

EFFICIENCY OF CAR SALES FOR A DEALER IN THE RUSSIAN AUTOMOTIVE MARKET

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Abstract: *This article discusses the current state of the automotive market in Russia. The stages of development of this market are analyzed. The authors derive the factors of development of the automotive industry in Russia. Special attention is paid to the influence of dealers on the secondary car market. This direction is supplemented by the calculation of the economic efficiency of car sales for car dealers in Russia.*

Keywords: *automotive industry, automotive market, crisis, car dealer, distributor*

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I. INTRODUCTION

The automotive industry is a significant sector of the global economy and international business. The automobile provides high mobility of a person, efficiency of work, defines a modern way of social life. It is an indicator of the material security level, both of the individual person and the state.

The Russian government sends special attention to the development of the Russian automotive industry. Improving the competitiveness of the automotive industry is one of the main priorities of the social and economic policy of the country. According to the development Strategy of the automotive industry of the Russian Federation for the period up to 2025, the main goal of the state policy in this area is «to maximize the added value of all parts of the chain of creation of vehicles with sufficient variety and quality of automotive products».

Therefore, the study of the current state and prospects for the development of the Russian automotive market is an important topic of research. Modern statistics shows that the number of car owners is increasing every year, and this affects the positive growth of GDP of each state.

II. CURRENT SITUATION OF THE AUTOMOTIVE MARKET IN RUSSIA

The automotive industry is one of the key industries of the Russian economy that creates a multiplicative effect in related industries and determines the economic and social level of development of the state as a whole and its individual regions. The demand for automobiles generates the need for high-tech products of metallurgical, chemical, electrical and other industries, provides employment for more than 3.5 million people.

The realities of the modern economy of the Russian Federation are associated with a tense geopolitical situation, a decrease in the growth rate of industrial production, rising inflation, the weakening of the ruble against other currencies, the fall in world oil prices, the outflow of capital, the deterioration of financial and credit institutions, the decline in real disposable income. In addition, such a difficult situation has been formed in the automotive market in Russia.

The analysis of the current state of the passenger car market shows that the share of passenger cars accounts for the overwhelming share of production (87.5%) and sales in the domestic market (88%). This sector is the most sensitive in comparison with the heavy-duty vehicle market, for the regulation of which foreign economic regulation measures are not applied to such an extent.

Table 1. *Periodization of development stages of the passenger car market in Russian Federation*

Year	Characteristics of the period
1999–2008	Period of non-stop growth of the automobile market
2009	A steep decline in the automobile market: the collapse of the market
2010–2011	The post-crisis recovery: the next growth market
2012	Stabilization of the market: the further growth of the automobile market
2013–2016	Stagnation of the Russian automobile market
2016–2019	Recovery and stabilization of the automobile market

According to the Association of European business (AEB) for 2018 in Russia, there has been sold 1 million 800 thousand 591 new cars, which is 12.8% higher than in 2017.

The crisis that broke out in the Russian car market lasted four years in succession and became the longest in its history. The main factors that allowed the car market to overcome the crisis are: the delayed demand for the periods 2014-2016, called "low market"; regular extension of state support programs in the automobile retail; the increase of mass market brands, for example, Kia, Hyundai, Skoda and Volkswagen. Despite the work done, today the automobile market is still at a low level.

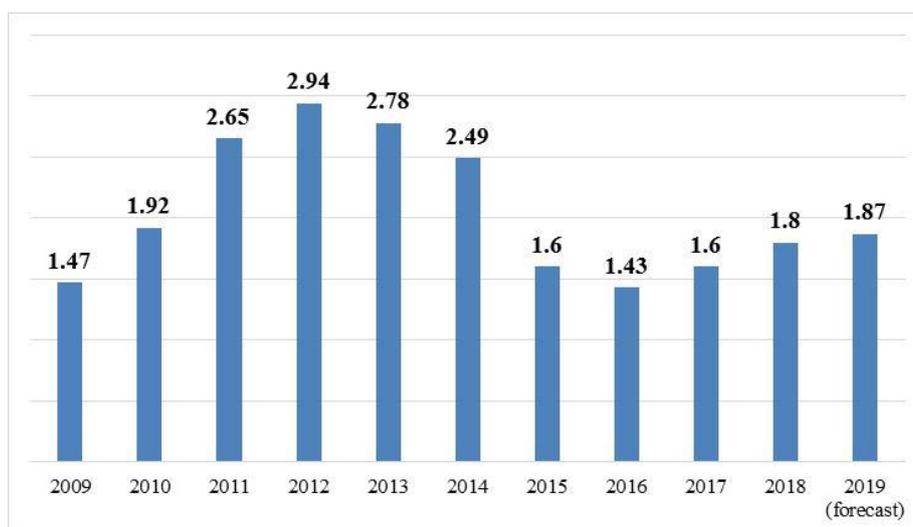


Figure 1. *The dynamics of sales of new automobiles and LCV in Russia, mln. [10]*

Let us consider the situation in details. In 2017 Russia raised one position in the world ranking and was in the twelfth place (1.6 million units, 11.9% higher). The first places in the same year were divided between China (24.7 million vehicles) and the United States (17.24 million vehicles). In other words, for the first time in five years Russia completed the year with positive dynamics and took the twelfth place.

According to the authors, the car market began to grow. Despite the fact that real incomes of the population are declining, car prices are rising and will not return to the level of 2014. On the contrary, if the conjuncture is maintained, they will continue the gradual indexation.

Experts explain the growth of the market by the influence of deferred demand. Those people who did not buy a car until 2015 but wished to do this, were waiting more suitable moment, but it did not come. People accepted the new reality and decided to buy cars only in 2017.

There is confirmation of this. For the second year in a row, AEB has recorded an increase in new car sales. Moreover, in both cases, progress is expressed in two-digit numbers: plus 11.9% in 2017 and plus 12.8% in 2018.

According to statistics, prices for new cars in 2017 increased by an average of 5%. In 2018 they continued their growth and this is one of the constraining factors for the development of the market. In contrast, cars are bought either with the last money or on credit. The car market statistics appears with the “+” sign because of the loan. Although the conditions for issuing car loans are not loyal, many of the buyers consider them acceptable.

It is believed that the past year for dealers was not easy due to the fact that in 2018 there were no large-scale programs of state support. About 45% of Lada cars were sold on conditions of such support in 2017, but there was practically no support last year. Despite this, AvtoVAZ sales dynamics remained positive - Lada increased sales by 16% to 360 thousand cars.

There are 3,466 car dealers in Russia (April 2019) for the sale and maintenance of passenger cars.

According to experts, over the past 3 months, their number has even increased, in January there were 3450 car dealers. The increase in the number of dealerships during this period is explained by the fact that 135 new dealer contracts were concluded, and 119 were terminated [10].

Dealers receive most of the revenue from sales of new cars, but it is increasingly difficult to earn on the implementation of them. The population prefers to buy cars with mileage, although this segment is just 15-16% in the structure of the market. Such additional areas as insurance, lending, service, sale of spare parts also receive the development. Regional dealers often go for consolidation with their own kind.

Statistics "AUTOSTAT" showed that 5.3 million supported cars was sold in 2017 – 2% more than in 2016. In 2018-5.43 million units, which is 2.4% higher than in 2017. Moreover,

sales of cars of Russian brands fell by 4%, and foreign brands-increased by 5.1%., Resales amounted to 367 vehicles in February 2019, which is 1.3% more than in February 2018. [10]

III. FACTORS OF DEVELOPMENT OF AUTOMOTIVE INDUSTRY OF RUSSIA

The problems of the Russian automotive industry are well known. Consumers are not satisfied with the quality and model range of Russian cars. The residents of our country prefer a second-hand foreign car to the new vehicle of Russian production. As a result, factories are forced to produce fewer cars than their capabilities allow.

One of the main problems hindering the further development of the automotive industry is the lack of activity of potential investors and automotive companies. This largely determines the backlog of Russian automotive technology from modern requirements for technical level, reliability, safety, ecology and comfort [2; 3].

Systemic problems of mastering new models and improving the quality of manufactured cars are also relevant. Problems of quality, development of component base and replacement of import of cars are not solved in full [5; 6].

The priorities of the current Concept of innovative development of the automotive industry in the Russian Federation include:

- promotion of R&D in the automotive industry;
- use of intellectual security and management systems;
- implementation of technical regulation;
- introduction of new production technologies;
- application of innovative structural materials;
- strengthening of safety and environmental requirements;
- regulation of import of used motor vehicles;
- use of infrastructure of special economic zones;
- measures of state support of export of production;
- training of personnel for the industry [8].

IV. INFLUENCE OF DEALERS ON THE SECONDARY CAR MARKET IN RUSSIA

It is proved that car dealers increase their influence on the secondary market. The top 60 dealer holdings in Russia sold almost 500 thousand cars with mileage at the end of 2018. The average growth rate was 26%, and the share of used cars in the total sales of the participants of the rating "Avtobusinessrevyu" reached 34% (+1P. p.). The top ten of the list included 284 thousand cars with mileage. The best dynamics in the top 10 showed "Klyuchavto", which took the sixth place: sold 20 thousand used cars-42% more than a year earlier. Leadership in the secondary market with a large margin retains "Rolf", which sold more than 64 thousand units (+34%).

The average sale price of a car with mileage among the participants of the study "Avtobusinessrevyu" for 2018 amounted to 617 600 rubles. Only 8 holdings exceeded the figure of one million rubles, and the figure of below 500 000 rubles was recorded at less than half of the dealers. According to ROAD, the share of authorized dealers in the segment of cars with mileage increased to 14%: 740 thousand cars found buyers (+10%). National dealers are looking for ways to improve the efficiency of car sales. They have to change tactics and look at older cars as sales targets, as well as develop more incentive programs. According to the results of the study, Hyundai dealers work most effectively in Russia. Actually, each dealer of this Korean brand sells in average 72 cars per month. Dealers of this brand participate in large-scale international, and in particular, sports events: Confederations Cup 2017, Moscow, "world Cup on football" 2018, Moscow, St. Petersburg, Rostov-on-don, Nizhny Novgorod, Samara, Saransk, Volgograd, Kazan, Sochi, Kaliningrad; the world winter Universiade 2019 in Krasnoyarsk and increase the efficiency from sales of the used cars [10].

V. CAR SALES EFFICIENCY FOR AUTOMOBILE DEALERS IN RUSSIA

This situation can be considered on a practical example. The World Cup 2018 was held in Russia. The automobile company Hyundai was one of the sponsors there. Participation of Hyundai cars in international competitions, conferences and forums is very important for the distributor, even if he was not an official partner of such events. Firstly, this is free advertising. Most videos, photos, interviews are taken against the background of those vehicles on which the first persons and managers of these events move. The Hyundai trademark flashes everywhere. Secondly, the demand for the purchase of such cars is increasing, although they have already reached the "used" rank. The price the distributor releases his goods to dealer is important. It is especially important for the car dealership market.

The distributor, in contrast to the dealer, is engaged in distribution of production of the manufacturer and acts on its own behalf. As an intermediary, the distributor works with the same intermediaries, he develops his own sales channels and builds his dealer network without contacting directly with the buyer.

The dealer will face all the problems associated with the participation distributor's cars. The distributor understands is ready to go to a partial refund of the dealer's costs, which will certainly appear.

Initially, the distributor sells new cars to the dealer with a 6% discount. The purchase price will be 1 621 500 rubles for one car brand Hyundai Sonata. The recommended retail price of the car at the dealer is 1725 000 rubles.

In connection with the participation of the dealer in this event the distributor makes an additional discount from the purchase price of 20%. Therefore, the price of the car from the distributor will be 1 297 200 rubles. Then the whole lot of cars (32 vehicles) with participation in the maintenance of sport events at the stadium "Yekaterinburg-arena", would cost the dealer:

$$1\,297\,200 \times 32 = 41\,510\,400 \text{ RUB.}$$

The cars are returned to the dealer and put up for sale as used cars after participating in the event. The retail price of such cars is lower than the price of new ones. To assign the "right" price, it is necessary to analyze the information on the site auto.ru. The average price for

Hyundai Sonata cars with a mileage of up to 5000 km is within 1 558 000 rubles. The dealer of the company "A" can sell the entire batch of cars that participated in the event "World Cup 2018" for:

$$1\ 558\ 000 \times 32 = 49\ 856\ 000\ \text{RUB.}$$

Accordingly, the benefit of the dealer in the first approximation will be:

$$49\ 856\ 000 - 41\ 510\ 400 = 8\ 345\ 600\ \text{RUB.}$$

While the benefit of the company "A" without participation in the event will be:

$$1\ 621\ 500 \times 32 = 51\ 888\ 000\ \text{RUB.}$$

$$1\ 725\ 000 \times 32 = 55\ 200\ 000\ \text{RUB.}$$

$$55\ 200\ 000 - 51\ 888\ 000 = 3\ 312\ 000\ \text{RUB (including VAT).}$$

Consequently, despite the great organizational work associated with the participation of the company "A" in the international event "World Cup 2018", the financial result shows that the profit covers all the costs that the company had associated with the delivery of cars to Yekaterinburg and back.

VI. CONCLUSION

The global automotive industry is currently characterized by a set of global trends that may change the design of vehicles and their properties, as well as the fundamental principles of their production and operation in the near future [8].

A passenger car is an expensive durable consumer product: demand for new passenger cars is highly elastic in terms of consumer income. Consequently, if the welfare of the population deteriorates, demand falls faster than the overall level of decline in the economy.

There is a close relationship between the level of income of the population and the dynamics of the passenger car market. Taking into account the current specifics of the Russian economy this link best demonstrates the ratio of ruble United States dollar and physical volume of car sales: a trend of the exchange rate is crucial for the automotive market.

Consequently, the further development of the Russian passenger car market will depend on the geopolitical situation, oil prices, the ruble exchange rate, government support measures and the cost of car loans. In this regard, it becomes relevant to study the Russian market of passenger cars in modern conditions and determine the prospects for its development.

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