



## SEGMENT ANALYSIS OF THE CAR MARKET OF UZBEKISTAN

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### Abstract

The article describes that the majority of the costs of automotive industry enterprises on a global scale are the organization of high-tech and scientific production, the development of a marketing strategy for international markets, the implementation of a marketing strategy, scientific research aimed at ensuring investment potential and competitiveness is carried out on a large scale. The task of state regulation is to form and develop an effective innovative state policy, a national state program for the competitive development of the automotive industry, which includes support for the spread of benchmarking.

**Keywords:** benchmarking, competitive, automotive industry, market research, UzAuto.

### Introduction

The scientific works of scientists substantiate the need to use benchmarking to increase the competitiveness of domestic enterprises in the automotive industry, optimize the volume and composition of imported products, and support local manufacturers. In 2022, 85,016,728 cars were produced worldwide, of which 95.8% were passenger cars. In total, in 2022, 333,569 cars were produced in Uzbekistan, of which 328,118 were passenger cars, 5,451 were commercial cars<sup>1</sup>.

Marketing tools are widely used in the world in the automotive industry, the production of electric vehicles, the development of hybrid and alternative energy engines, ensuring the competitiveness of automotive enterprises based on price and quality policies, the introduction of 6 Sigma, Kaizen, research is being conducted on Kanban systems in the automotive industry and the development of marketing strategies<sup>2</sup>.

This issue is aimed at ensuring the stability of the national economy and increasing the share of industry in the gross domestic product in order to implement the section “Accelerated development of the national economy and ensuring high growth rates” in the Development Strategy of New Uzbekistan for 2022-2026, continuing industrial policy and increasing the volume of industrial production 1.4 times. One of the important tasks is to increase production volume by 1.4 times, export volume by 2 times and increase the level of localization through the further development of cooperation in the automotive industry, increasing the car production capacity of the Khorezm regional branch of UzAuto Motors JSC from 70,000 to 100 000. Effective implementation of these tasks requires the development

<sup>1</sup> <https://www.oica.net/category/production-statistics/2022-statistics/>

<sup>2</sup> Sharapova, N. (2023). TADBIRKORLIK SUBYEKTLARI FAOLIYATIDA RAQOBATCHILAR TADQIQOTI. *Iqtisodiyot Va ta'lim*, 24(2), 197–202. [https://doi.org/10.55439/ECED/vol24\\_iss2/a31](https://doi.org/10.55439/ECED/vol24_iss2/a31).

and improvement of benchmarking strategies at enterprises in the automotive industry of Uzbekistan<sup>3</sup>.

### **Literature review**

D. Aaker, V. Kumar, F. Kotler, Kh.Dzh. Harrington, B. Andersen, K. Robert, Gregory H. Watson, Dj. Traut, E. Rice and others in their scientific works proposed marketing strategies aimed at ensuring the competitiveness of the enterprise and maintaining its position in the market based on the improvement of product quality.

Philip Kotler describes benchmarking as “the process of comparing a company’s products and processes with competitors or leading firms in other fields in order to find ways to improve work efficiency”<sup>4</sup>. B.B. Andersen, on the other hand sees benchmarking as a continuous business measure and comparison of the lead organization with the lead data gathering organization, which helps the company in question determine its improvement goals and take steps to improve performance<sup>5</sup>.

CIS economists Gaponenko A.L., Pankrukhin A.P., Bakhramov Yu.M., Glukhov V.V., Azoev G.L., Aleshnikova V.I., Ansoff I., Golubkov E.P. conducted scientific research on marketing strategies aimed at increasing the competitiveness of the enterprise. Another group of scientists E.A. Knyazev., Ya.Sh. Evdokimova, A.M. Chernopyatov, E.A. Mikhailova, M.R. Mikhailova, Yu. N. Solovyova and others studied the practical aspects of competitiveness problems based on the organization of innovative marketing and benchmarking at automobile enterprises<sup>6</sup>.

The segmentation analysis of the car market in our country was studied by a number of researchers Akramov T., Boboev L. Dj and others.

In particular, economist L. Dj Boboev in his scientific work proposed a marketing strategy based on the scientific results of the Lada brand's position in the domestic market of our country. In this study, we will carry out the segment analysis of the automobile market of our country based on open sources (OECD, STAT.UZ, ILO, Center for Economic Research and Reforms, uzautomotors.com, uzavtosanoat.uz, etc.) and the results of the scientific work of local researchers.

### **Methods**

The methods of scientific abstraction, induction and deduction, economic-mathematical modelling, expert evaluation, survey, and factor analysis were used during the research. We also used internal, strategic and competitive benchmarking, analysis of import and export transactions.

### **Results and discussion**

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<sup>3</sup> Sharipov, K., Abdurashidova, N., Valiyeva, A., Tuychieva, V., Kholmatova, M., & Minarova, M. (2022, December). A Systematic Mapping Study of Using the Cutting-Edge Technologies in Marketing: The State of the Art of Four Key New-Age Technologies. In International Conference on Next Generation Wired/Wireless Networking (pp. 381-389). Cham: Springer Nature Switzerland.

<sup>4</sup> Tsybul'skaya E.V. Proceedings of MSTU "MAMI" No. 4 (18), 2013, v. 1

<sup>5</sup> Eigenmann, Rudolf, 2001. Performance Evaluation and Benchmarking with Realistic Applications. The MIT Press. P. 22.

<sup>6</sup> Knyazev Ye.A., Yevdokimova Y.Sh. Benchmarking dlya vuzov: Uchebno-metodicheskoye posobiye. - M.: Universitetskaya kniga, Logos, 2006. – 208s.; Chernopyatov, A. M. Benchmarking: uchebnoye posobiye: [16+] / A. M. Chernopyatov. – Moskva ; Berlin : Direkt-Media, 2018. – 154 s.; Mixaylova, Ye.A. Osnovi benchmarkinga / Ye.A. Mixaylova. – M.: Yurist', 2002. – 109 s.; Mixaylova, M. R. Benchmarking – universalniy instrument upravleniya kachestvom / M. R. Mixaylova // Metodi menedjmenta kachestva. – 2003. – №5. – S. 18–21.; Solovyeva, Y. N. Konkurentniye preimushstva i benchmarking : uchebnoye posobiye dlya bakalavriata i magistraturi / Y. N. Solovyeva. 2-ye izd., ispr. i dop. — M. : Izdatel'stvo «Yurayt», 2018. — 131 s.

Due to the fact that the population of Uzbekistan is the largest in Central Asia, the entry of international automobile corporations into the Uzbekistan market is becoming increasingly interesting. Although many international automobile companies, including Volkswagen Group, Renault Group, Hyundai Group, etc., have very high sales turnover and experience of fierce competition, they always conduct in-depth market research and successfully conduct research to implement market marketing strategies.

On January 23, 2023, UzAuto and BYD officially registered the joint venture BYD Uzbekistan Factory LLC, which is engaged in the production and sale of vehicles powered by new energy sources<sup>7</sup>.

“BYD Factory in Uzbekistan” became the first cooperation project between the Chinese giant BYD for the production of electric vehicles outside the country. This, of course, is one of the positive assessments given to the Uzbek automobile industry.

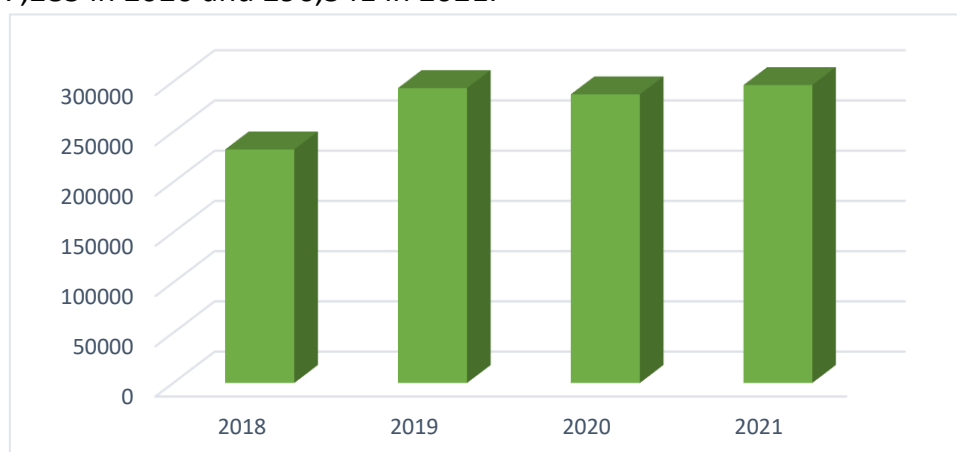
The main directions of the joint venture are the supply, production and sale of BYD vehicles powered by new energy sources to Uzbekistan. As a result, the full production cycle of BYD cars will be launched in Uzbekistan in the near future.

"BYD Uzbekistan Factory" wants to introduce to the Uzbekistan market, in addition to electric vehicles, plug-in (PHEV) hybrid electric vehicles, which are considered the most popular under the BYD brand. Cars of this type are capable of traveling more than 1000 kilometers on a single charge and refueling.

The company is studying the Uzbekistan market in order to stimulate trade and survive in a competitive environment, focusing on several factors such as market size, consumption and production volume, import and export.

Analyzing the car market of Uzbekistan, according to statistical data, in 2018 the total volume of the car market in Uzbekistan was 242,231 units, in 2019 this figure was 299,201 units, in 2020 it reached 324,407, in 2021 - 241,649.

It follows that the total car consumption in Uzbekistan was 232,443 in 2018, 293,555 in 2019, 287,285 in 2020 and 296,541 in 2021.

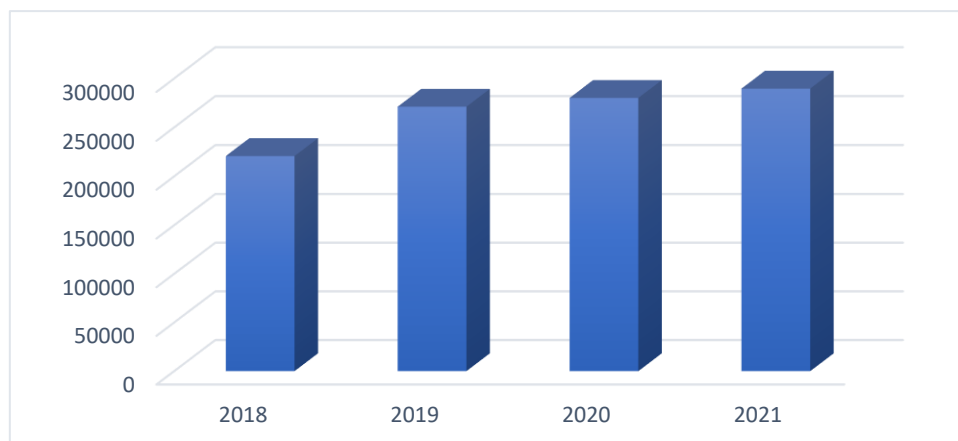


**Figure 1. Total volume of car consumption in Uzbekistan in 2018-2021 yy., pcs.<sup>8</sup>**

<sup>7</sup> Avezimbetovich Sharipov, K., & Alisherovna Abdurashidova, N. (2021, December). Benchmarking strategy for industrial enterprise development. In The 5th International Conference on Future Networks & Distributed Systems (pp. 318-322).

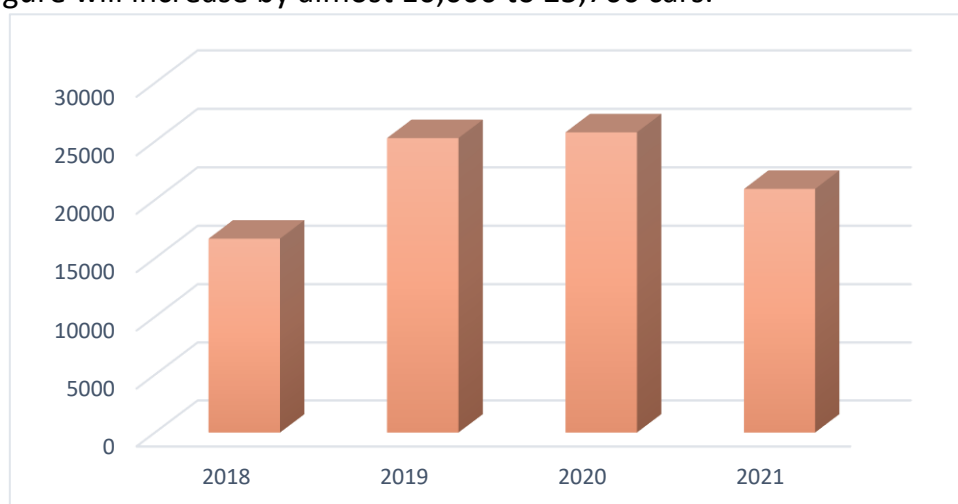
<sup>8</sup> <https://stat.uz>.

Another important factor of the market research is the analysis of the production volume of national car manufacturers in Uzbekistan, which shows an increase from 220,667 in 2018 to 280,080 in 2020.



**Figure 2. Volume of car production in Uzbekistan in 2018-2021, pcs.<sup>9</sup>**

The total number of cars imported into Uzbekistan in 2018 was 16,670 cars, and by 2020 this figure will increase by almost 10,000 to 25,766 cars.



**Figure 3. The number of cars imported to Uzbekistan in 2018-2021, pcs.<sup>10</sup>**

As shown in Figure 3 Uzbekistan's total exports from 2018 to 2021. In the first two years, the export volume was small, but the last two years show a sharp increase in export volumes, as Uzbek cars are among the cheapest cars. Moreover, due to the shortage of semiconductors in the world, the production of automobiles in the world has decreased, which has also encouraged foreigners to import cars from Uzbekistan.

As mentioned above, taking into account that the price is the main factor in the analysis aimed at forming a customer portrait based on Hofstede's cultural criteria, the price range was divided into segments in order to attract consumers in the national car market based on the car classification methodology developed in cooperation with the world-famous Harvard University and the Boston consulting group.

<sup>9</sup> <https://stat.uz>.

<sup>10</sup> <https://stat.uz>

According to the methodology, cars are divided into "budget" (up to 10 thousand US dollars), "popular" (10-50 thousand US dollars) and "premium" (more than 50 thousand US dollars). However, since this method is based on the price situation in developed countries, there is a possibility that the result obtained in the conditions of income inequality may be unreliable. Therefore, the Organization for Economic Co-operation and Development (OECD) used purchasing power in a comparative analysis and re-segmentation according to the ILO (ILO) methodology for calculating average monthly nominal income.

In 2020, the average nominal income in terms of purchasing power parity in the world was 1,851 dollars, while in the corresponding period in our country this indicator was 2,227 thousand soums (\$ 226) or 1.93 units in terms of purchasing power parity and the difference in ratio was \$958.

Therefore, in the proposed marketing strategy, special attention should be paid to price competition, especially to be ready to compete on price with the main competitor and "market maker" brand "UzAvto", and at the same time to attract customers by reducing the cost. Several solutions aimed at maintaining quality and profitability are presented.

**1-table**

**Volume of industrial production by type of economic activity (billion soums)<sup>11</sup>**

|  | 2018 y           | 2019 y           | 2020 y           | 2021 y           | 2022 y           |
|--|------------------|------------------|------------------|------------------|------------------|
| <b>Volume of production</b>                        | <b>235 340,7</b> | <b>322 535,8</b> | <b>368 740,2</b> | <b>456 056,1</b> | <b>551 050,9</b> |
| Production of vehicles, trailers and semi-trailers | 26 631,3         | 33 091,2         | 33 594,9         | 32 167,6         | 51 065,5         |
| Production of other transport equipment            | 504,8            | 818,3            | 879,3            | 1 137,6          | 1 586,7          |

The volume of production by types of economic activity was 235 340.7 billion soums, and by 2022 it was 551 050.9 billion soums (Table 1).

In April 2022, 129 100 motor vehicles were state-registered, which is 104% more than in April last year (63 300). At the same time, the volume of sales increased by 15.1% compared to March of this year.

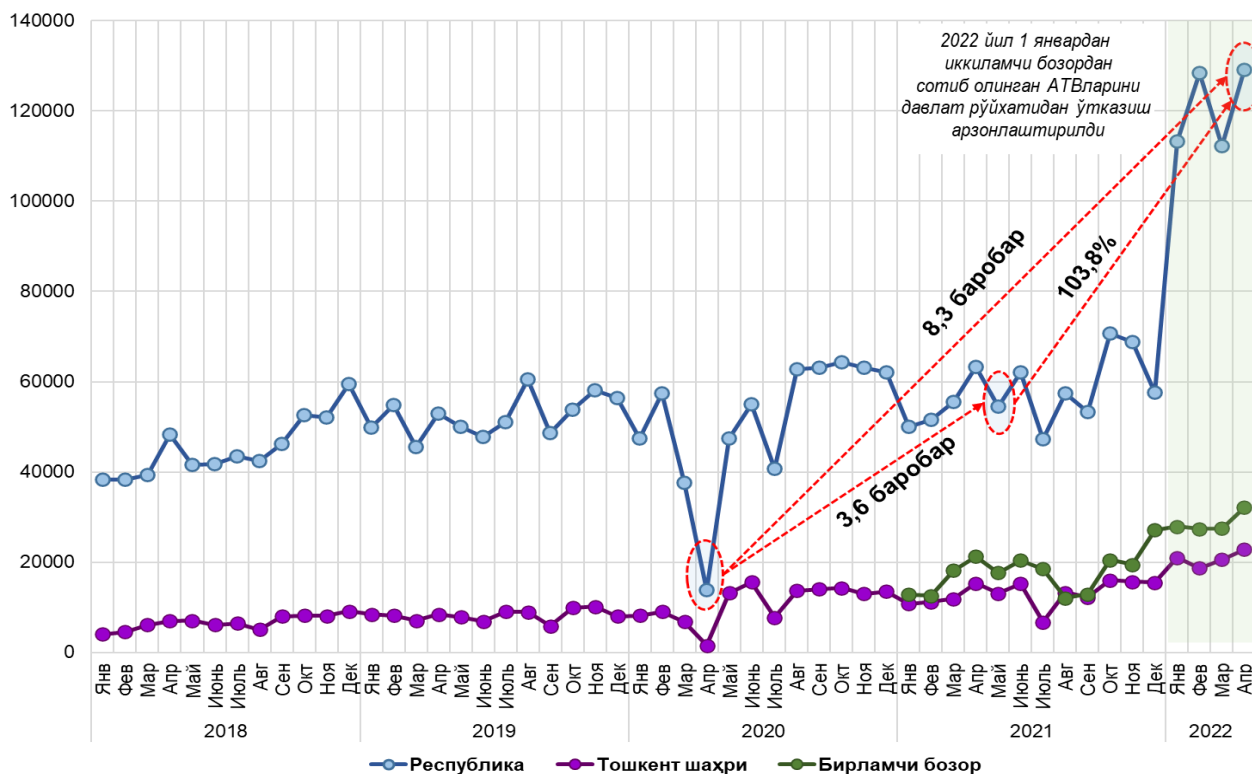
Starting from January 1, 2022, the cost of state registration of cars purchased from the secondary market has been reduced, and the impact of these changes continued in April. In 2021, an average of 40,000 vehicles were sold on the secondary market per month, while in April of this year, this figure was 96,900 units, in January - 85,300 units, in February - 101,000 units, in March reached 84.7 thousand pieces per month.

The number of cars purchased in the primary market amounted to 32,100 units and increased by 16.9% compared to March (27,500). Car sales increased by 51% compared to April 2021 (21,300).

Compared to March, a significant increase in sales of new cars was observed in Namangan (77%), Kashkadarya (38%), and Tashkent (37%) regions. At the same time, a decrease was noted in Samarkand (-4%) regions.

Reorganization of the automotive industry of Uzbekistan will be a logical continuation of the reforms that have been implemented since 2018 under the initiative of «Uzavtosanoat» within the framework of the policy of the leadership of our country aimed

at fundamentally reforming the economy, accelerating the development of industry, and reducing the state's participation in economic activity.



**Figure 4. Changes in the number of registered and re-registered vehicles 12**

An increase in the volume of production, a significant increase in tax payments to the state budget, an increase in the level of localization and the introduction of the principle of transparency in trade processes are the initial results of the ongoing reforms.

The joint implementation of the transformation program of the industry will create the necessary economic conditions for the reform of the automobile market and the competitive environment in our country through the transformation and gradual privatization of "Uzavtosanoat" and its constituent enterprises.

The transformation office was established with the participation of Boston Consulting Group (BCG), as well as highly qualified foreign and local experts with many years of management experience in leading international automobile concerns such as Daimler, Fiat and Porsche. The participation of such specialists in the process of transformation allows to creation a competitive and effective business model in the conditions of market relations. In addition, in the process of transformation, it is planned to abandon the old model of industrial management and to modernize production and business processes that directly affect the quality and volume of products.

The development of new directions of production and the increase of localization level to 70% will be the result of effective management. This, in turn, allows to reduce the retail price of the product. From the first stage, this program envisages the start of production of models such as Chevrolet Tracker and Onix.

The growth of production indicators also gives a positive dynamic to all incomes to the state budget of the automotive sector, the share of which has grown significantly in

recent years. Despite the conditions of the pandemic, in 2021, UzAuto Motors JSC, one of the 80 industry enterprises, entered the top ten taxpayers of the country.

The first meeting of the transformation office was held with the participation of the Ministry of Finance of the Republic of Uzbekistan, the Ministry of Economic Development and Poverty Alleviation, as well as international experts from the Boston Consulting Group (BCG).

The transformation process outlined in the "Self-Industrial Development Strategy" produced jointly with Boston Consulting Group (BCG) is carried out in the following 7 directions<sup>13</sup>:

1. Trade and marketing;
2. Cooperation and privatization with new manufacturers;
3. Working with buyers and suppliers;
4. Improvement of production processes;
5. Coordination of working capital;
6. Improvement of financial indicators;
7. Digitization and introduction of information technologies.

Within the framework of the transformation strategy and program, the following stages are defined:

In 2021-2022, transformation of «Uzavtosanoat» and its constituent enterprises, as well as optimization and privatization of current operational activities (corporate management, production, finance, sales and after-sales service);

In 2022-2025, together with partners, launch the production of new popular car models, as well as halve the time spent on production, increase the level of localization to 70%, prepare for the production of electric cars, and step by step «Uzavtosanoat» sale of shares of structural enterprises to the private sector.

In 2021, the highest growth rates in terms of regions were observed in Samarkand and Surkhandarya regions.

### **Conclusion**

It is proposed to implement a number of measures and mechanisms to achieve the set goals. The main ones are:

1. In order to increase the competitiveness of the manufactured product and improve its consumer characteristics, the following projects are implemented:
  - about changing the design of cars, developing specific components for mass production;
  - on the renewal of car models due to the production of new types of affordable passenger cars;
  - design and development of technological equipment, conducting experiments, introduction of production process analysis;
  - approximation of local technical standards of automotive products to international standards and requirements.

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<sup>13</sup> Sharopova, N. (2022, December). Linking the potentials of customer behavior focused digital marketing technologies and entrepreneurship growth: Developing an analytical hierarchy process framework of business growth supported by digital marketing technologies. In Proceedings of the 6th International Conference on Future Networks & Distributed Systems (pp. 376-380).

2. Mastering the production of rolled steel, automobile tires, aluminum parts from secondary aluminum and other materials at local enterprises in order to deepen the level of localization<sup>14</sup>.

3. The policy of regulating export-import operations envisages a step-by-step transition from the tariff procedure to notarial measures to protect the interests of local producers. This means a step-by-step transition from high customs fees to notarial measures when importing a car.

4. In addition to increasing the volume of exports to the CIS countries and neighboring countries, developing the markets of Eastern Europe, South Asia, the Middle East and Africa.

5. Step-by-step sale of the state company «Uzavtosanoat» JSC's share in production enterprises to private investors, mainly foreign investors.

6. Creating the necessary infrastructure for the organization of the production of electric cars and their wide popularization among consumers in the territory of the republic.

7. To further develop trade in the domestic market, introduce a "single window" system in the process of selling cars and car components. This system provides the client with the opportunity to apply for a car loan, car insurance, registration, obtaining a license plate for a car, "trade-in" service and other types of services in a simple order.

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