

MARKET SEGMENTATION AS ONE OF THE FACTORS FOR AN EFFECTIVE INCREASE IN SALES

(THE CASE OF THE PASSENGER VEHICLE MARKET OF THE RUSSIAN FEDERATION)

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ANNOTATION

The problems of market segmentation are key in organizing marketing work. In almost all types of marketing activities, the analysis of market segments is used and affects the results of all ongoing work. The successful solution of market segmentation issues by the firm will lead to an increase in sales, and, accordingly, the company's income. Making a profit is the main goal of any commercial organization.

Every seller knows that the buyer should benefit from the purchase of goods. Then he will buy the product again and again. Direct marketing efforts aim to increase the buyer's knowledge of these benefits. But what benefits are buyers looking for in the product? How to understand customer needs? And how many buyers with similar needs are in the market? Segmentation provides answers to these and many other questions about the needs and desires of customers. At the same time, every firm operating in the market is aware that its products or services cannot fully satisfy the needs and desires of all consumers. Ideally, the firm will try to occupy all market niches (segments) to maximize profits. In fact, she conducts market research and as a result focuses her "attention" on certain segments of the market where her product will bring the maximum income it is quite obvious that different consumers want to buy different products.

Keywords: segmentation, targeting, market placement, geographic segmentation, demographic segmentation, psychographic segmentation, behavioral segmentation

1. INTRODUCTION

In order to successfully operate in the market and achieve its goals, each company chooses its own marketing strategy. There are three marketing strategies: mass marketing, product differentiation marketing and target marketing. Before proceeding directly to the definition of market segmentation and classification, each of these strategies should be briefly described.

Mass marketing. In mass marketing, the seller is engaged in mass production, mass distribution and mass promotion of the same product for all buyers at once. The main argument in favor of mass marketing is that with such an approach, production costs and prices should be reduced as much as possible, and the largest potential market should be formed. An example is the world-

famous Coca-Cola company today, which at first produced only one drink for the entire market in the hope that it would appeal to everyone.

Product-differentiated marketing. In this case, the seller produces two or more goods with different properties, in different designs, of different quality, in different packaging, etc. Today, the Coca-Cola company produces several soft drinks in different packages of different capacities. These products are designed to create variety for customers.

Target marketing. In this case, the seller distinguishes between market segments, selects one or more of them, and develops products and marketing mixes based on each of the selected segments. Today, Coca-Cola launches the Tab drink to meet the needs of diet-conscious consumers.

Today, firms are increasingly shifting from mass and product-differentiated marketing techniques to targeted marketing techniques that help salespeople better identify available marketing opportunities. For each target market, the seller can develop a product that is needed for this market. To ensure effective coverage of each such market, he may vary prices, distribution channels, advertising efforts. Instead of dispersing his marketing efforts, he can focus them on the buyers most interested in purchasing the product. Target Marketing Requires Three Key Activities



Figure №1. Target marketing in the enterprise

The first is market segmentation - the breakdown of the market into clear groups of buyers, each of which may require separate products and / or marketing mixes. The firm determines different ways to segment the market, profiles the resulting segments and evaluates the degree of attractiveness of each of them.

The second is the choice of target market segments - the assessment and selection of one or more market segments to enter them with their products.

The third is product positioning in the market - providing the product with a competitive position in the market and developing a detailed marketing mix.

Before considering the issue of market segmentation, it is advisable to classify them. In marketing, the market is understood as the totality of all potential consumers who are in need of goods in a particular industry and are able to satisfy it. Depending on the type of consumers, the following types of markets are distinguished: the consumer market and the markets of organizations. The latter are subdivided into markets for production and technical purposes, markets for resale and markets for government institutions. With such an abundance of markets, it is obvious that when conducting market segmentation, one or another of its features must be taken into account, and the uniqueness of products sold in different markets should be taken into account.

2. THEORETICAL ASPECTS OF RESEARCH.

As an introductory word, it is appropriate to recall the Pareto law ("80:20 law"), according to which only 20% of buyers bring the company 80% of the income, representing a generalized group of the company's target customers. The company also focuses its products on

them ("shooting at targets"). This strategy of market activity seems to be more effective. In essence, this is market segmentation. Market segmentation is the division of markets into clear groups of buyers (market segments) that may require different products and for which different marketing efforts need to be applied.

A segment is a group of consumers characterized by the same type of reaction to the proposed product and to a set of marketing incentives. Segmentation of the market by groups of consumers is a grouping of consumers according to some characteristics that, to one degree or another, determine the motives of their behavior in the market.

Market segmentation by product groups is a derivative of market segmentation by consumer groups, takes into account the needs and preferences of consumers in terms of the quality characteristics of the product (goods, services). Segmentation by enterprises (competitors) is a grouping of competitors according to competitiveness factors in moving to the market.

Market segmentation by consumers, by products and enterprises complement each other and all the results obtained are considered as a whole, which allows you to choose the most effective market segment correctly.

Market segmentation by product parameters. Product segmentation is important when planning the release and marketing of new products, as it allows you to analyze which particular characteristics of a particular product may be attractive to the consumer and how much your competitors have taken care of satisfying the wishes of customers when developing their products. At the same time, it is necessary to determine, firstly, for which user groups this product is intended and for what purposes it can be used, and, secondly, what functional and technical parameters of the product are of key importance for specific consumers, and on the improvement of which it is necessary to work. The tasks can be solved by the method of single-factor or multi-factor models. A multi-factor segmentation model occurs when product models are classified according to a combination of several characteristics at the same time, for example, technical characteristics, price level, service provided, manufacturer's warranties, distribution channels, and the perception of the level of these characteristics by consumers in various product models is assessed.

The first step in segmentation is the selection of segmentation criteria. At the same time, it is necessary to distinguish between the criteria for segmenting markets for consumer goods, industrial products, services, etc. Thus, when segmenting the market for consumer goods, criteria such as geographical, demographic, socio-economic, psychographic, behavioral, etc. are used. The main features of segmentation by product groups are functional and technical parameters, price, etc.

Geographic segmentation - dividing the market into different geographical units: countries, regions, regions, cities, etc.

Demographic segmentation - dividing the market into groups depending on consumer characteristics such as: age, gender, marital status, family life cycle, religion, nationality and race.

Socio-economic segmentation involves the division of consumers by income level, occupation, level of education.

Psychographic segmentation - dividing the market into different groups depending on the social class, lifestyle or personal characteristics of consumers.

Behavioral segmentation involves the division of the market into groups depending on such characteristics of consumers as: level of knowledge, relationship, nature of using the product or reaction to it.

In accordance with the relationship, segmentation is distinguished: by the circumstances of use, based on benefits, based on the status of the user, based on the intensity of consumption, based on the degree of loyalty, based on the stage of readiness of the buyer to make a purchase. Segmentation by circumstances of use - dividing the market into groups in accordance with the circumstances, reasons for the emergence of an idea, purchase or use of a product. Benefit-based

segmentation is the division of the market into groups depending on the benefits that the consumer is looking for in the product.

User status characterizes the degree of regularity in the use of a product by its users, which are divided into non-users, former users, potential users, novice users and regular users. Consumption intensity is an indicator on the basis of which markets are segmented into groups of weak, moderate and active consumers of certain products. Obviously, it is more profitable to serve one market segment consisting of a significant number of active customers than several small segments of weak customers.

The degree of loyalty characterizes the degree of loyalty, commitment of the consumer to a particular brand of product, usually measured by the number of repeated purchases of the product of this brand.

The buyer readiness stage is a characteristic according to which buyers are classified into ignorant and knowledgeable about the product, interested in it, willing to buy it, and intentional to buy it.

When segmenting the market for production and technical purposes, the following criteria are primarily used: geographical location; type of organization acquiring goods: amount of purchases; directions of use of the purchased goods.

Segmentation can also be carried out with the sequential application of several criteria. It is important that the segments are not too small, i.e. unfavorable for commercial development. An example is the segmentation of the aluminum consumer market.

Marketing segmentation reveals the possibilities of various market segments in which the seller has to act. After that, the company will have to decide:

- 1) how many segments should be covered;
- 2) how to determine the most profitable segments for it.

Differentiated Marketing. In this case, the company decides to act in several market segments and develops a separate offer for each of them. By offering a variety of products, the firm hopes to achieve sales growth and deeper penetration into each of its market segments. Moreover, it expects an increase in repeat purchases, since it is the company's product that corresponds to the desires of consumers, and not vice versa.

Concentrated Marketing. Many firms also see a third marketing opportunity that is especially attractive to organizations with limited resources. Instead of concentrating efforts on a small fraction of a large market, a firm concentrates efforts on a large fraction of one or more submarkets. There are several examples of such concentrated marketing. For example, a manufacturer of computers and office equipment has released expensive calculators. Through concentrated marketing, the firm secures a strong position in the segments it serves, because it knows the needs of these segments better than others and enjoys a certain reputation. Moreover, as a result of the specialization of production, distribution and promotion measures, the firm achieves economies in many areas of its activities.

At the same time, concentrated marketing is associated with an increased level of risk. A chosen segment of the market may not live up to expectations, as happened, for example, in Europe, when young women stopped buying sportswear and switched to classic suits. Or it may happen that a competitor wants to infiltrate your chosen market segment. Given these considerations, many firms choose to diversify their soy business into several different market segments.

Choosing a market coverage strategy. When choosing a market coverage strategy, the following factors should be considered:

1. Company resources. With limited resources, the most rational strategy is differentiated marketing.

2. The degree of product homogeneity. An undifferentiated marketing strategy is suitable for uniform products such as grapefruit or steel. For products that may differ in design, such as cameras and cars, differentiated or concentrated marketing strategies are more appropriate.

3. Stage of the product life cycle. When a company enters the market with a new product, it is advisable to offer only one version of the novelty. At the same time, it is most reasonable to use undifferentiated or concentrated marketing strategies.

4. The degree of homogeneity of the market. If buyers have the same tastes, they buy the same quantities of goods at the same time intervals, and they respond in the same way to the same marketing stimuli, it is appropriate to use an undifferentiated marketing strategy.

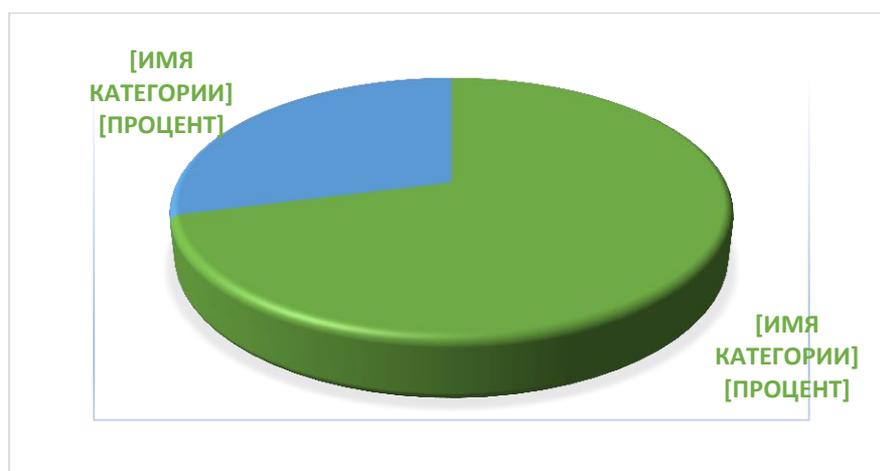
5. Marketing strategies of competitors. If competitors are engaged in market segmentation, the use of an undifferentiated marketing strategy can be disastrous. Conversely, if competitors use undifferentiated marketing, the firm may benefit from using differentiated or concentrated marketing strategies.

3. METHODOLOGICAL ASPECTS OF RESEARCH.

The analysis of segmentation in the market of the Russian Federation, regarding passenger cars, was carried out. The analysis was carried out both light and light commercial vehicles to compare the segments. And also, an analysis of the market segmentation of crossovers and SUVs was carried out. At the same time, an analysis was made by markets on which vehicles more Russians spent according to vehicle segments.

4. ANALYSIS AND RESULT OF RESEARCH.

Residents of Russia spent 3.05 trillion rubles on the purchase of new cars in 2021. And this is a record figure in the history of our market. 71% of this amount was spent on cars of mass brands, respectively, the remaining 29% - on products of premium brands. Moreover, if we compare their sales in absolute terms, the ratio will be 90% to 10%.



Figure№2. Division of the passenger car market by brand positioning.

Last year, Russians paid the most money for cars of European brands, spending 37% of the total on their purchase. A little more than a quarter (26%) went to the "Japanese", one sixth (16%) - to the "Koreans", and the ninth (11%) - to the cars of domestic brands. The remaining 10% were divided between the "Chinese" and "Americans" (9% and 1% respectively).

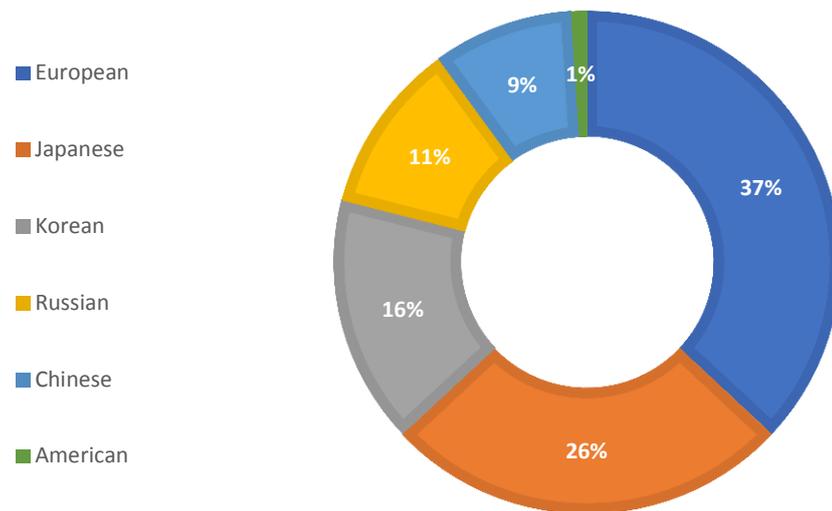


Figure №3. Division of the passenger car market by brand origin

SUV remains the largest segment of the Russian market, so most of the money was spent on crossovers and SUVs. But if “in pieces” SUV occupies 51%, then “in money” - 67%. The reason is the higher weighted average price of cars in this segment than the market average.

A seventh of the money spent was spent on cars of the B segment. Even less was spent on the rest of the inhabitants of the Russian Federation. Thus, segment D had a share of 6% of the total financial capacity, segment E - 4%, segment C - 3%. And for cars of other segments (pickup trucks, minivans, coupes, convertibles, etc.), a total of 6% of the total amount was spent.

According to the results of January - June, sales of new cars in Russia show growth both in the mass and premium segments. In the mass sales of cars increased by 37% to 749.5 thousand units. However, four brands included in the TOP-25 in terms of sales showed a negative trend. Chevrolet (-43.2%) and Lifan (-32%) showed the largest drop in the first half of the year, Honda (-2.1%) and Nissan (-1.6%) showed a slight decrease. At the same time, 21 brands are in the "plus". The most rapid growth is in the German Opel (about 15 times), on a low base of the previous period. The sales figures of Chery cars increased by 5.3 times, Peugeot and Haval - by 2.5 times, Geely and FAW - by 2 times. The sales volumes of LADA, Suzuki, Subaru, Skoda and Citroen increased in the range from 50% to 100%. Mazda, Volkswagen, Kia, Renault and Hyundai increased the number of cars sold from 25% to 50%. As for premium brands, car sales grew by 41% to 84.5 thousand units. Strong growth is observed for all brands, with the exception of Jaguar, whose sales have halved. The leader in terms of dynamics is Cadillac, whose car sales grew by 125%. Doubled sales of Genesis. Volvo (+83.4%) and Infiniti (+76.2%) increased them by more than 50%. Jeep (+29.4%), BMW (+36.7%), MINI (+43.4%), Mercedes-Benz (+46.5%), Audi improved their performance in the range from 25% to 50%. (+46.9%), Porsche (+48.1%). We also note that the share of the premium segment was 10.1%. Accordingly, the mass segment accounted for 89.9%.

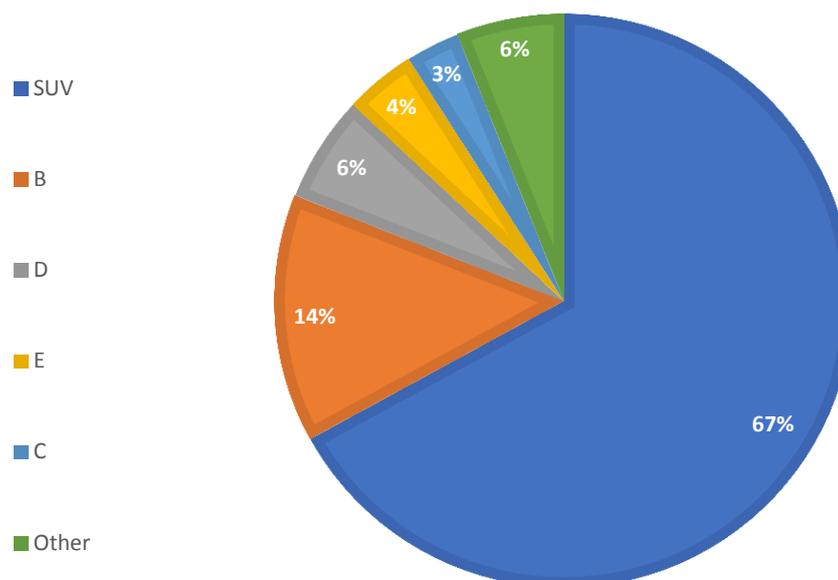


Figure №4. Division of the passenger car market by segment

At the end of 2021, 1.54 million new passenger cars represented by 270 models were sold in Russia. Over half of them accounted for crossovers and SUVs. Thus, cars of the SUV segment last year were sold in the amount of 787.3 thousand units, which corresponds to a share of 51.3% of total volume. At the same time, crossovers and SUVs were represented by 153 models. It is also worth noting that the share of SUVs for the first time exceeded the 50% mark.

Within the SUV segment itself, the SUV sub-segment (C) is the largest, with a share of 25.5%. It is based on such models as Toyota RAV4, Volkswagen Tiguan, Kia Sportage, and there are 52 of them in total. The SUV (B) subsegment occupies 11.4% of the market and is represented by 18 models, including Hyundai Creta, LADA Niva and Renault Duster.

Segment B is the second in terms of sales in the Russian Federation with a share of 34.8%. Interestingly, it includes only 15 models, of which 534,000 units were sold in total in 2021. Such cars remain the most affordable and popular in our market. These are, for example, LADA Vesta and Granta, Kia Rio, Hyundai Solaris, Volkswagen Polo, Skoda Rapid. In terms of the number of models, segment B is inferior even to segments C and D (20 and 22, respectively), although their market share is an order of magnitude lower.

At the same time, the market potential is much greater: if it were not for the shortage of cars, the results of 2021 turned out to be much more positive. The shortage is due to a shortage of electronic components, a break in supply chains and rising prices for raw materials (primarily steel). So far, the situation on the market is favorable only for dealers who enjoy unsatisfied demand and compete in greed: monstrous extra charges for penny retrofitting, alas, have become the norm. And the saddest thing is that buyers are ready to silently pay a few hundred thousand (or even several million) rubles, just to get the coveted new car.

As for the structure of the market, according to the AEB, 47% of the demand fell on SUVs (788,000 cars). Light commercial vehicles sold 131 thousand (7.8% of the market), pickup trucks - 10 thousand (0.6% of the market). And 1001 electric cars were bought from official dealers. Lada remains the market leader, and we have already talked about its results. Kia, Hyundai and Renault traditionally follow, with all three brands showing a 2% increase in sales, although the shortage of cars also affected them. In the premium segment, BMW is again in first place.

Chinese companies, which have no problems with the supply of components, took full advantage of the current situation. Haval more than doubled demand, Chery tripled, and Geely 59%. In terms of sales, they are already on an equal footing with Mitsubishi and Mazda. And

although dealers of "Chinese" also do not shy away from markups, on average they are lower than those of Korean brands. Not a single Chinese model was included in the annual ranking of the top 25 best-selling cars, but in different months there were Geely Coolray and Atlas, Haval Jolion and Chery Tiggo 7.

Market players do not expect a quick recovery in production and supplies: at best, this will happen only by the end of 2022. Therefore, the forecast of AEB and automakers for this year is a slight increase in sales by 3-5%. Unless, of course, new shocks happen. And we will publish more detailed results of 2021 with sales data for all brands and models.

5. CONCLUSION

Summing up, we can draw the following conclusion: one of the main areas of marketing activity is market segmentation, which allows the accumulation of enterprise funds in a certain area of its business. The firm may not have enough resources to operate in its market. Therefore, the firm is looking for a profitable segment that matches its resources and capabilities. Market segmentation consists in dividing it into relatively clear groups of consumers (market segments), which can be focused on different products and, accordingly, require different marketing efforts. Properly selected segments increase the profitability of the company. That is why the practical utility of identifying profitable market segments is obvious.

The main methods and principles of segment marketing analysis were considered on the example of the Russian Federation market, regarding passenger vehicles. In reality, there are many more methods for defining a market segment. The choice of the appropriate method is a difficult task that each enterprise must solve independently, based on its goals, objectives and capabilities. Segmentation has advantages and disadvantages, but it is impossible to do without it, since in the modern economy each product can be successfully sold only to certain market segments, but not to the entire market. Market segmentation can be carried out using various criteria.

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