

**THE ANALYSIS OF COMPETITIVENESS OF THE PRODUCTS ON THE MARKET OF  
AUTOMATIVE INDUSTRY (IN CASE OF UZAVTOSANOAT STOCK COMPANY)**

**By**

**HOLMATOV, BUNYOD MUHAMMADNOSIROVICH**

**THESIS**

Submitted to  
KDI School of Public Policy and Management  
in partial fulfillment of the requirements  
for the degree of

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## **ABSTRACT**

### **THE ANALYSIS OF COMPETITIVENESS OF THE PRODUCTS ON THE MARKET OF AUTOMATIVE INDUSTRY (IN CASE OF UZAVTOSANOAT STOCK COMPANY)**

**By**

**Bunyod Holmatov**

For the last decades within the automobile industry, it is vital that companies adequately compete for consumer sales. With the industry struggling due to the current economic conditions, as well as a push for environmental sustainability, companies have to come up with new competitive strategies. There are 6 major ways that a company can give themselves an advantage over others. They are cost, quality, service, brand, innovation, and convenience. The current research is focused on competitive issues in economy of Uzbekistan, in particularly, automobile industry of Uzbekistan.

This report analyses recent automotive market and its competitiveness in Republic of Uzbekistan and outside of it, and shows how the development of the automotive industry influenced the economy's productivity and growth. The study also contains conclusions related to improving competitiveness of products and suggestions for government of Uzbekistan.

Keywords: Competitive product, Automobile industry, Government policy, Stock Company "Uzavtosanoat", GM-Uzbekistan,

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# I. INTRODUCTION

## 1.1. Relevance of the topic

Automobile factory in Asaka is a vivid reflection of the achievements of independence, the indicator of creative, intellectual and labor potential of Uzbekistani people. Joint-stock company "Uzavtosanoat" created overseas dealer network for sales of Uzbek cars. Its first-born dealer companies were established in the Russian cities of Yekaterinburg and Kazan. Later they were joined by Moscow, St Petersburg, Novosibirsk, Tyumen, and Saratov. Launch of this plant led to the creation of the production and supply infrastructures not only in the Andijan region, but throughout Uzbekistan, as well as in neighboring regions. New businesses and organizations appearing around this center will contribute to Uzbekistan's worthy place among the 28 developed countries that produce competitive cars, and the recovery of the country's economy, the rapid growth of GDP. As the President of the Republic of Uzbekistan Islam Karimov at the meeting of the Cabinet of Ministers in 2010 told: "The most important priority for the implementation of economic program for 2010 should be a continuation of the policy of deepening structural reforms to ensure economic growth of the country's competitiveness"<sup>1</sup>

In order to increase the competitiveness of the automotive products of Uzbekistan it became necessary to conduct a more thorough analysis of the automotive industry, research of the automobile market of competitive republics in this area.

It is known that the automotive market in particular and changes in it make it differ from other markets. Consequently, the need for analysis of competitiveness of enterprises in the market of the automobile industry in Uzbekistan identified the topic of final thesis.

## 1.2. The purpose of the study:

The purpose of this paper is to analyze the competitiveness of enterprises in the market of the automotive industry in Uzbekistan, as well as working out evidence-based recommendations for improving the competitiveness of automotive products of "Uzavtosanoat".

## 1.3. Objectives of the study:

To achieve this purpose, we identified and resolved the following functions:

- explore the concept of competitiveness in marketing;
- investigate the basic principles for evaluating the competitiveness of products;
- consider the competitiveness and quality, and their place in the marketing strategy;

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<sup>1</sup> Report by the President of Uzbekistan, I.Karimov at the Meeting of the Cabinet of Ministers dedicated to the results of socio-economic development of the country in 2009 and essential priorities of economic program for 2010// The newspaper "Narodnoeslovo" (The Voice of the Nation) № 21/ 30.01.2010

- analyze the structure and condition of "Uzavtosanoat";
- make a SWOT analysis and identify a strategy of "Uzavtosanoat" SC;
- assess the competitive advantage and competitiveness of "Uzavtosanoat";
- Identify ways to improve competitiveness of "Uzavtosanoat"

#### **1.4. Literature Review**

The concept of competitiveness has been studied by researchers from variety of perspectives using different methodologies. Though there is a large volume of literature on the subject, there is a dearth of systematic reviews of the extant literature.

Study is based on research of local and foreign scientists on the study of the relationship between economic factors and the level of automobile production and their systematization. During the study I used the materials published on the web-sites of international economic organizations, representative office of the UNDP in Uzbekistan, and the Center for Economic Research of the Republic of Uzbekistan, as well as the current legislation of the Republic of Uzbekistan, decrees of the President of the Republic of Uzbekistan, decrees of the Cabinet of Ministers of the Republic of Uzbekistan.

Methodological and theoretical aspects of the problem studied in the scientific works of famous foreign and domestic scientists, such as F. Kotler "Principles of Marketing" 2007, U. Rasulova "Management Competitiveness of Enterprise: Theoretical Aspect" 2010, Dashkov L.P "Commerce and technology trade" 2011 and other researcher's Paramonov T.N., Faskhiev H.A Salimov S.A., Jalolov J.J., David G. Klarer, P. Francis, A. Meyzelsom, K. Griffin. However, a comprehensive study of the problem and its key issues, including a study of passenger cars and many other issues still require further research.

The practical significance of the study that is available in the individual findings and recommendations can be used in the activities of the companies which make a great contribution to the development of automobile industry in Uzbekistan. In addition, the theoretical conclusions of the work can be used in the teaching and learning process of economic trends in higher education.

## II. DEFINITION OF COMPETITIVENESS, THE PRINCIPLES AND METHODS OF EVALUATION.

### 2.1. The concept of product competitiveness in marketing

In a market economy, a crucial factor in business success is the product competitiveness. This is a multidimensional concept, which means compliance with product market conditions, the specific requirements of customers, not only for its quality, technical, economic, aesthetic characteristics, but also for commercial and other conditions of its realization (price, delivery, distribution channels, service, and advertising). Moreover, an important part of the competitiveness of the goods is the level of consumer expenditures for the period of its operation.

Because there are many aspects of this category in various branches of knowledge, in the scientific literature there exist a number of definitions, sometimes contradicting each other.

Thus, it is proposed the following definition of competitiveness: "... under the competitiveness it is assumed a set of consumer and value (price) characteristics of the product that determine its success in the market, that's the advantage of this particular product over others in a wide supply of competing goods"<sup>2</sup>

Dictionaries give the following interpretation of the words:

1) "... the competitiveness of the goods - a set of consumer characteristics of the goods that determine how it differs from other similar products on the extent and level of satisfaction of customer needs and costs for its purchase and maintenance";

2) "... the competitiveness of the goods - the ability of products to be more attractive to the consumer (buyer) in comparison with other products of similar type and purpose, due to better compliance of its quality and cost characteristics with the market requirements and consumer assessments."

This E.A.Gorbashenko's definition, namely "... the competitiveness means the ability of the subject (potential and/or real) to compete,"<sup>3</sup> - more accurately reflects the essence of this category, but does not explain how this ability appears.

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<sup>2</sup> Kotler F., Wong V., Saunders, D., G. Armstrong, Principles of Marketing. – M.: S. Petersburg. Kiev, 2009. – p.643.

<sup>3</sup> Gorbashko E.A. Management of quality and competitiveness: Textbook. – S. Petersburg: Publishing house SPSUEF, 2008. – p.7.

As we know, competitiveness is a higher ratio of qualitative characteristics and the cost of its purchase and usage than those of substitute products provided that they meet the requirements of the market or particular segment of it. In other words, a competitive product is that which has an overall beneficial effect on one unit cost higher than the rest, and thus the value of any of the criteria is not unacceptable to the consumer.

In addition to the requirements put forward by each individual consumer, there are requirements that are common to all the goods required to fulfill. This regulatory options that are established: the current international (ISO, IEC, etc.) and regional standards, foreign and domestic; applicable laws, regulations, technical regulations of the exporting country and importing country, establishing requirements for imported products into the country; standards of the manufacturers of these products, the patent documents.

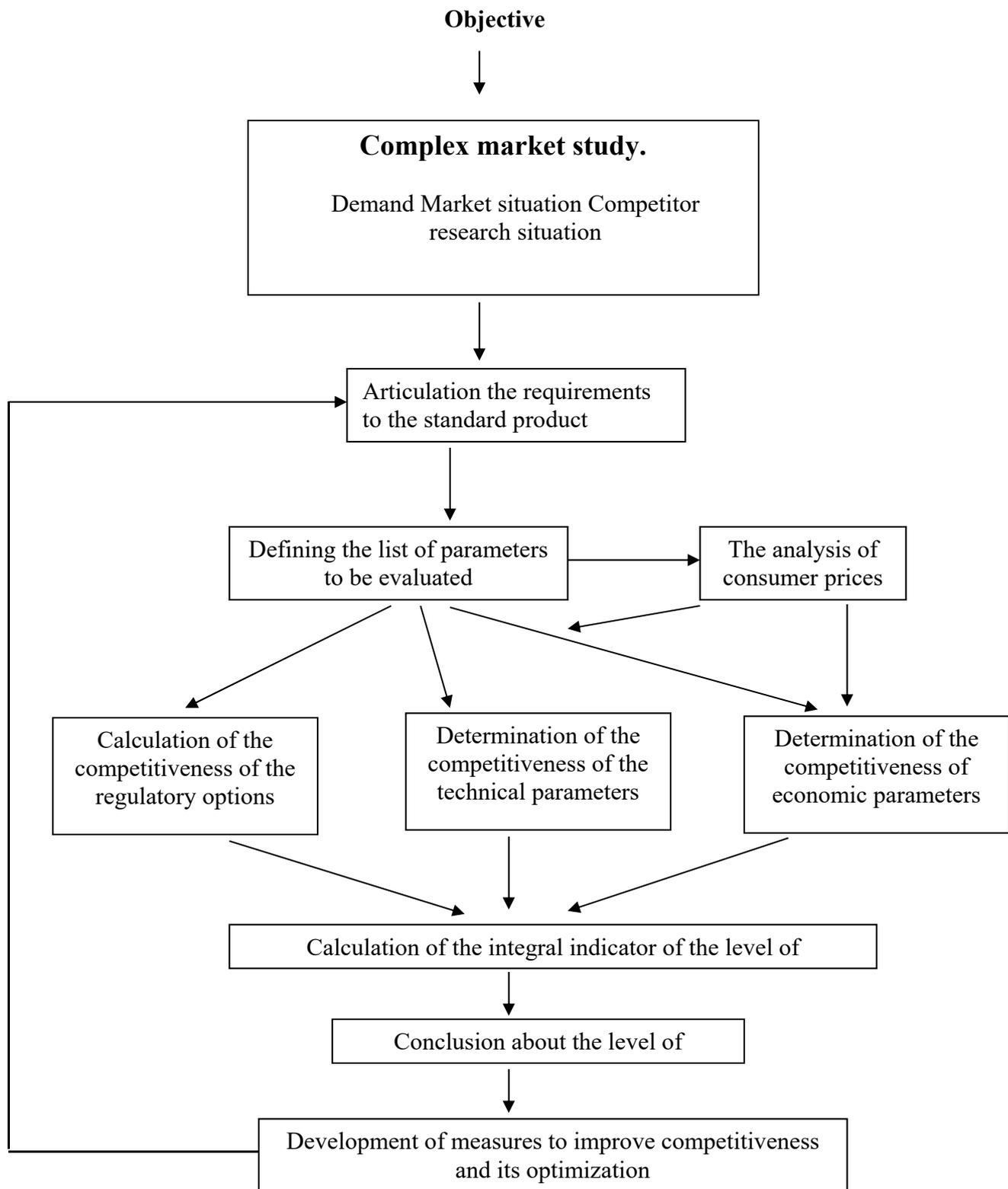
For example, electrical appliances have to work at a voltage which is fed into the network, and meet the requirements of fire and explosion security, and their design is determined by the conditions of the processes.

If at least one of the requirements is not met, the commodity cannot be brought to market.

There are several methods for calculating the index of competitiveness.

- ① First stage, experimental determination or calculation of the characteristics of one's own goods is carried out, including those that can be detected only in the course of its operation (energy, required frequency of lubrication or replacement of spare parts).
- ② Second stage the purpose of the assessment of competitiveness is defined, which depends on the stage of product life cycle, from strategy and plans for companies, etc. Before you bring a new product in the market, you need to make sure it is, according to its characteristics, not inferior to competitors and may attract the attention of buyers. In the course of time, the competitiveness of the goods can either increase or decrease due to changes in consumer preferences, the emergence of new competitors or departure of the existing competitors from the market, etc.
- ③ Third - the methods of marketing are carried out and the rationale for market segmentation of the target segment. If there are a few turns, then the evaluation of the competitiveness of the goods should be carried out for each segment separately.

Besides, for the effective planning of competitive marketing strategies it's necessary to figure out a comprehensive study of the market, assessment of the level of competitiveness comprises of the study of demand, competitors' research, and research of the market situation.



**Fig. 1. The scheme of assessment of the level of competitiveness<sup>4</sup>**

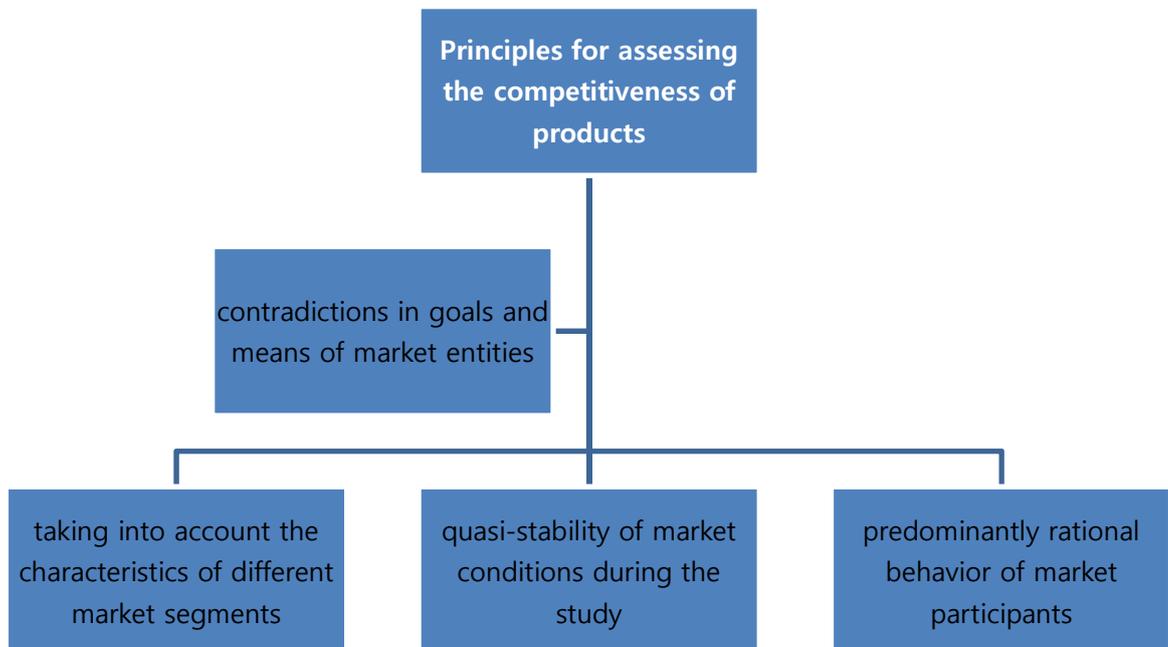
<sup>4</sup> Berezin I.S. Marketing analysis. Market. Firm. Goods. Promotion. – M.: The vertex, 2008. – p.204.

## 2.2. Basic principles of evaluating the competitiveness of products

To assess the competitiveness of products, one needs to allocate some of the principles of this assessment.

In assessing the competitiveness of product should be followed those principles:

- contradictions in goals and means of market entities
- taking into account the characteristics of different market segments;
- quasi-stability of market conditions during the study;
- predominantly rational behavior of market participants.



**Fig. 2. Basic principles for evaluating the competitiveness of products.<sup>5</sup>**

The principle of opposing goals in the management of competitive products mean that the competitiveness of the product as an economic category should be considered in dual sense, i.e. in the assessment and management should take into account the interests of the competitiveness

<sup>5</sup> Pilipenko N.N., Tatar EL Principles of Marketing. Educational – method. manual. M.: Dashkov and K., 2008. – p.96.

of both market entities (consumers and producers), whose targets are interrelated and opposite: for the manufacturer parameters that affect the level of costs are important and for the consumer - the parameters affecting the properties of consumer products.

The principle of taking into account the characteristics of different market segments is based on the rich practice of market relations, which showed that consumers in the market do not represent a single, monolithic community. They react differently even to the same product with the same properties. When making a purchase the consumer will be in the process of selecting the appropriate product for him from a number of similar products at the market, and takes the one which to the greatest extent satisfies their needs. Meanwhile the consumer finds out to which extent the product's parameters meet his needs and financial capacity.

Since the needs of each individual customer are formed under the influence of the vast complex of factors, estimates of the same product by different consumers may not coincide. Accordingly, there will be unequal preferences that contribute to patterns of consumer choice. Consequently, every consumer will judge purely individually the level of competitiveness of a specific product. Therefore, the idea about some kind of absolute competitiveness of products not related to a specific market is void.

However, the aggregate demand of a reference group of representatives of consumer is usually focused, on a certain level of quality and price of goods due to the fact that the motives of their behavior have an effect of similar external factors. Analyzing the psychological aspects of behavior and values of a consumer, a researcher can detect a certain types of mass reactions of people in relation to a particular product. Producing products with characteristics similar to the most popular, you can use a relatively small range to meet a substantial part of effective demand. Considered optimal segment is that which includes 20% of the consumers of a certain type of product, purchasing approximately 80% of the goods.

At the same time we shouldn't put an equation mark between massive sales and a strong competitiveness of products, since the products can be focused designed for narrow layers of more affluent consumers. At any given time the structure of effective demand is quite definite, which allows for the segmentation of consumers on the significance (importance) of individual quality and the size of their budget constraints.

Thus, the competitiveness of products in different segments of the consumer market is different. Consumers, segmented by these criteria, have different structures and systems and have different opinions regarding the competitive advantages and disadvantages of products. To ensure its competitiveness it is necessary to carry the correct segmentation of consumers.

The principle of quasi-stability of market conditions is that the competitiveness of products - is a relative term, clearly bound not only to a particular market segment, but also to a certain point in time<sup>6</sup>. At constant quality and cost, competitiveness of the product characteristics may vary over a fairly wide range for short periods of time.

In order to avoid the internal inconsistency of the main parameters of the model evaluation of the competitiveness of products one should consider a period of time when psychological aspects of perception of the usefulness of the goods by the actors of market relations, manufacturing capabilities of producers and purchasing power of consumers, market position of competitors and other conditions. The main factors determining the duration of the period of unchanged market conditions are the level of income and expenditure patterns of consumers, fashion, habits, qualitative leaps in science, technology, trade and other areas; instruments of state economic management (tariffs, state standards, quota limits, tax and interest rates, etc.), the principles of social and political structure, the elements of a competitive environment, the rate of reaction of market entities to each other's actions and (or) competition, etc. Thresholds of incomparability characterizing fluctuations of above factors as insignificant, and the state of market conditions as a static, set by an expert based on experience and judgment of experts in the field of marketing.

The principle of primarily rational behavior market participants is based on the assumption that the behavior of each of the subjects of market relations - whether consumer or producer - can be viewed as a series of rational actions related to a predetermined goal. The essence of these actions is that the subject chooses a rational purpose only in accordance with their natural and reasonable social needs, carefully calculates the optimum way to meet the needs.

This model behavior is to a large extent realized by the manufacturers. Any entrepreneur will seek to sell products at a price as high as possible. It should be noted that even those companies that use competitive price dumping techniques, are well aware of that this tool is acceptable only as a tactic of squeezing out competitors from a particular market segment, rather than as a factor in the strategic development of the firm, long-term tool to strengthen its market positions.

Each manufacturer tends to use all the reserves to maximize the available resources at their disposal. Any effort in improving product quality and cost reduction is motivated by only one goal - getting additional benefits that can be expressed in strengthening the competitive position and/or increase the share of company profits in the selling price.

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<sup>6</sup> Gurkov I.B, Titova N.L. Trends in the competitiveness of domestic products // Marketing, 2007. № 1. – p. 20 – 31.

Actions of most products' consumers are also subject to the principle of rationality. The commitment to behave rationally increases with the increase of the share of consumer spending to meet this need and with the tightening of control over the expenditure of funds. Both of these factors are characteristic for describing the behavior of consumers of manufactured goods. Each consumer seeks to get the maximum in terms of quantity and quality. Most of the consumer space can be characterized by a rational demand, i.e. demand, due to the qualities and competitiveness inherent in this product. As seen in Figure 4 competitive product consists of the consumer and cost characteristics.

**Irrational demand** means that part of the aggregate demand is caused by some other factors not related to the quality of the goods. For each product category there are three components of the irrational demand<sup>7</sup>:

- external influences on the perceived usefulness of the product;
- speculative demand;
- irrational demand.

The most significant part of the irrational demand is determined by **external influences on the usefulness of the product**. The value of the perceived utility by consumers, extracted from a given product increases or decreases due to any other consumer purchases this product, or product has a higher price compared to other similar products. All the effects of these factors on the demand are described by the corresponding effects.

Demand determined by the ***Snob and Veblen effects*** is under a foundation in the form of a slightly different system of motivation in consumer behavior. The snob effect is expressed in the reluctance of some consumers to adhere to the same indicators of quality that most members of his group does. The rationality of action is replaced in this case by exclusivity of provisions, allocation of the total body of consumers. The Veblen effect characterizes the actions of the reluctance of some consumers to adhere to the price indicators set by the majority group. Demonstrative price is considered as payment for the satisfaction of the need to feel socially exclusive, indicate a high position in the society at the expense of the rights of owning an expensive thing. At the same time the scale of values serves as a social barrier. In both cases, the decision of consumers to purchase goods should not be considered as rational.

In ***speculative demand***, for the consumer the primary purpose is not the satisfaction of needs of the present time, but the attempt to maintain or increase the wealth in the future. In this case it is necessary to note two things:

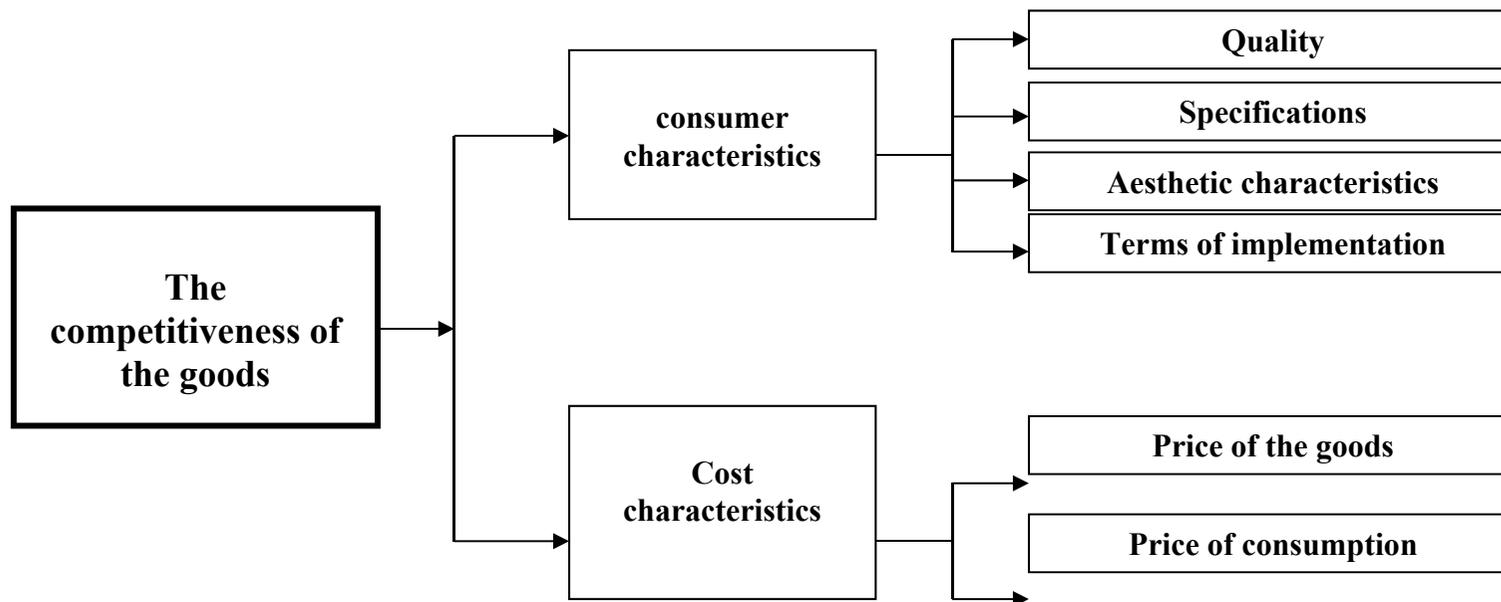
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<sup>7</sup> Paramonova T.N, Krasnyuk A.N. Marketing. Tutorial – M.: KNORUS, 2008. – p.112.

- the fact of consumption of goods and the result of this fact is significantly separated in time, which is inconsistent with the principle of quasi-stability;

- the consumer, showing speculative demand, acts as an entrepreneur, as the targets in its activities are not aimed at the choice of optimal pricing of products consumed in real time, but to increase the economic benefits in the future. Often this is related to losses at the moment.

The nature of *irrational demand* is characterized by an acute conflict between the main factors of consumer behavior (psycho-physiological and socio-cultural, instincts and pleasure). Thus, the user can behave irrationally when pleasure and discomfort (or pain) of the consumption process are separated in time. Cases, when first comes the inconvenience of developing the skills to use product, make it impossible to enjoy the purchase. Benefits from the acquisition of goods to the consumer at the same time seem to be questionable, and he refuses it, which will further cause shortages of sustainable consumption practices. Conversely, the cycle of "enjoy - inconvenience" allows you to gain experience of rational behavior. However, the large time gap between the fact of consumption and negative consequences does not allow the user to draw conclusions about the irrationality of their behavior. In this regard, one of the conditions for rational decision making is the introduction of restrictions and other obstacles by the government and society to protect consumers from their own irrational actions, and providing as much information about the quality of the products and the state of market conditions as possible. The lack of information leads to the fact that consumer behavior can become rational in form, but not in the result.



**Fig. 3. Competitiveness of the goods.<sup>9</sup>**

<sup>8</sup> Paramonova T.N, Krasnyuk A.N. Marketing. Tutorial – M.: KNORUS, 2008. – p.112.

Thus, the principle of rational behavior of market actors can be used in the process of modeling the overall competitiveness of the laws of value theory, utility theory, and other laws of psychology and sociology.

The proposed guidelines are the result of synthesis of the previously known laws and concepts and are put forward as a key for a particular purpose - assessing the competitiveness of products and determine the strategy and tactics for possible action in the field of management with a view to well meet the interests of consumers and producers simultaneously.

### **2.3. Competitiveness and quality and their place in the marketing strategy**

The problem of product quality and competitiveness in the modern world is universal. A lot in economic and social life of any country and virtually any consumer depends on how successfully it can be solved.

Objective factor that explains many of the root causes of our economic and social difficulties, declining economic growth rates over the past decade, on the one hand, and the reasons for increasing the efficiency of production and living standards in developed Western countries, on the other - is the quality of created and manufactured products.

Competitiveness and quality - a concentrated expression of the all resources of the country and any manufacturer to create, produce and sell goods and services.

Quality is a synthetic indicator of the cumulative expression of many factors - from the speakers and the level of national economic development to the ability to organize and manage the process of formation of quality in any business entity. However, international experience shows that it is in an open market economy, unthinkable without the intense competition, the factors are manifested which make the quality as the condition for the survival of producers, a measure of the effectiveness of their economic activities and economic well-being of the country.

The factor of competition is coercive, making producers, under the threat of displacement from the market, constantly be engaged in the quality system and overall competitiveness of their goods, and the market objectively and rigorously evaluates their performance.

Under the conditions of a competitive market, marketing is an effective means of addressing the question of quality and competitiveness of products, testing, in turn, their reverse effect which may increase or reduce its capacity.

The competitiveness of the goods is a decisive factor of its commercial success in competitive markets. This multidimensional concept, which means a compliance with product market conditions, the specific requirements of customers, not only by its quality, technical, economic, aesthetic characteristics, but also by commercial and other conditions of its realization (price, delivery, distribution channels, service, advertising). Moreover, an important part of the competitiveness of the goods is the level of consumer expenditure during its operation.

In other words, competitiveness is a set of consumer and value (price) characteristics of the product which determine its success in the market, i.e. the advantage of this particular product over other competing products. And since the goods are offered by manufacturers, consequently, we can reasonably talk about the competitiveness of the enterprises, associations, firms, as well as countries in which they are based.

Any goods in the market actually passes through the checking against the degree of satisfaction of social needs: each buyer purchases a commodity that best meets their personal needs, and the entire set of customers - the product that best meets the needs of the society.

Therefore, the competitiveness of the goods can be determined only by comparing the products of competitors. In other words, competitiveness is a relative term, clearly tied to a competitive market and the time of sales. And because every customer has their own individual evaluation criteria of their own needs, competitiveness is also an individual parameter.

To meet their needs, it is not enough for the buyer to purchase the goods. If it is technically complex product, the buyer will have to bear the costs of operation, remunerate the staff, and spend money on their education, insurance and so on. Thus, the expenses of customers consist of 2 parts: the cost of purchase (the price of goods) and costs associated with the consumption, which is called the price of consumption.

Price of consumption is usually much higher than the selling price, so the most competitive is not the product that offers the lowest price in the market, but the one

with the lowest price of consumption for the entire period of its exploitation by the consumer.

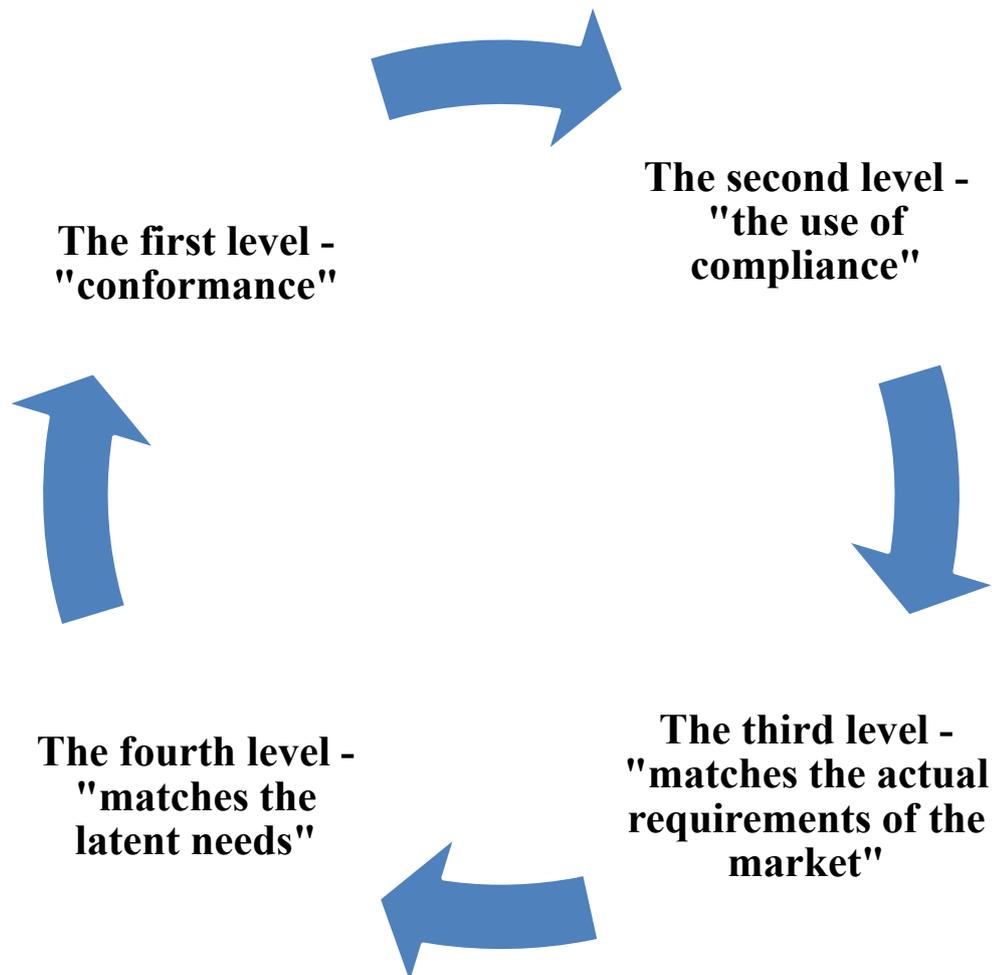
Finally, competition is determined only by the properties that are of significant interest to the buyer. All product features beyond those interests are considered when assessing the competitiveness as having no relationship to the data in given specific context.

The study of the competitiveness of the goods should be carried out continuously and systematically, in close conjunction with the phases of its life cycle in order to promptly detect the start of decline in competitiveness and take appropriate preventive measures (for example, to remove the product from production, to modernize it, to transfer to another sector of the market).

However, any goods begin to gradually consume its potential competitiveness. This process can be slowed down or even temporarily held up, but stopping it is impossible. Therefore, a new product should be designed according to the schedule. In other words, the competitiveness of new products should be outrunning and sufficiently durable.

In practice and in theoretical investigations it is often put a sign of equality between the quality and competitiveness or no distinction is made between them.

Levels of quality of goods are divided into four levels, which are interrelated. (See Fig. 5.)



**Fig. 4. The levels of product quality<sup>9</sup>**

**The first level** - compliance with the standard. Quality is assessed as meeting the requirements of the standard or not.

**The second level** - compliance with the exploitation. The product must meet not only the mandatory requirements of the standards, but also operational requirements of use in order to be on demand in the market.

**The third level** - matching the actual requirements of the market. Ideally, this means the realization of the requirements of buyers about high quality and low price.

**The fourth level** - compliance with the latent (hidden, not obvious) needs. Customers prefer products that have additional consumer features that meet the needs implicit, little perceivable needs of the consumers.

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<sup>9</sup> Lukina A.V. Marketing of goods and services: Tutorial – M.: FORUM, 2008. – p.154.

In accordance with the definition of the International Organization for Standardization (ISO), supported by prominent experts from many countries, the quality is a set of properties and characteristics of the product, which gives it the ability to meet the needs. Being a product of labor, quality of goods is a category which is inseparably linked with the cost as well as a consumer price.

Quality serves as the main factor of competitiveness of goods, accounting for its "core". In principle, low-quality goods have low competitiveness, as well as high-quality product is a competitive and highly competitive product.

Since the marketing brings into focus the consumer, enterprise, all the work using the principles and methods of marketing is aimed at the subordination of the production to consumers' interests.

In this regard, the issue of quality and competitiveness in marketing has not current, tactical, but long-term and strategic character.

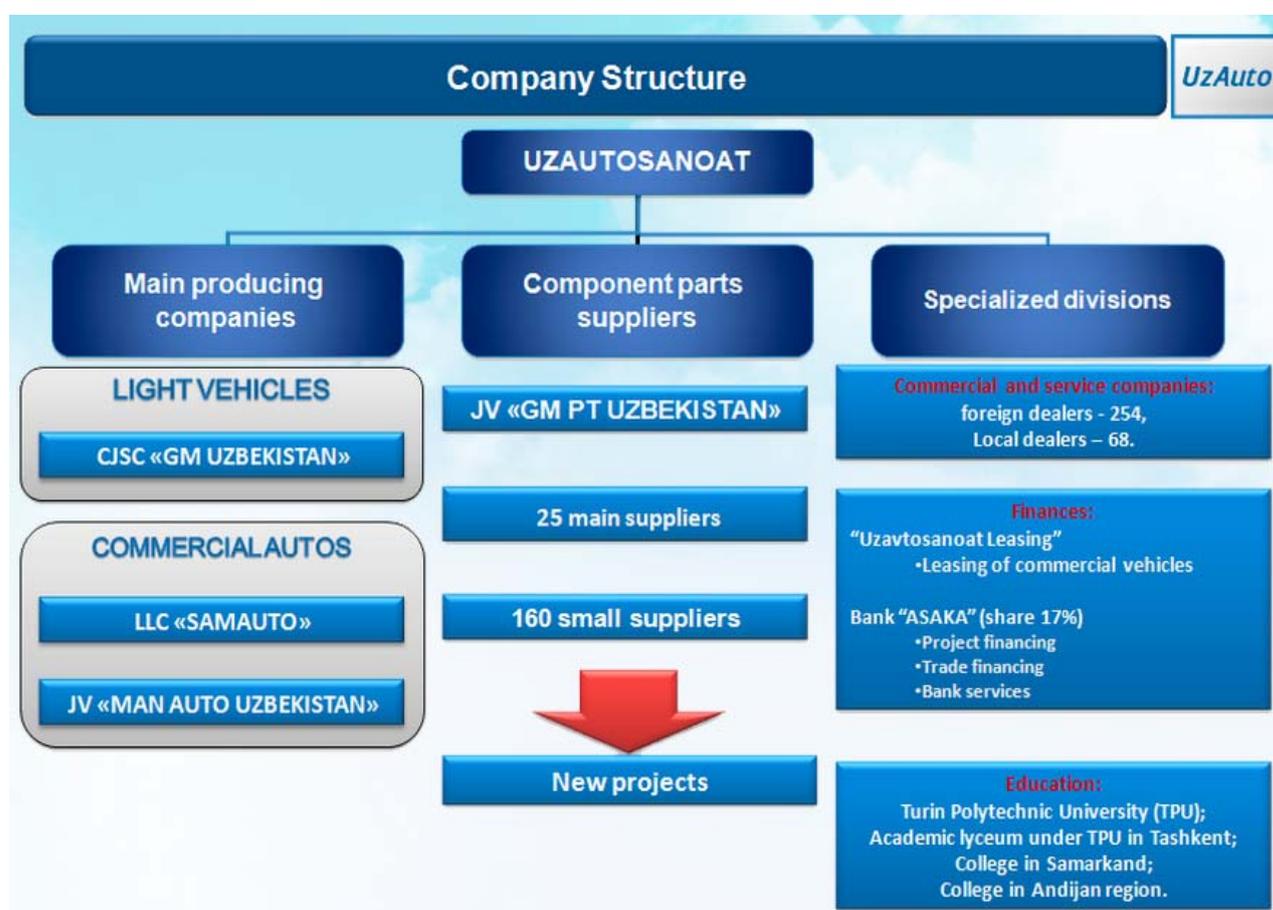
High quality and competitive products are provided by the entire marketing system - from design, prototype and production to sales and service, including, among other means and methods of management and quality control, methods of transportation and storage, installation and after-sales service.

### III. ANALYSIS AND FACTORS OF THE COMPETITIVENESS OF “UZAVTOSANOAT” STOCK COMPANY.

#### 3.1. Analysis of the structure and status of "Uzavtosanoat" SC

In accordance with the Decree of the Cabinet of Ministers of the Republic of Uzbekistan № 405 dated August 23, 2004 "On Measures to Improve the Management Structure of the Automobile Industry", Association of the Automobile Industry of Uzbekistan "Uzavtosanoat" was transformed into a public company.

Company Charter was registered by the Ministry of Justice on December 13, 2004 by the number 1064<sup>10</sup>. Authorized capital of the company - 193 billion sums, with state shares 51%.



**Fig.5. Organizational Structure of SC «Uzavtosanoat».**<sup>11</sup>

In accordance with the above decision nowadays “Uzavtosanoat” consists of about 200 vehicle component manufacturers, as well as GMPT Uzbekistan dealing in production

<sup>10</sup> SC “Uzavtosanoat” Charter, 2004, № 1064.

<sup>11</sup> <http://uzavtosanoat.uz/en/Ak-Uzavtosanoat.html>

of engines. As of September 1, 2014, the total number of employees in enterprises of the company amounts more than 25 000. Major manufacturing companies - JSC «GM Uzbekistan», LLC «SamAvto», «JV MAN Auto - Uzbekistan», CJSC «GM Powertrain Uzbekistan».

Following the decree of the Cabinet of Ministers of the Republic of Uzbekistan on the Measures for Improvement of the Management Structure in the Automotive Industry dated August 23, 2004 which caused the establishment of AK «Uzavtosanoat», among the main objectives of the association there are as follows:

- elaboration of the strategy and programs of sustainable development of automobile manufacturing in the mid-term and long-term perspective, implementation of research and development, as well as investment policy in the industry;
- organization of marketing research, rendering of assistance in manufacturing of new types of competitive products (work, services) and its market promotion;
- assistance in modernization and technological re-equipment of the industry enterprises, attracting foreign investments for these purposes, establishment, in cooperation with the leading foreign companies, of the production facilities dealing in output of up-to-date types of motor transport, component parts and details to the same;
- rendering of information services to the enterprises and organizations of the automotive industry;
- arrangement of advanced training to prepare skilled employees and specialists for the industry, professional development and re-training of senior executives.

The main objectives of the company, in accordance with the Charter, registered by the Ministry of Justice on 13 December, 2004, are as follows:

- development of the automobile industry in the Republic of Uzbekistan;
- coordination of activities, socio-economic interests of the members of the company, full protection of their interests, providing them with methodological and advisory assistance, the protection of the common interests of businesses to government and other authorities, as well as international organizations;
- using the opportunities of the company by searching for ways of modernization, technical re-equipment, expansion of production with the use of cooperation, rational specialization, exchange of scientific and technological ideas and developments, the

establishment of mutually beneficial relations between the economic actors of the company.

The main objectives of the company in foreign economic activity are:

- provision of a single sector policy in foreign trade, foreign investment, expansion and strengthening of trade relations;
- development and implementation of measures aimed at establishing long-term, stable economic relations with foreign partners;
- ensuring the interests of the industry in the foreign economic activity;
- providing the necessary information to foreign investors.

Automotive is one of the fastest growing sectors of the economy. Thanks to the favorable investment climate created by government, providing tax breaks and other incentives, the national car industry is actively attracting foreign direct investment in the sector. Today, "Uzavtosanoat" collaborates with the leading producing countries of vehicles and automotive components, such as South Korea, Japan, Germany, Italy, etc.

Republic of Korea is the largest investor in the automotive sector in Uzbekistan. In March, 2008 CJSC "UzDaewooAuto" converted to the CJSC "GM Uzbekistan", where the percentage of participants distributed as follows:

- "Uzavtosanoat" - 75%
- General Motors Corp. - 25%

In the present day on the basis of "GM Uzbekistan" jointly with "GMDAT" new projects are underway to update car models, modifications of existing models, and to increase production capacity.

Organization of production of JV CJSC "GM Powertrain Uzbekistan" is a major project of "Uzavtosanoat", implementation of which will significantly increase the production capacity of CJSC "GM Uzbekistan". The project envisages the development of foreign direct investment of USD 52 million of the company "General Motors". It will produce more than 225,000 new fuel-efficient Ecotec 1.2L and 1.5L engines for use in GM small passenger cars sold around the world.

In 1999, in Samarkand launched production of commercial vehicles and buses (JV "SamKochAvto"). In 2006, based on the joint venture "SamKochAvto" "SamAuto" was created.

When reestablishing the company, the Japanese companies "Itochu Corporation" and "Isuzu Motors" were identified as foreign partners. In 2007, the company "Itochu" made a contribution to the charter capital of "SamAuto" 90 million yen (8% of the total authorized capital).

In September 2009, on the basis of "SamAuto" and "Auto MAN" was created a new company - "MAN Auto Uzbekistan." In the joint venture "MAN Auto Uzbekistan" modern large trucks are assembled. Contribution of foreign partner in the authorized capital is 49%.

Moreover permanent monitoring of the implementation of investment projects and programs of modernization, technical and technological re-equipment of production until 2014, a program of measures to establish "Navoi" "Jizzakh" and "Angren" special Industrial zones, on development of industrial potential of Kokand, localization projects in the production of automobile components in Namangan and Fergana regions, programs to create enterprises with foreign investment have been undertaken in «Uzavtosanoat».

In addition to these projects, currently in "Uzavtosanoat" together with the Korean, Malaysian, Italian, Indian companies, projects for the localization of automotive components are being worked out and implemented.

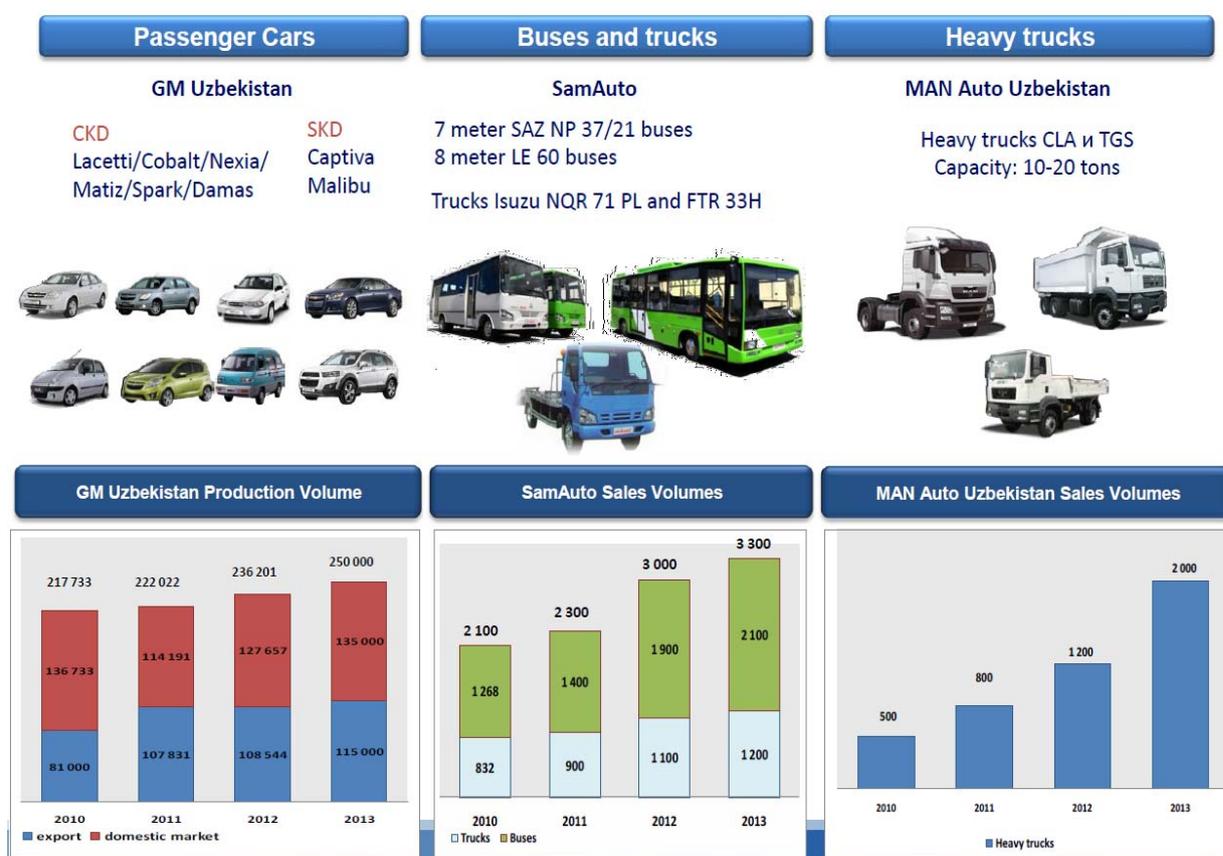


**Fig.6. Location of production facilities in Uzbekistan<sup>12</sup>**

<sup>12</sup> <http://www.abiz.ru/en/170/297/488/?nid=816&a=entry.show> "AUTOMOTIVE INDUSTRY OF UZBEKISTAN"

During the period of 1994-2014, enterprises of the joint stock company produced commodity output costing 15.8 trillion. sums, including more than 2.1mln cars, of which 501.5 thousand units were shipped for export. Since the beginning, the domestic market consumed 1.6mln cars.

Dynamics of production volume compared with 2010 to 2013 shows that, in spite of the inflation of the market as a whole, the implementation, both for export and the domestic market increases. As shown in Fig 7, production structure clearly shows that most of the implementation of and demand for products is mainly in the domestic market, where sales account for 20% of export and 80% of the domestic market.



**Fig. 7. Production Volume of SC "Uzavtosanoat", mln. USD<sup>13</sup>**

According to "Uzavtosanoat", industry enterprises produced commodity products worth 8.9 trillion soums, in 2014

Including production of:

- Passenger cars totaled - 245.7 thousand units;

<sup>13</sup>Business project of UzAvto holding company operating in Automotive Industry in Uzbekistan.

- Buses and trucks ISUZU – 3.8 thousand units;
- Trucks MAN – 1.2 thousand units;
- Power units - 133.7 thousand units.<sup>14</sup>

During the reporting period, 55 thousand cars went for export. At that, in order to diversify export supply "Uzavtosanoat conducts fruitful work on finding new markets. It is worth noting that domestic engineering products are most in demand in such markets as the Russian Federation, Kazakhstan, Azerbaijan, Ukraine, Belarus, as well as Indonesia, Brazil, Turkey and Korea.

## **2.2. SWOT analysis and identifying the strategies of the Stock Company "Uzavtosanoat"**

In order to generally imagine the main strategic objectives of the company, determine the general direction of its development and strategic alternatives we can use the widely recognized in international practice the method of SWOT-analysis, which allows to estimate the strength, weakness, opportunities and threats. SWOT Matrix provides an opportunity to bring research results into a system, to establish lines of communication between the strengths and the weakness of the enterprise, external threats and opportunities that will later be used to formulate its strategy.

The results of these studies reflect the conditions of the joint venture "Uzavtosanoat" and serve as a basis for mapping the SWOT its activity.

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<sup>14</sup>[http://economics.uzreport.uz/news\\_e\\_129024.html](http://economics.uzreport.uz/news_e_129024.html) "UzReport Information Agency"

**Table 1.**

**SWOT Analysis of SC “Uzavtosanoat”**

<b>OPPORTUNITIES</b>	<b>THREATS</b>
<ol style="list-style-type: none"> <li>1. Stable political situation</li> <li>2. Decreasing unemployment</li> <li>3. Growth of production of national consumer goods</li> <li>4. High priority of developed domestic automobile industry</li> <li>5. Reducing the tax burden</li> <li>6. The growth of real income of the population</li> <li>7. Developing competitive relationships</li> <li>8. Strong support from Government</li> <li>9. Market protection by high custom and tax fees for the foreign cars.</li> <li>10. Highly demand market size</li> <li>11. Attract foreign investors</li> </ol>	<ol style="list-style-type: none"> <li>1. High interest rates of bank credit</li> <li>2. Developing competitive relationships</li> <li>3. High competitiveness from foreign car companies in the market.</li> <li>4. Average purchasing power</li> <li>5. Pricing policy, neglecting the sale costs of goods</li> <li>6. Level of population income</li> <li>7. Almost complete lack of car loans</li> </ol>
<b>STRENGTHS</b>	<b>WEAKNESSES</b>
<ol style="list-style-type: none"> <li>1. Strong brand name</li> <li>2. The basic principle of operation - reducing costs and streamlining the entire sales process</li> <li>3. Work at a fairly stable and well-known segment of the market</li> <li>4. One of the leaders in the market</li> <li>5. Ability to serve additional consumer groups</li> <li>6. Considering the principle of return on sales in the formation of the range</li> <li>7. Technology and equipment</li> <li>8. The high degree of attention paid to enterprise communication links</li> <li>9. Sufficiently high level of skills</li> <li>10. The high level of competence of specialists in strategic planning</li> <li>11. Enormous experience in the sphere of car industry</li> </ol>	<ol style="list-style-type: none"> <li>1. Weak position in the use of innovations</li> <li>2. Low levels of analysis at the enterprise</li> <li>3. Provision of areas</li> <li>4. Low quality of the product</li> <li>5. Cash flows discrepancy in time</li> <li>6. Low level of passenger safety of cars</li> <li>7. Deficient budget of marketing and advertising of the product</li> <li>8. Old models and design of products</li> </ol>

Table 2.

**Matrix of capabilities of the SC “Uzavtosanoat”**

Contingency utilization of capabilities	Ascendants		
	Strengths	Moderate	Weaknesses
<b>High</b>	Highly demand market size  Strong support from government  Market protection by high custom and tax fees for the foreign cars.	Deficit of suggestion time	
<b>Medium</b>	Adherence of domestic consumers demand	Attract foreign investors	High demand for car with less fuel consume
<b>Low</b>	Increase quality level of car parts in domestic companies	High priority of developed domestic automobile industry	

Table 3.

**Matrix of threat of the SC “Uzavtosanoat”**

Contingency of realization capabilities	Possible consequences			
	Destru ction	Critical condition	Squelch condition	Slightly damages
<b>High</b>	Accelerat ion of technical process	Organization of assembling foreign cars brands in Uzbekistan  Expansion cars from abroad	Decreasing contingent of demand for domestic cars  Increasing quality demand from consumers	Induction of new Ecological Standard “Euro 4”

<b>Medium</b>		Increasing competition in pricewise	The growth of real income of population Decreasing of custom and tax fees case of join Custom Unity	Reinforcement of National Currency
<b>Low</b>		Possibility to transition of foreign investor control		

**Table 4.**

**The full-fledged matrix of SWOT analysis of the SC “Uzavtosanoat”**

Opportunities	Threats
<ol style="list-style-type: none"> <li>1. Stable political situation</li> <li>2. Decreasing unemployment</li> <li>3. Growth of production of national consumer goods</li> <li>4. High priority of developed domestic automobile industry</li> <li>5. Reducing the tax burden</li> <li>6. The growth of real income of the population</li> <li>7. Developing competitive relationships</li> <li>8. Strong support from Government</li> <li>9. Market protection by high custom and tax fees for the foreign cars.</li> <li>10. Highly demand market size</li> <li>11. Attract foreign investors</li> </ol>	<ol style="list-style-type: none"> <li>1. High interest rates of bank credit</li> <li>2. Developing competitive relationships</li> <li>3. High competitiveness from foreign car companies in the market.</li> <li>4. Average purchasing power</li> <li>5. Pricing policy, neglecting the sale costs of goods</li> <li>6. Level of population income</li> <li>7. Almost complete lack of car loans</li> </ol>

<b>Strengths</b>	<b>SO</b>	<b>ST</b>
<ol style="list-style-type: none"> <li>1. Strong brand name</li> <li>2. The basic principle of operation - reducing costs and streamlining the entire sales process</li> <li>3. Work at a fairly stable and well-known segment of the market</li> <li>4. One of the leaders in the market</li> <li>5. Ability to serve additional consumer groups</li> <li>6. Considering the principle of return on sales in the formation of the range</li> <li>7. Technology and equipment</li> <li>8. The high degree of attention paid to enterprise communication links</li> <li>9. Sufficiently high level of skills</li> <li>10. The high level of competence of specialists in strategic planning</li> <li>11. Enormous experience in the sphere of car industry</li> </ol>	<ul style="list-style-type: none"> <li>● Receiving government support for develop or obtain new technologies.</li> <li>● Opportunity to increase because of domestic and CIS market demand.</li> <li>● Increasing volume of production for urgent demand</li> <li>● Creating domestic brand for domestic market.</li> <li>● Support fundamental condition of industry</li> <li>● Cut the production and material cost for further development</li> </ul>	<ul style="list-style-type: none"> <li>● Utilization international car companies experiences in Uzbekistan.</li> <li>● Searching cheaper material due to decrease the cost</li> <li>● Acceleration of technical modernization process with government support</li> <li>● Improve balance between price and quality</li> <li>● Using main part of profit for technological innovation</li> <li>● Ban to selling control part of shares to the foreign company</li> </ul>
<b>Weaknesses</b>	<b>WO</b>	<b>WT</b>
<ol style="list-style-type: none"> <li>1. Weak position in the use of innovations</li> <li>2. Low levels of analysis at the enterprise</li> <li>3. Provision of areas</li> <li>4. Low quality of the product</li> <li>5. Cash flows discrepancy in time</li> <li>6. Low level of passenger safety of cars</li> <li>7. Deficient budget of marketing and advertising of the product</li> <li>8. Old models and design of products</li> </ol>	<ul style="list-style-type: none"> <li>● Increasing quality of key parts of car</li> <li>● Disposal part of social responsibilities to the government.</li> <li>● Implementation method of gradually improve quality</li> <li>● Reduction of same class models</li> </ul>	<ul style="list-style-type: none"> <li>● Deeply analyze of competitors</li> <li>● Support branches network sales and service</li> <li>● Intensification of all experienced basis</li> <li>● Review possibility of create model with high pricewise.</li> </ul>

### **3.3. The factors of competitiveness and competitive advantages of "Uzavtosanoat" SC**

The level of competitiveness of any commodity is determined by the presence of the manufacturer to make their product more attractive to consumers than its competitors. Competitive advantage can exist at the level of the overall economy, industry and individual enterprise.

Competitiveness has three main components. The first is rigidly connected with the product as it is and largely refers to quality. The second is related to the economy as a sales and service of goods, and with the economic opportunities and restrict limitation of the consumer. Finally, the third represents all that can be pleasant or unpleasant to the consumer as a buyer, as a human and as a member of a particular social group, etc.

Buyer is the chief estimator of the goods. And this leads to a very important truth in a market environment: all the elements of competitiveness of the goods should be so obvious to a potential buyer that they could not have the slightest doubt or different interpretation with respect to any of them. When we create "a complex of competitiveness" in advertising, it is very important to take into account the mental and intellectual level of education of consumers, many other factors of personal nature. Interesting fact is that almost all the foreign advertising handbooks specifically identify material associated with advertising in the uneducated or intellectually not advanced audience.

Economic preconditions for the development of industrial production on several parameters indicate a broad scope of potential industrial expansion in the future. Currently, the Uzbek automobile industry is represented by two large factories - JV «GM Uzbekistan» (previously, "UzDaewooAuto"), which manufactures passenger cars, and «Samarkand Automobile Factory" ("SamAuto"), the only company in Central Asia for the production of commercial vehicles. Allocation of funds will help stabilize the export of Uzbek cars in Russia. It was the first step in implementing the program of the Uzbek government for the maintenance of the largest companies in the country amid the financial and economic problems due to Ukraine problems as well as sanctions. Although the brand «Daewoo» is represented by only two models, it still remains one of the most popular brands in the market.

Now let us analyze the competitiveness of the three most well-known - large enterprises, namely:

**Table № 5.**

**Competitive Enterprises in the car market**

CompanyName	Car model	Location
JV Uzavtosanoat	«Daewoo Nexia»	Uzbekistan
JV Uzavtosanoat	«Daewoo Matiz»	Uzbekistan
OSC "AvtoVAZ"	«Renault Logan»	Russia
OSC "AvtoVAZ"	«LadaPriora»	Russia

*Source: Author's own investigation, based on analytical materials of SC Uzavtosanoat, OSC "AvtoVAZ" and "Ukravto" Corp. for 2012 – 2013.*

As can be seen from the table - in the car market there are a large number of competitors. The first and main competitor is the "AvtoVAZ". Competitive car brands produced in Russia is «Renault Logan» and «LadaPriora». "AvtoVAZ" showed a loss in 2012, but is already preparing for market recovery.

Exactly the same situation was with the sales of new cars in Russia by model, Daewoo Nexia had a decline of 6837 units, Daewoo Matiz – 8060 units, respectively, and growth of sales of automotive products was equal to 41.6% and 48.4%. (see Table. № 2.3.3.)

**Table № 6.**

**Sales of models of new cars in Russia**

Model name	Pieces							
	2014	2013	(+/-)	Growth, %	June 2014	June 2013	(+/-)	Growth, %
LadaPriora	33 299	33 927	-628	-1,9%	9 322	11 067	-1 745	-15,8%
Lada Samara	32 915	56 612	-23 697	-41,9%	9 466	17 472	-8 006	-45,8%
Lada 2105/2107	25 373	59 618	-34 245	-57,4%	6 211	20 591	-14 380	-69,8%
Ford Focus	23 167	27 577	-4 410	-16,0%	5 425	9 061	-3 636	-40,1%
Lada Kalina	21 115	30 613	-9 498	-31,0%	5 907	9 670	-3 763	-38,9%

<b>Renault Logan</b>	<b>14 464</b>	<b>26 422</b>	<b>-11 958</b>	<b>-45,3%</b>	<b>4 796</b>	<b>8 344</b>	<b>-3 548</b>	<b>-42,5%</b>
Chevrolet Lacetti	11 495	28 531	-17 036	-59,7%	2 703	8 581	-5 878	-68,5%
Chevrolet Lanos	10 132	17 235	-7 103	-41,2%	1 933	5 627	-3 694	-65,6%
<b>Daewoo Nexia</b>	<b>9 589</b>	<b>16 426</b>	<b>-6 837</b>	<b>-41,6%</b>	<b>3 577</b>	<b>4 311</b>	<b>-734</b>	<b>-17,0%</b>
<b>Daewoo Matiz</b>	<b>8 607</b>	<b>16 667</b>	<b>-8 060</b>	<b>-48,4%</b>	<b>2 927</b>	<b>4 841</b>	<b>-1 914</b>	<b>-39,5%</b>
Mazda3	8 528	13 927	-5 399	-38,8%	595	4 164	-3 569	-85,7%
Opel Astra	8 193	13 662	-5 469	-40,0%	2 246	4 565	-2 319	-50,8%
Hyundai Getz	7 942	13 758	-5 816	-42,3%	2 112	4 001	-1 889	-47,2%
Lada 4x4	7 632	7 456	176	2,4%	2 572	2 452	120	4,9%
Toyota Camry	7 533	6 606	927	14,0%	1 065	2 510	-1 445	-57,6%
Chevrolet Niva	7 479	16 455	-8 976	-54,5%	1 893	4 566	-2 673	-58,5%
Hyundai Tucson	6 029	5 375	654	12,2%	1 128	1 803	-675	-37,4%
Kia Spectra	6 021	13 072	-7 051	-53,9%	1 062	4 366	-3 304	-75,7%
Kia Ceed	5 813	7 594	-1 781	-23,5%	2 059	2 674	-615	-23,0%
Nissan Qashqai	5 554	8 245	-2 691	-32,6%	1 336	524	812	155,0%
Nissan Almera	5 219	10 535	-5 316	-50,5%	1 271	2 688	-1 417	-52,7%
Mitsubishi Lancer X	5 034	19 523	-14 489	-74,2%	1 998	5 815	-3 817	-65,6%

*Source: European Business Association, 2013*

The next competitor is the «LadaPriora». AvtoVAZ started massive production of LadaPriora cars on 27 May 2009 and the official sales of the new model started from June 20, 2009.

Table № 7.

**Results of sales of new passenger cars and light commercial vehicles in  
Russia by brands in October 2014.**

№	Brand	in thousand pieces					
		Jan-Oct	Jan-Oct	Change	October	October	Change
		2014	2013	%	2014	2013	%
1	LADA	297,7	533,7	-44,2%	28,2	56,7	-50,2%
2	CHEVROLET	88,7	199,3	-55,5%	7,3	23,5	-69,1%
3	FORD	70,3	155,0	-54,6%	5,3	13,6	-60,6%
4	RENAULT	59,8	92,6	-35,5%	6,2	8,7	-28,6%
5	HYUNDAI	58,7	171,5	-65,8%	6,5	12,1	-46,0%
6	TOYOTA	58,7	163,0	-64,0%	5,1	17,6	-71,1%
7	NISSAN	56,0	127,5	-56,1%	4,3	8,7	-50,3%
8	KIA	54,9	78,5	-30,1%	7,0	5,4	30,7%
9	GAZ	47,8	116,8	-59,0%	5,3	11,6	-54,5%
10	GM UZBEKISTAN	43,2	87,8	-50,8%	4,2	7,7	-45,5%
11	MITSUBISHI	36,6	99,0	-63,0%	3,6	9,5	-62,2%
12	VOLKSWAGEN	33,9	41,0	-17,5%	3,0	5,1	-40,8%
13	OPEL	31,2	85,6	-63,5%	1,6	7,5	-79,0%
14	MAZDA	27,7	65,8	-57,9%	1,4	5,7	-74,8%
15	SKODA	27,6	41,5	-33,4%	2,3	4,6	-49,8%
16	PEUGEOT	26,2	39,9	-34,4%	2,5	5,0	-50,8%
17	UAZ	25,9	45,7	-43,3%	3,1	4,3	-27,3%
18	HONDA	20,6	69,9	-70,6%	1,3	9,5	-86,3%
19	SUZUKI	19,6	33,3	-41,2%	3,3	3,2	1,7%
20	FIAT	14,2	22,0	-35,3%	1,4	3,0	-53,7%
...	Others	133,3	223,6	-40,4%	13,7	20,7	-33,7%
Total		1 232,5	2 492,8	-50,6%	116,7	243,7	-52,1%

*Source: European Business Association, 2013.*

The assessment is largely equal, only difference in the price of goods and services behind Renault Logan and LadaPriora, because the retail price of Daewoo Nexia was from 285000 rubles, of Chevrolet Lannos of Ukrainian origin – from 264 000, and Russian cars of Renault Logan (from 298 000rubles) and LadaPriora (from 293000 rubles).

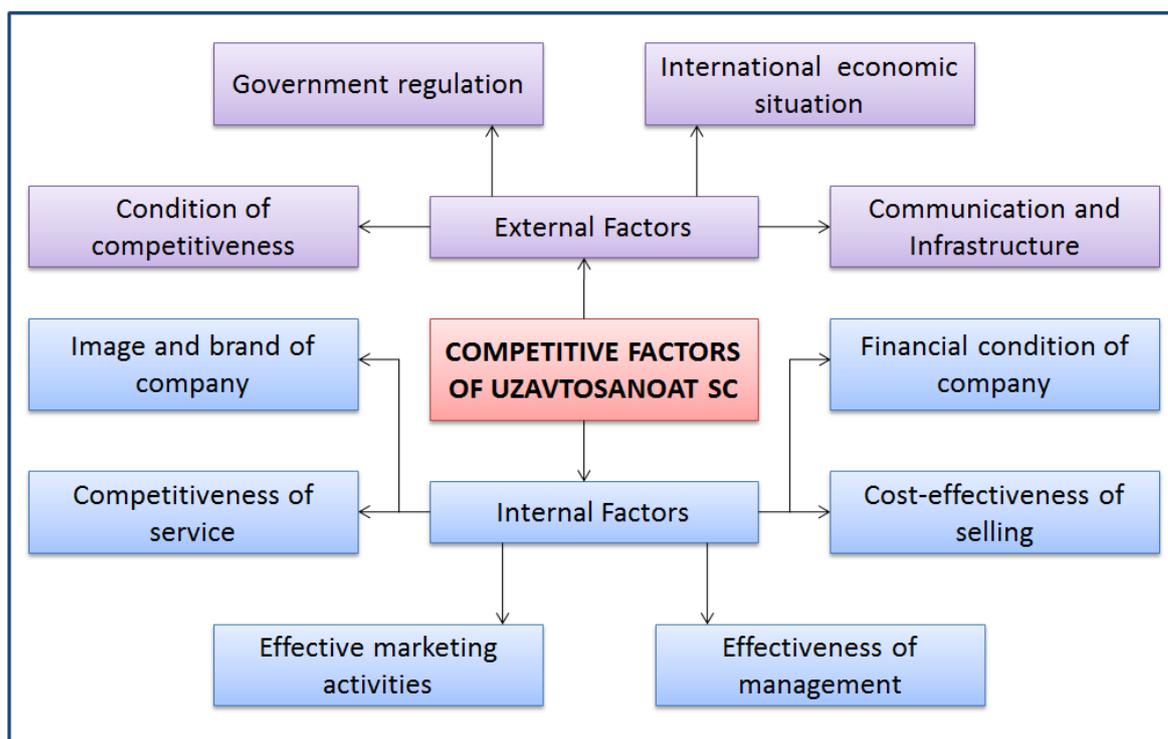
Compared with the competition products "Uzavtosanoat" differs by:

- moderate price parameters;
- better quality;

- better reliability;
- safe.

SC "Uzavtosanoat" uses almost all modern marketing tools, which allows selecting it from the range of the other car companies.

Competitiveness of Uzavtosanoat can be seen from two perspectives: as the competitiveness of company in the industry and as the competitiveness of the industry at the state level. However main attention will be focused on the competitive factors of Uzavtosanoat from perspectives, such as External and Internal factors.



**Fig 8. The Factors which influences to the competitiveness of “Uzavtosaoat”**

SC

Factors determining the competitiveness of goods and services:

- The quality of goods and services;
- The price of goods and services;
- Level of staff and management;
- The technological level of production;
- Availability of funding sources.

Competitive advantages are the conditions of superiority over the competitors in the organizational, economic, technical and other scopes of activities. Competitive advantages of organizations are caused by various reasons:

- Country conditions and government
  - Trade factors - the characteristics of the industry and market conditions;
- Characteristics and efforts of the firm;
  - Properties of a particular product or service, and others.

The competitiveness of the industry is determined by:

- Size and quality of raw materials.
- Export potential.
- Scientific and technical capacities.

The competitiveness of Uzavtosanoat SC in the automotive market depends on many factors. Key success factors (KSF) - factors that organizations need for competition in the industry, which form the basis of success in the industry. KSF vary in time and at different stages of the life cycle of the industry. Each certain period of time, a specific industry has typically 3-5 individual KSF. The key success factors also differ within the industry with respect to specific markets, individual KSF can be additional in terms of the specific products.

The key success factors in the market for Uzavtosanoat products are the advantages in the following areas:

**Technology:** experience in using this technology, the ability to manufacturing and product innovation. It is for the reason that the new automotive companies, such as from China, is difficult to resist the famous brands.

**Production:** low production costs, high quality production. Simultaneous combination of these factors is essential. Just because of this «Toyota» company is the global industry leader.

**Distribution:** low distribution costs, a wide network of dealers.

**Marketing:** the breadth of the product line (differentiation).

**Organization:** a well-designed information system and efficient logistics system. This allows to coordinate and to monitor the entire process of product creation.

An important factor of competitiveness is the degree of the application of innovations. Output of new products to the market of passenger cars is always connected with the latest technological developments or non-trivial marketing moves.

A significant advantage of the market of cars is a system production used by the manufacturer. System implementation of the "Managing (saving, economical) production" allowed most Japanese car companies to achieve not only an increase the production at improving the quality of assembly, but to accelerate the innovation process.

Technological changes lead to the emergence of fundamentally new types of vehicles which differ not only externally, but mostly internally. Development of hybrid power units: electric + gasoline engine.

In recent years the concept of "a single platform" is gaining ground among the manufacturers. It lies in the fact that there will be produced several types of vehicles in one technical basis. It will allow reducing the cost of research and construction works, to lower unit costs and receiving the opportunity to produce multiple models on one conveyor. Great success is achieved by «Volkswagen», which produces models: Golf (hatchback), Golf Plus (minivan), Jetta (sedan and wagon), New Beetle, Tiguan (asphalt SUV) in a single platform. In order to be successful in the market of passenger cars it is necessary to offer customers a product that meets both functional and aesthetic needs. Stage, when it was enough to develop a model satisfying only functional requests, has passed.

A huge competitive advantage of goods on the market is the opportunity to purchase on credit. To meet this need of the market, many international companies are creating their own financial division of automobile loans, dealers organize mutual relations with banks, which allow buyers to get credit without leaving the automobile sales center. But Uzavtosanoat still does not allow its customers to purchase the cars by loan. And this issue has been being huge problem and influence company sales profit.

To succeed, the Uzavtosanot automotive company should most accurately meet the needs of consumers. It is necessary to understand the difference between the original needs and requirements.

Need – is a lack of something that necessary for a person.

Demand - is the need that adopted a specific form in accordance with the cultural level and personality of man.

The diversity of needs leads to the necessity of differentiation of the product, while the needs of the majority of consumers are alike. Thus, in order to meet the needs of consumers, it is not necessary to have a wide range of differentiations of

family. The ability to personalize the car is becoming increasingly important for the consumer.

The marketing concept of "Uzavtosanoat" is aimed at meeting the needs of the population, both domestic and foreign markets at minimum cost.

In this connection, we can say with confidence about the assessment of the perspectives in the industry, both in terms of geographical coverage and the effect on the existing market.<sup>15</sup>

We believe that the industry will be given a lot of attention along with the development of national economy, its priorities will be determined together with the sphere of industry, as it shows today.

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<sup>15</sup>Strategic Plan of SC Uzavtosanoat, 2013.

## **IV. THE MAIN DIRECTIONS OF IMPROVING THE COMPETITIVENESS OF “UZAVTOSANOAT” PRODUCTS**

### **4.1. The main directions of improving the competitiveness of Uzavtosanaot.**

For a complete realizing of the existing potential of the automotive industry as a driver of structural and social transformation, it is necessary to assume the measures aimed at radically improving the competitiveness of the sector in order to ensure steady demand for its products both on the domestic and foreign markets. To solve this problem requires:

1. Create incentives for the wider use of energy-efficient engines and improving the reliability of cars as an important factor of competitiveness of modern cars. As the experience of foreign countries, the introduction of legislated ban on the sale of vehicles that do not meet the requirements of efficiency, ecological compatibility and safety, is an essential tool for stimulating producers to manufacture energy-efficient cars. At the same time the criteria of profitability, ecological compatibility and safety should be reviewed periodically, taking into account the trends occurring in the global car market.

2. Further work is needed to deepen localization of production through the development of cooperative ties. The most important for the dynamic development of cooperation ties are business entities providing information on certification issues in the framework of cooperation, order preparation and content of subcontracting agreements, pricing of the products of cooperation, exchange of scientific and technical and other documentation , to minimize the risks in carrying out the orders of cooperation and so on. Another important condition for the successful development of the process of localization and cooperative ties is their reliable regulatory support and economic incentives. The lack of reliable regulatory framework, as well as economic incentives, negatively impacts on industrial cooperation and hinders its development. It is necessary to adopt normative legal acts, regulating comprehensively all possible conflict situations and creating economic incentives for the development of industrial cooperation. Target average level of localization should be 75 % in 2017 and more than 90 % in 2025. At the same time the need to achieve economies of scale and reduce the unit cost of production in order to increase the competitiveness of manufactured parts

and components involves entry into the value chain of multinational corporations and a significant expansion of their exports. This not only reduces cost, but also improves the quality of the high demands of foreign customers.

3. To successfully confront the existing and future threats , it is essential to begin the development of supporting industrial sector of automotive industry - primarily to develop domestic production of high-tech parts and components for vehicles , such as system ABS, EBD, ESP, board computer, gearbox.

4. It requires to upgrade optimally the number of best-selling car models, bearing in mind the need to implement in the most appropriate time (with minimizing capital expenditure) - also an important factor of industry competitiveness. Too frequent updating of the models may lead to unjustified costs for upgrading, marketing, introduction to markets, etc., but the rejection of an upgrade could result in the loss of markets.

5. As the growth of share of localization and cutting of production costs of cars, it is need to reduce customs duties on car imports in order to create a competitive domestic automobile market. That import competition is the most effective motivating factor to increase the competitiveness of the automotive industry. To better meet the high level of domestic demand and maintain its share in the fast-growing foreign markets, it is necessary for Uzbekistan to solve the problem of increasing production capacity. It is also important that without substantial expansion of production capacities it is impossible to achieve economies of scale and to compete with global car manufacturers in highly competitive domestic and international markets will be impossible. However, the expansion of production capacity without the prior adoption of measures aimed at significantly improving the competitiveness of the industry is fraught with significant threats. These threats are associated, on the one hand, with the existing risk of falling domestic demand as the abolition of the monopoly position of the automotive industry and the creation of a competitive environment in the domestic market. On the other hand, the external demand may fall as increased competition and the creation of new works in partnership with foreigners on the territory of the CIS countries, as well as the adoption of discriminatory measures against Uzbek cars by states - the main importers. Due to the scale of the possible consequences of such risks, the expansion of production capacity should advantageously be carried out, only being convinced of the high competitiveness of the industry, sufficient capacity to compete

with foreign producers in conditions of free competition both in the domestic and foreign markets. Expansion of production capacity can be carried out by expanding capacity at existing production and through the creation of another plant to produce passenger cars. In the second development scenario, which is, in our opinion, preferable requires substantial institutional changes aimed at creating real competition between the two plants, the creation of the Ministry of the automotive industry or other authority on the basis of JSC "Uzavtosanoat", which will coordinate and regulate the activities of economic subjects with the market-based economy, etc.

6. Taking into consideration the lack of own assembly base, special attention should be paid to the creation of modern engineering center in Uzbekistan and the joint R & D in the automotive industry, especially in improving the efficiency of cars in their production and operation through the application of new advanced materials, including nanotechnology. Without expanding the use of new kinds of durable materials that replace expensive metal, it is impossible to reduce significantly the cost and increase the competitiveness of the automotive industry.

In the case of expansion of existing production capacity "General Motors" can act as a partner company, which has a positive work experience with Uzbekistan. In the case of the decision to build a new plant, it will be necessary to start searching for potential partners among the world's major manufacturers using appropriate advanced technology. Such companies may be the Japanese, who have now begun a policy of actively move their car capacities in other countries (up to 3 million units), Western - due to reduced capacity of the markets of European countries.

7. With the liberalization of the import regime and saturation of the domestic car market, a need to stimulate domestic demand emerges. Implementation of the various packages of credit purchases of cars and programs on timely replacement and disposal of worn-out car park could be effective tools to encourage the demand for domestic cars.

8. The development of infrastructure to support domestic demand for cars, the quality of roads, the road infrastructure on the main highways act as an essential condition for the dynamic development of the automotive industry.

In the cities, the possibility of the car market development, more and more dependent on the time of movement and the danger of falling into the "traffic jam". This requires the continuation of efforts to improve all road facilities, including the

expansion of roads, competent alignment of road signs and traffic lights, laying bridges and overpasses, and other kinds of road junctions.

9. A serious problem of large cities, primarily in Tashkent, has become the availability of parking and garages. We need a program of accelerated construction of underground garages, including in large offices, factories (for departmental vehicles and vehicles of its employees), airports, railway stations, as well as in places of collective use by motorists. Development of garage management should be actively supported by the local authorities in terms of land allocation, to assist in the registration of property, etc.

#### **4.2. Policy suggestions to the Government in order to improving competitiveness of company products**

Uzbekistan automotive industry is represented by companies in all segments of the automotive industry: the production of passenger cars, commercial vehicles, trucks and buses, trailers, special and military vehicles, automotive components (engine, transmission, undercarriages of tractor electrical equipment and automotive electronics, and others), automotive materials, as well as research and design organizations. In total, the sector has about 200 companies and organizations. And Government plays the key role for realization of this entire huge industrial segment as well as responsibilities.

Unfortunately, in the next years, the restore, and then the increase in production will not go through innovative efforts and other radical capital measures, the need for which is undeniable, but mainly due to the capacity of the industry. And the hopes appear for the Government that will make steps not to the final suffocation, but to the revival and development of the industry, especially to its core - engineering.

The main problem of Uzbekistan automotive industry is the low competitiveness of the products. Signs of this are: an outdated range of many manufacturers, unfavorable price / performance ratio, lower profitability of production in comparison with foreign competitors and a large share of imported products in the Uzbek market. To improve the competitiveness of Uzbekistan automotive industry, its modernization is needed. Due to the significant increase in the share of imported automotive products, the radical modernization of the industry by the Uzbek

manufacturers is impossible. The government involvement in this process is essential. The following areas of activity of the state are possible:

- Accelerated liberalization of the automotive market, aimed at increasing competition from foreign manufacturers, in which the market will remain only competitive production. State actions: simplification of access for foreign producers to the Uzbekistan market, the refusal of the state from a protectionist economic policy. Key risks: production cuts in the automotive industry and related industries, job losses at Uzbekistan enterprises.

- Active state regulation of the automobile industry aimed at its modernization. State actions: promoting innovation in the automobile industry, the development of production and support of product sales in the country and abroad. The main risks are: the emergence of additional budget expenditures, the effectiveness of which is not known in advance. From the point of view of the development of Uzbekistan's economy, a winning point is the strategy for the modernization of the automotive industry through active government regulation. To overcome the risks associated with this strategy requires careful set of measures aimed at modernizing the automotive industry.

The world experience of public participation, aimed at developing of automobile production in the country is to support innovative automotive industry (promotion of new product development and application of new production technologies). In addition, the Government is actively involved in the creation of fixed assets of automobile production, such as the training of qualified personnel, providing information on foreign markets, etc. In foreign countries the tax and customs incentives are used for this purpose, as well as methods of PPP (public private partnership), aiming at division the number of expenses between business and government.

Support for R & D and investment.

The concept of development of the automotive industry aims to promote research and development and investment through the development of diesel engine program, tax incentives and the creation of free economic zones. In 2012-2014 Uzbekistan had launched a program of development of diesel engine, introduced some tax incentives for investors. However, existing tax incentives for R & D investment do not reach the level of foreign countries, which result in insufficient large-scale modernization of production. Stated in the "Plan of the priority tasks for the

development of the automotive industry in the Republic of Uzbekistan", the development program of diesel engine was not adopted due to lack of coordination with the Ministry of Finance.

- Technical Regulation. According to the Concept of development of the automotive industry in Uzbekistan by 2010, the introduction of ecological standards of Euro 2.3, the development of technical regulations were planned. In 2010-2012 was adopted the "Program of development of technical regulations" and initiated the introduction of modern environmental standards in production. Despite this, a number of technical regulations are still under development, so the transition to ecological standards Euro-2 and Euro-3 has not been implemented yet.

- Personnel training. In implementing the Concept of development of the automotive industry, there has begun the provision the automotive industry with qualified personnel. In 2012-2014, according to the "Plan of priorities for implementation of the Concept of development of the Uzbek automotive industry", the study of the market needs in personnel was carried out. The shortage of qualified personnel (workers, engineering and management disciplines) with the current level of attainment continues to this day. Program and technical base for training professionals need to be improved.

Improvement of the production support in the automotive industry in Uzbekistan can be realized with the following methods:

1. Stimulation of R & D investment through tax and customs incentives (tax incentives for the establishment of R & D and investment in fixed assets, the abolition of customs duties on equipment for the automotive industry), with the help of public-private R & D funding and investment (development and implementation of the development program of diesel engine and modernization production capacity by the state and private investors).

2. Assistance to provision manufacturers with qualified personnel. This requires the development of new curricula for specialized professions, corresponding to modern production techniques; equipping schools with appropriate equipment and materials, organizing foreign trainings for engineering and management personnel. It is expedient to use PPP mechanisms for training and staff development, as well as provide training centers with the necessary equipment.

3. Development of the industrial assembly regime as one of the main areas of import. In this mode it is necessary to stimulate the transfer of advanced technologies, and development of automotive components in Uzbekistan by means of increasing localization cost for assembly plants under the regime of industrial assembly. The experience of foreign countries on the development of the assembly of foreign cars suggests that high levels of localization costs, and other restrictions on foreign manufacturers, cannot be a barrier to cooperate between foreign and domestic companies, if granted tariff, tax and other incentives increase the profitability of assembling. In most cases, there was the integration of domestic and foreign manufacturers, which allowed to attract additional investment resources for development of the national automotive industry and to borrow the R & D results.

4. There may be highlighted the formation of the national automobile industry clusters as an individual approach of public participation, which aimed at preservation and development of the national automotive. The governments of developing countries in the last 10-15 years have made efforts to create/save their own automotive industry, which traditionally requires large investments and the introduction of new technologies. Under the conditions of uncompromising international competition in the automotive industry, the establishment of national automotive clusters is one of the best ways for developing automotive industry in developing countries.

Recommendations to stimulate the demand for the products of the Uzbekistan automotive industry may be as follows:

- Technical regulation improvement of the Uzbekistan market, the development and application of standards, gradually limiting the supply of used cars and cars that do not meet accepted safety and eco standards in the Uzbek market;

- Introduction of PPP mechanisms in the implementation of financial and information support of export. It is essential for public authorities to bring responsibility for the effectiveness of the existing programs.

Nowadays the Uzbekistan automotive industry generates fundamental % of GDP, providing about 20 thousand jobs directly in companies, which produce cars and component parts. In addition, the industry creates about one million jobs in dealer and controlled companies. Therefore Government needs to constantly support automotive industry and encourage its developing.

## V. CONCLUSION AND RECOMMENDATIONS

The results of research aimed at developing methods of research competitiveness of "Uzavtosanoat" make it possible to formulate the following conclusions and recommendations.

### Conclusion:

The effective development of automobile industry in the Republic of Uzbekistan;

- Coordination of activities, socio-economic interests of the members of the company, full protection of their interests, providing them with methodological and advisory assistance, the protection of the common interests of businesses before the government and other authorities, as well as international organizations;
- Use of the opportunities of the company on joint search for ways of modernization, technical re-equipment, expansion of production with the use of cooperation, rational specialization, exchange of scientific and technological ideas and developments, the establishment of mutually beneficial relations between economic actors in the company's competitive basis;
- Provision of a single sector policy in foreign trade, foreign investment, expansion and strengthening of trade relations for the implementation of automotive products;
- Development and implementation of measures aimed at establishing long-term, stable economic relations with foreign partners;
- Ensuring the interests of the industry in the foreign economic activity;
- Providing the necessary information support to foreign investors.

### Recommendations:

It appears reasonable for "Uzavtosanoat" to establish Marketing Research Center (MRC) to resolve complex issues in the field of marketing research, forecasting, production volumes, the study of consumer preferences and trends in vehicles market, both internal and external, updating the model number, etc. The basic functions of the

MRC must be the analytical sphere, which many companies often regard as unimportant, as a result they will not be able to reach a highly profitable production;

- with the aim of implementing scientifically proved lineup of car models of "Uzavtosanoat", it is essential to establish the Department for scientific-research, export-design development by involving scientists and engineers-practitioners: engineers, economists and designers;

- it is already time to create certification centers all around Uzbekistan for receiving and recycling the components of domestic cars. However, this requires the development of a comprehensive government program of providing tax benefits to those involved in waste recovery and recycling of old cars in conjunction with car leasing;

- "Uzavtosanoat" needs to develop a new paradigm for the development of high-tech and knowledge-intensive industries for the period of 2015-2017 based on the experience of the world's leading manufacturers of motor vehicles;

- Based on the data analysis, conclusions and recommendations outlined, we believe that there is a need in the legal framework and regulations, coordinating the development of automobile manufacturing industry in Uzbekistan.

The proposed findings and recommendations on the effectiveness of enterprise's competitiveness of the Uzbek automobile industry in the market will help to define the main directions of its improvement, taking into account the strategic interests of the Republic of Uzbekistan.

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