign car businesses must modify their competitive posture, grasp suitable market potential, and uncover the relevant entry strategy to understand the external macroeconomic and social environment of the host country. In this article, the PESTLE and SWOT analysis of one of the well-known auto companies in previous USSR countries, LADA car company, are conducted to comprehend how the company has succeeded in Uzbek market and what kind of marketing strategies the company used to take place the leading position in the Uzbek market.

In the country markets to be served, an organization existing abroad or on the way to internationalization will choose safe, pleasant, and consistent political and legal environments. However, according to Muhlbacher, this ideal is hard to come by. "As a result, foreign marketers must create a reporting method to assess the extent of their company's political risk exposure in both served and future markets"

## LITERATURE REVIEW

### Market Entry & possible barriers

Leihs argues that "a market entry mode is the general way a company plans to enter a new country market, for example through selling its goods to an importer or through direct investment in a production facility and a distribution system." More practically this implies that in 2015, Russian Lada company could either go into direct exporting with Uzbekistan or take a more courageous and high-risk decision to create a franchise in that country. The latter is said to be risky because of the different considerations to be made while making that choice and this will require a clear and well detailed contract section to be formulated and fully respected by parties, franchisee and franchisor. Therefore, from 2015 Uzbekistan started to import Russian Lada company's cars what led to its entrance into Uzbek market. In addition to this, in 2020 some opportunities were opened to the car manufacturing companies. As a result, one of the most popular auto companies, Kia has started manufacturing cars in Uzbekistan. As the companies of Lada, Kia and Renault are one group company, in the near future Lada company will start manufacturing its cars in Uzbekistan as well. Considering all above mentioned it can be said that the degree of success remains in the quality of the practical marketing communication strategies put in place.

### Product & pricing

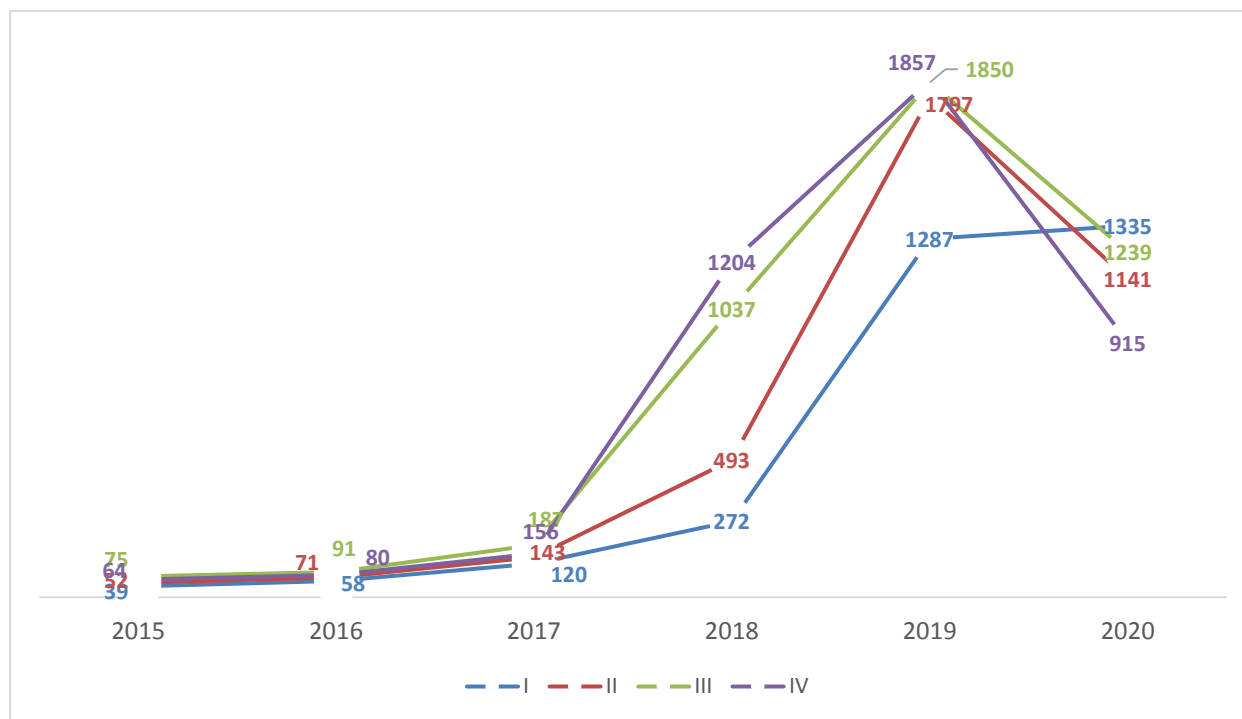
This is obviously one of the most important areas of firm marketing efforts. The marketing communication and strategies generally represent the output and conclusion of the market research undertaken to get better insights of the potential market and then take adapted and advised measures to have a good entry into the new market. This is the main reason why it is necessary to make enough and profound research about the market in the preliminary stage of such project. According to the manager of Lada Uzbekistan Company, before entering to the market our marketing manager has done some research of Uzbek culture and the study reveals that the customers are very price sensitive. Most of the people in Uzbekistan compare price of their national brand cars Uz Auto Motors (previous General Motors) to foreign brands like Lada while buying a car. Therefore, Lada Uzbekistan has been setting attractive prices for cars. For instance, according to Sulonov X., director of Lada dealership in Bukhara, the price of Crossover cars like Vesta SW Cross and X-ray Cross is set little less than its competitor including Tracker, Kia Seltos, Hyundai Creta. After doing test-drive people find these cars more suitable and affordable. From this it is obvious that price sensitivity is typical for Uzbeks and the reason behind can also be the relatively low income of the population. It is found that people normally tend to use substitutes products such as used cars since they are sold at lower prices than a bright new car. This means that car dealers are faced by some kind of concurrence once on the market. Therefore, this buyer power must be faced by using more proactive actions such as employing strategic pricing methods based on the total delivery cost, the market (customer's income and purchasing power & the completion) and the current macro-economic factors. On

the target market the macro-economic factors, that is, government controls, tariffs and other risks are quite low, hence, according to current research it is appropriate to apply differentiation in Lada cars plus lower price for them. Product design must be handled with precision. This means that car must be designed with regard and consideration to customer taste. Marketers of Lada Uzbekistan claims that as a result of the fast development of globalization in the world, people's taste is changing day by day and it became hard to match customer needs. Therefore, to satisfy customer needs, Lada Company has excluded most of its old stylish cars from manufacturing since it does not meet current demand of the customers. Predominantly, Lada Uzbekistan is importing best-selling cars since the design of these cars are made based on the joint of European and Japanese car brands Renault and Nissan respectively.

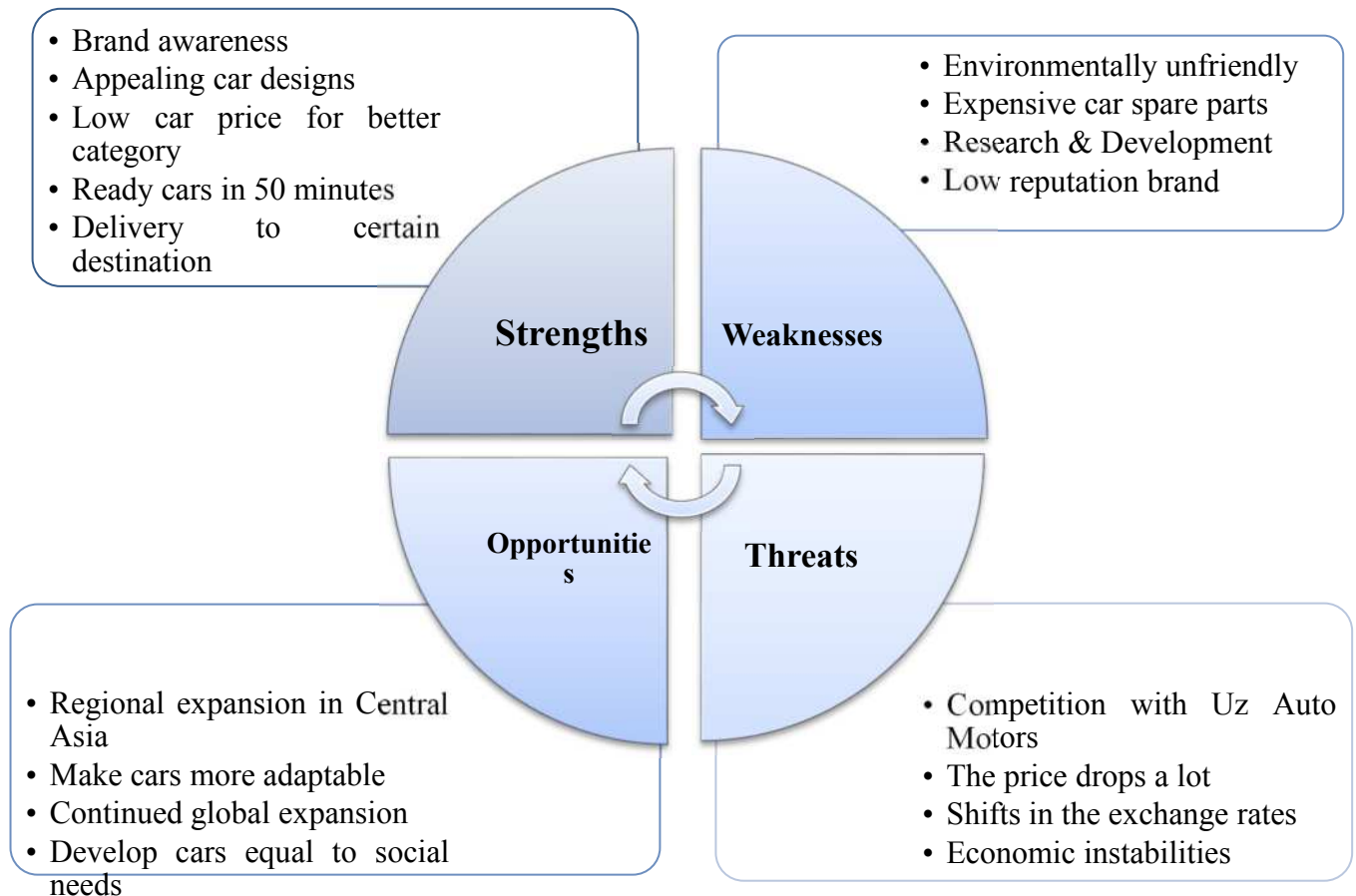
### **Promotion, media and public communication**

Promotion is also an area to be considered cautiously because of the difference between the Russian culture and the Uzbek culture, norms and values. It is therefore important to assess various areas such as more suitable communication medium to get at maximum the right target market which will avoid bad advert campaign. "Sales promotion tools that provide information are particularly important in internationally marketing technical products and services to organizational buyers", argued Muhlbacher (2006, P.641). Lada Uzbekistan Company uses promotional activities such as displays, trade shows and exhibitions, product demonstration to firstly attract customer's attention. For example, on 12<sup>th</sup> of March, 2016 Lada Uzbekistan demonstrated Lada Vesta in Tashkent, which evoke positive views of people about this brand. And in order to strengthen connection between customers and the company, marketers offered to organize a trade show of new Lada Vesta inside and outside of the car showroom and to organize a product demonstration like test drive for customers. Thereafter, the company started to participate in one of the well-known TV programs "Boriga Baraka" which has a huge number of viewers. According to the top manager, the number of people in Lada car showroom has rapidly increased which results in a positive effect on sales. Moreover, the winning strategy of Lada Uzbekistan Company is the utilization of different kind of promotions including "Second Lada in family", "up to 25 million soums discount for "Leasing", "8<sup>th</sup> March", "9<sup>th</sup> May", "Credit for one year without interest on Ramadan month" and so on.

An organization's ability to compete efficiently in this competitive environment depends on its ability to effectively use marketing communication as a tool for promoting sales of the company's goods. As it can be seen from the graph that the sales trend of Lada cars from 2015 to 2020 is almost the same. In addition, from 2015 to 2017 there was slight increase in sales while from 2017 to 2019 there is a boom in sales. According to sales managers of Lada Uzbekistan and Lada Bukhara, the sales of Lada company got boom from 2017 to 2019 because different types of sales promotions were used and the number of dealerships across Uzbekistan has rapidly increased. It is very intriguing that in the first quarter of the 2020 sales were higher than the rest three quarters and it was as a result of upset of the 2020, Covid-19. According to Udyavar M, global passenger car volumes are expected to drop to 60.5 million units in 2020, down from a high of 79.6 million units in 2017.

**Figure 1.** Sales of Lada cars in Uzbekistan (by quarters)

Car prices fell 30% in March 2020 relative to the previous year, and auto plants have been closed for more than a month with no definite deadline for reopening.

**Figure 2.** Lada Uzbekistan Company: SWOT analysis

This is a comprehensive assessment of a company's Strengths, Weaknesses, Opportunities, and Threats. While analyzing a firm's potential risks and prospects, the study looks at both current and future situations. The goal is to concentrate as much as possible on the positives while minimizing the disadvantages. Term risks may be potential vulnerabilities in hindsight, while future prospects could be potential strengths; this helps a company prepare for various possible scenarios.

### Conclusion and recommendation for this part

The main issue raised in this part is the assessment of a market opportunity for the new, Russian giant of the car industry as a necessary contribution to their global expansion. Uzbekistan as a country represents a strategic pole for the Lada Company though it exists some barriers and important consideration to refer to before making any entry decision. That is, the market is good for its growing and political stability but economic climate still creates some fear to marketers. However, an adaptable marketing communication strategy are key and critical marketing aspects marketing managers have to consider when making a market entry choice. Muhlbacher et al recommended two important actions for international marketers to be successful. These include, having a clear political understanding and know what political parties

and interest group exist in the country market and also what their goal are and how much influence their can exert on the local government. It can be summarized that applying a proper marketing communication tools positively impacts on sales of the company.

□ Lada Uzbekistan Company is facing a strong competition which requires the industry to undertake more pro-active actions for sustainability's sake and for the industry to achieve its goal of being the global market leader, and this is possible by engaging the industry in a more aggressive competition to win the 'battle' against the western car manufacturers.

□ Lada Uzbekistan Company is facing a strong competition which requires the industry to undertake more pro-active actions for sustainability's sake and for the industry to achieve its goal of being the market leader in Uzbek market, and this is possible by engaging the industry in a more aggressive competition to win the 'battle' against the national car manufacturers, Uz Auto Motors. Uzbekistan as a Central Asian country represents therefore a strategic golden and 'narrow' gate for the Russian Lada car manufacturers to get their footprint on the Central Asia including Uzbekistan.

□ Marketing managers will therefore need to carry appropriate and accurate market research to find the exact taste of the target population and manufacture the cars to satisfy the needs of the market. Appropriate marketing communication campaigns must be decided and done.

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