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## Premium Car Brands Strategies and Regulator's Actions in Russia (2009–2021)

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### ABSTRACT

This article analyses the premium segment of the Russian automotive market from 2009 to 2021 based on data from the Association of European Businesses. The authors conducted a comparative analysis of trends in the Russian automotive market with trends in its premium segment and found significant differences in the market cycles. The analysis of the main periods of the studied market was based on the SV matrix (strength/variety). The article also discusses the main external and internal factors that influenced the competition level in the periods under review. As the main conclusion of the study, it was noted that while in the mass segment of cars, the strength of companies and dominant groups is highly dependent on external factors, then in the premium segment the main driving forces for changing the market situation are the actions of the companies themselves, their competitive strategy, as well as adaptation to current market trends. The article also provides comments on the impact of economic events from February 24, 2022 on the market situation.

**Keywords:** Russian automotive market; strategic analysis; industry dominance; SV matrix; BMW; Lexus; Infiniti; Mercedes-Benz; Land Rover; Jaguar; Audi; Porsche

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## INTRODUCTION

We decided to analyze separately the premium car market, as the development trends of premium market segments often differ from the industry-wide after writing an article about the domination of the Russian automotive market in general [1].

The automotive market is of interest to researchers from different points of view. For example, the authors study the strategies of the largest European automotive TNCs in the internationalization of business in different regions of presence [2]. A number of scientific works are devoted to the analysis of the current state of the car market in the Russian Federation, where factors that influence competition in the automobile market are identified, as well as the main driving forces, influencing on the situation in industry [3]. As part of the research on the analysis of the Russian market, for example, the strategies of German automobile companies are considered (including features of the strategy of BMW Group in the Russian market) [4]. In addition, the Russian market of premium automobile brands was studied in the work of Levina and Pokatovich, where it was noted that it had a more stable dynamic relative to overall market performance, showing less decline, and sometimes growth in its segment, when the overall Russian automotive market was in deep recession (2008 and 2014 year) [5].

A number of articles are devoted to the analysis of strategic behavior of individual concerns: analyze the competitive strategies of BMW Group in the world market [6], it was a case study of changes in the competitive strategies of premium automotive companies, where the authors substantiate, that large investments in new technologies and flexible production systems provide high performance in the premium car segment, and converting from a traditional premium car company to a company, focused on mobility technologies is the key to getting and maintaining a competitive edge in the premium car segment [7].

Current research of trends in the markets of premium goods can be found at consulting companies. For example, McKinsey research was identified global trends, which in the coming years will determine the strategic behavior of players in the premium automotive market, among which the increasing importance of digital channels in interaction with the consumer, the growing influence of companies, providing additional services to auto owners and strengthening the regulation of this market by public authorities.<sup>1</sup> Bain&Company notes the increasing concentration of key players in premium products markets recovering from the 2020 crisis, for example, world premium car sales in 2021 hit the record for 2019, amounting to 551 billion euros. Sales growth in Asia and the shift to more low-emission cars were considered important market trends.<sup>2</sup> Researchers also identify key success factors for automotive premium brands [8].

To describe the market of premium brands we will use the theory of economic dominance (further — TED) [9], which divides companies in any market into three types:

- Alpha — companies whose institutional capacities enable them to take advantage of the market in which they operate;
- Beta — companies with slightly weaker institutional capacity but sufficient to position as niche leaders;
- Gamma — companies that do not have an advantage in the market presence and follow the rules of the game established by the leaders.

The term “alpha-empire” is also singled out [10] — when companies at different levels come together to drawing on the capacities each

<sup>1</sup> McKinsey Center for Future Mobility. The new realities of premium mobility. 2019. URL: <https://www.mckinsey.com/~media/mckinsey/industries/automotive%20and%20assembly/our%20insights/the%20new%20realities%20of%20premium%20mobility/the-new-realities-of-premium-mobility-final.pdf>

<sup>2</sup> Bain&Company. From Surging Recovery to Elegant Advance: The Evolving Future of Luxury. URL: <https://www.bain.com/insights/from-surging-recovery-to-elegant-advance-the-evolving-future-of-luxury/>

other's and operate in various markets. For example, through the Genesis brand, Hyundai has been competing in the premium machine market since 2015.<sup>3</sup> At the same time, Genesis, while far from the leader in the premium segment of Russia, is actively increasing sales, relying on the support of Hyundai.

SV matrix is an effective tool for analyzing changes in the competitive situation in the market [11], allowing to analyze the dynamics of the market situation and changes in the level of domination of key players in the considered markets. To apply this matrix first using the Linda index [12] are the calculation of the presence and size of the dominant group in the market. Then, for each dominating group, its combined market share (CRSV) and t coefficient of differentiation of companies by market share within the group (HTSV, modified Hall-Taydman coefficient) are calculated. The description of the SV matrix was given earlier by the authors [1].

### WHAT BRANDS ARE CONSIDERED PREMIUM IN RUSSIA

To analyze the market of premium automotive brands we will use the classification of the analytical agency "Autostat",<sup>4</sup> which as in 2022 allocates 13 premium car brands in Russia:

1. German BMW and Mini (included in BMW Group), Mercedes Benz, Audi и Porsche (included in VW Group).
2. Japanese Lexus (Toyota) and Infiniti (concern AVTOVAZ-RENAULT-NISSAN-MITSUBISHI).
3. American Jeep (STELLANTIS) and Cadillac (GM Group).
4. English Jaguar and Land Rover (together are part of the concern Jaguar Land Rover, owned by Indian Tata Motors).
5. Swedish-Chinese brand Volvo.
6. Korean Genesis (HYUNDAI Group).

*Fig. 1* shows volumes of sales in dynamics for each of 13 brands for the period 2009–2021(pcs.).

From the *fig. 1* seen that BMW and Mercedes-Benz are the alpha leaders (in TED terms) of the Russian premium market. With different results by years, they are followed by Audi и Lexus — beta-companies alpha-empires VW and Toyota. Other brands are rather related to gamma-players in the market.

The market reached its maximum sales level of 205 316 pieces in the 2013 "pre-Olympic" year and remained at the same level for another year. By the end of 2014, there was a strong devaluation of the ruble, as a result of which, according to Rosstat, Russians have traditionally gone to buy large appliances and upgrade cars, trying to keep the depreciating accumulation.<sup>5</sup> Due to the strong exchange rate difference at the end of 2014, many cars were also bought by citizens of Kazakhstan and Belarus.<sup>6</sup>

And although, according to the results of 2021, the market as a whole is still far from the results of 2014, BMW, as the leader in sales, has surpassed the level of 2014, and Mercedes and Lexus were close to pre-crisis values (*fig. 1*).

### PREMIUM BRAND MARKET COMPARED TO THE REST OF THE AUTOMOTIVE MARKET

*Fig. 2* compares premium and mass segments of the car market by individual automotive brands as a result of 2021. The premium market growth rate is exactly three times higher, and BMW and Mercedes-Benz brand sales are growing faster than the premium market as a whole (9.6 and 10.8%, respectively).

Reasons for the three-digit growth of the Genesis brand are due, on the one hand, to its relatively recent entry into the market (and accordingly, the low base for comparison), and, on the other hand, significant expansion and updating of the model range,<sup>7</sup> active marketing policy to promote the brand and highly

<sup>3</sup> URL: <https://www.kolesa.ru/news/proshhaj-bmw-chinovnikov-peresazhivayut-na-korejskie-avtomobili-radi-ekonomii>

<sup>4</sup> URL: [https://www.autostat.ru/pages/about\\_company/](https://www.autostat.ru/pages/about_company/)

<sup>5</sup> URL: [https://gks.ru/bgd/regl/b14\\_102/Main.htm](https://gks.ru/bgd/regl/b14_102/Main.htm)

<sup>6</sup> URL: <https://www.interfax-russia.ru/center/news/belorusy-massovo-skupayut-bytovuyu-tehniku-v-smolenskoy-oblasti>

<sup>7</sup> URL: <https://info-motors.ru/vehicles/cars/genesis/>

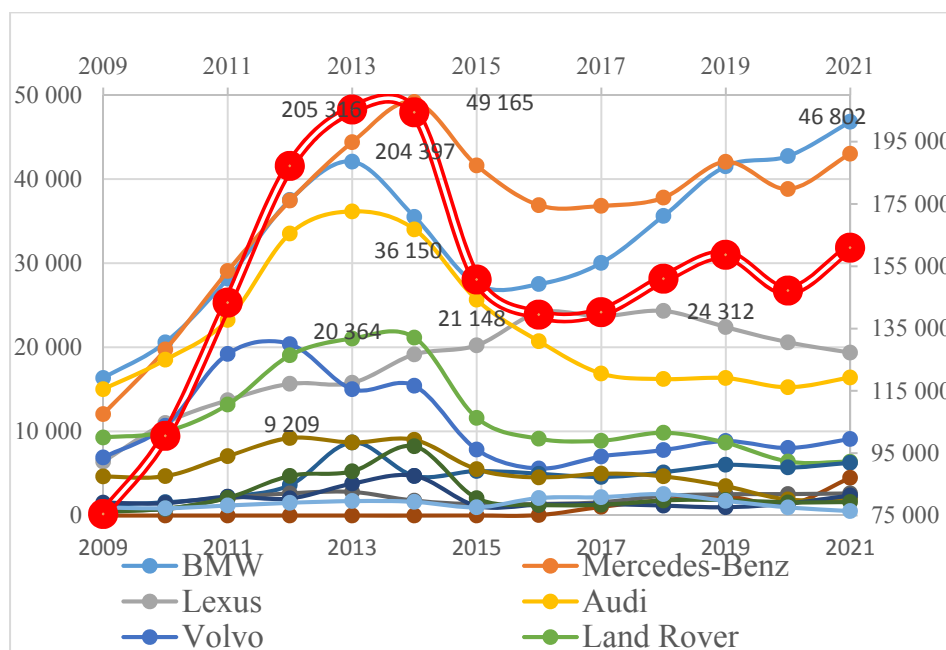
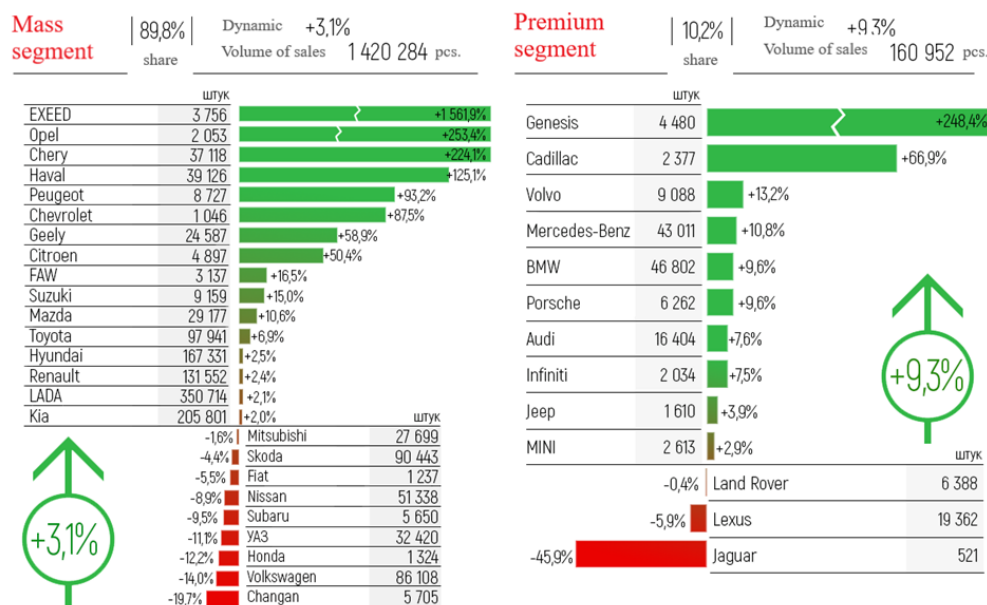


Fig. 1. Premium car sales in Russia, 2009–2021

Source: compiled by the authors based on data from AEB. URL: <https://aeb.ru>.

Note: the left vertical axis is the sales volume in dynamics for each of the 13 brands for the period 2009–2021. The right vertical axis is the total sales of premium brands by year for this period. The numbers with callouts indicate the maximum values for each row.

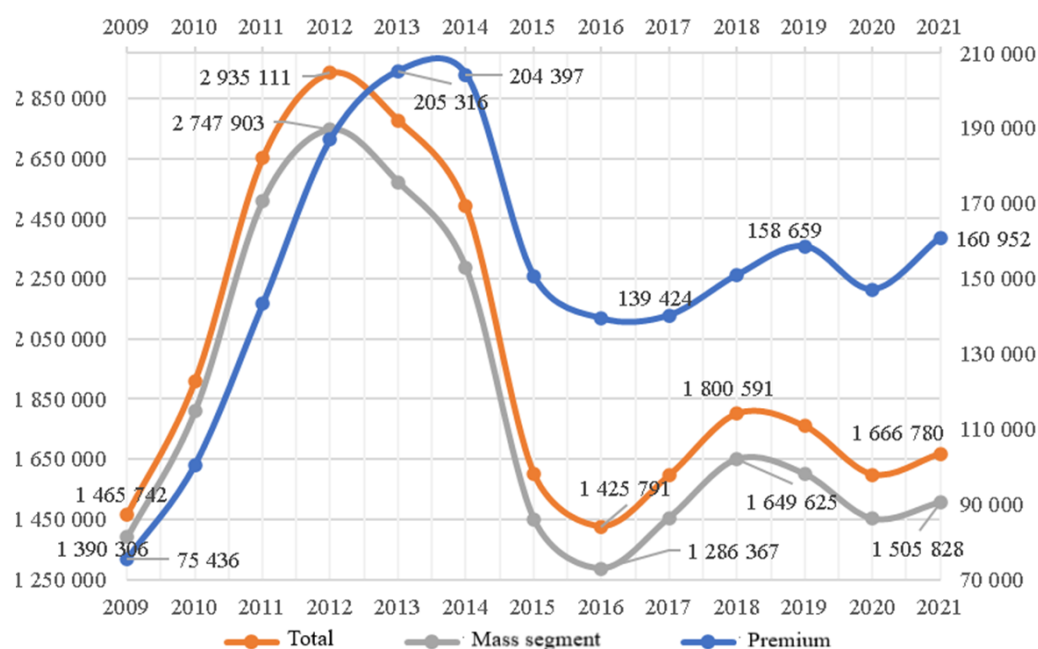
## Dynamics of the Russian car market for 2021



Источник: АЕБ, оценка АВТОСТАТ (без учета LCV по брендам: GAZ, Ford, Iveco, Mercedes-Benz, Volkswagen и др.)

Fig. 2. Russian automotive market dynamics in 2021

Source: compiled by the authors based on AEB data, AUTOSTAT estimates (excluding LCV by brands: GAZ, Ford, Iveco, Mercedes-Benz, Volkswagen and others). URL: <https://www.autostat.ru/news/50402>.



**Fig. 3. Comparison of Russian automotive market dynamics (premium segment, mass segment and total sales), 2021**

Source: compiled by the authors based on data from AEB. URL: <https://aeb.ru>.

Note: on the left axis, sales of cars in the mass segment and the market as a whole (SUMMA series) are marked, and on the right axis, only premium brands.

competitive ratio of price and quality compared to the historical leaders of the segment.

The growth of the Cadillac brand, besides the low base effect, the expansion of the geographical presence, and the opening of new dealers, management of the Russian branch of the brand explains the successful upgrade of the flagship model: “a key factor, influencing growth, became the launch of the updated flagship Escalade — the most advanced and perfect large SUV (Sport Utility Vehicles) in the history of the model, became the key premiere of this summer”.<sup>8</sup>

Also, an important factor during the pandemic was the possibility of distance interaction with clients and the development of online services. To raise the brand’s competitiveness, the company offered trade-in programs and low loan rates of 0.1%.<sup>9</sup>

<sup>8</sup> URL: <https://media.cadillac.com/media/ru/ru/cadillac/news-detail.html/content/Pages/news/ru/ru/2021/cadillac/10-08-sales-results.html>

<sup>9</sup> URL: <https://www.major-cadillac.ru/news/103/>

On the *fig. 3* presents a comparison of sales volumes of new cars in general and premium brands in Russia for the period from 2009 to 2021.

As can be seen from *fig. 3*, the premium segment of cars in the Russian Federation has its own cycle, which sometimes is very different from the whole industry:

- until 2012, both the automotive market as a whole and its premium segment demonstrated a rapid growth: total sales of new cars doubled between 2009 and 2012, and in the premium segment — more than 2.5 times;
- from 2012 to 2016, the mass segment market began to fall, and sales of premium brands, as mentioned above, continued to rise, having reached a maximum in 2013–2014 for the entire period of the crisis under review, and only then began to decline;
- mass market by 2016 has fallen below the level of post-crisis 2009, and premium drift only to the level of 2011, losing only about 30% from the peak of 2013;



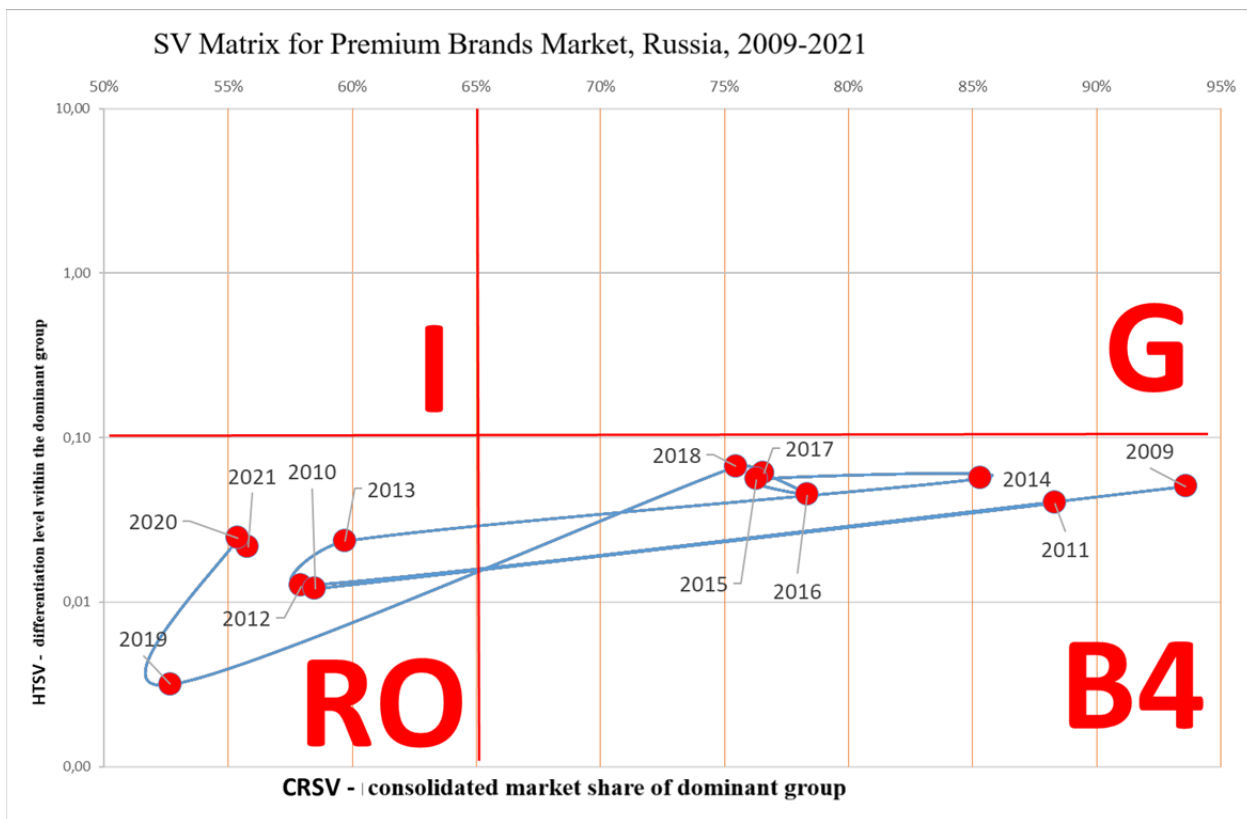


Fig. 4. Matrix SV for assessing the dominance level for the Russian premium car market, 2009–2021

Source: compiled by the authors based on data from AEB. URL: <https://aeb.ru>.

- since 2016, the automotive market began to recover, including its premium segment, and since 2018, different trends are again visible: the decline in total sales and the growth of the premium segment.

Thus, the decline in sales of premium brands has always been 1–2 years later than in the mass market. Interestingly, the rebound in market growth during the period under review is occurring without such a time lag between these segments.

### DOMINATION OF THE PREMIUM AND LUXURY CAR BRAND MARKET IN RUSSIA

Despite the fact that the premium segment consolidated much easier than the mass market was held in crisis periods in the economy, competition within this segment has also changed. Fig. 4 shows the SV matrix,<sup>10</sup>

a table provides information about the size of the dominant group for each year (line “Lindh”), CRSV, and HTSV values and detailed market share values for all premium brands considered.

The SV matrix is divided into 4 quadrants:

- in quadrant G (CRSV > 65%, HTSV > 0,1) are presented markets, where the combined share of dominant players is more than 65% of the market, but the players are very different (G – from the Russian company Gazprom, illustrating the example of this market);

- in quadrant B 4 (CRSV > 65%, HTSV < 0,1) are the markets, where leaders have consolidated their largest share, but all dominant players are roughly equal in size (B 4 – “big four” in the market of audit services, which is an illustration of this quadrant);

- in quadrant RO – Red Ocean (CRSV < 65%, HTSV < 0,1) are presented

<sup>10</sup> URL: <https://svmatrix.online/ru/Матрица-SV/>

Table

Shares of the Russian automotive market of thirteen luxury brands, 2009 – 2021

Company/Year	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
BMW	29.08%	29.03%	26.17%	23.59%	21.40%	19.73%	18.24%	17.37%	20.49%	20.04%	19.65%	20.47%	21.67%
Mercedes-Benz	26.72%	26.37%	26.50%	25.03%	26.24%	26.46%	27.61%	24.05%	21.61%	20.00%	20.28%	19.62%	15.97%
Lexus	12.03%	13.99%	14.12%	16.10%	16.89%	17.30%	13.42%	9.37%	7.68%	8.36%	9.56%	10.92%	8.48%
Audi	10.19%	10.36%	10.29%	10.74%	12.03%	14.85%	17.02%	16.64%	17.61%	17.90%	16.22%	18.41%	19.90%
Volvo	5.65%	5.45%	5.58%	5.15%	5.00%	4.01%	5.20%	7.54%	7.31%	10.88%	13.40%	10.59%	9.14%
Land Rover	3.97%	4.36%	5.46%	6.52%	6.33%	6.54%	7.70%	10.35%	10.24%	10.17%	9.20%	9.92%	12.30%
Porsche	3.89%	3.88%	3.80%	3.39%	3.26%	3.56%	3.51%	2.30%	4.23%	1.93%	1.54%	1.56%	1.68%
Genesis	2.78%	0.87%	1.43%	1.21%	0.74%	0.03%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Mini	1.62%	1.73%	1.59%	1.54%	1.13%	0.98%	0.90%	0.86%	1.36%	1.40%	1.40%	0.75%	0.91%
Infiniti	1.26%	1.29%	2.19%	3.08%	3.54%	3.24%	3.65%	4.39%	4.23%	4.92%	4.91%	4.65%	6.14%
Cadillac	1.48%	0.97%	0.61%	0.78%	0.97%	0.91%	0.76%	2.30%	1.85%	1.08%	1.55%	1.45%	2.03%
Jeep	1.00%	1.05%	1.16%	1.17%	0.91%	0.91%	1.36%	4.02%	2.56%	2.51%	1.46%	0.80%	0.55%
Jaguar	0.32%	0.65%	1.10%	1.68%	1.55%	1.49%	0.64%	0.80%	0.83%	0.80%	0.82%	0.85%	1.24%
Lindh =>	2	2	2	4	4	4	4	6	3	3	6	3	7
CRSV	55.80%	55.40%	52.67%	75.47%	76.57%	78.33%	76.29%	85.32%	59.71%	57.94%	88.31%	58.50%	93.60%
HTSV	0.022	0.025	0.003	0.067	0.061	0.045	0.032	0.057	0.023	0.013	0.040	0.012	0.051
Quadrant	RO	RO	RO	B 4	B 4	B 4	B 4	B 4	RO	RO	B 4	RO	B 4

Source: compiled by the authors based on data from AEB. URL: <https://aeb.ru>.



markets, where the dominant companies are comparable in a position, but their combined share is 30–65% of the market. If, as a result of competition, one or more alphas take the market share of other alphas, the market goes to the upper left quadrant “I”;

- **in quadrant I (CRSV < 65%, HTSV > 0,1)** fall markets where dominant players are highly differentiated but collectively control 30 to 65% of the market.

As seen in *fig. 4*, from 2009 to 2021 the market moved within quadrants B 4 (natural oligopoly) and RO (red ocean) of the SV matrix. The following periods can be provided from the point of view of changes in levels of market dominance:

- **2009–2012 years. “Post-Crisis Recovery”.** After the global crisis of the end of 2008, the Russian automotive industry was also feverish. During this period, there were sharp changes in the number of players in the dominant group, with the market for premium cars growing quite quickly: from 70 thous. cars in 2009 to 190 thous. — in 2012.

In 2009 in the dominant group in the first and until last time hit Infiniti — luxury brand of Nissan concern, originally created for the North American market. Despite the high quality of both cars and service, the car has not yet found its permanent niche in the market,<sup>11</sup> and its share has been constantly decreasing throughout the study period.

In this period were still strong in the Russian market positions Volvo and Land Rover. In 2009 Land Rover reached a maximum of 12.3% of the Russian market, but in the future, despite numerous attempts and ambitious statements,<sup>12</sup> the brand share was only declining.

The maximum share of the Russian market Volvo was observed in 2011–13.4%. Later, Volvo return to the dominant group in 2014, but after the ruble devaluation in January

2015 raised prices by 20–30% (that will hit the volume of sales hard<sup>13</sup>), and there will be no more among the alpha companies of the Russian market.

- **2012–2014 years. “First stabilization of the premium market”.** By 2014, the market had stabilized in the B 4 quadrant. And in 2012–2013 in the dominant group was the “Big German Three” (BMW, Mercedes-Benz, and Audi), and, had it not been for the well-known events of 2014, she would surely have held her own position, but in 2014, the dominant group included three more brands — Lexus, Volvo and Land Rover, as in 2011. The sharp increase in demand in 2014 was due to expectations of buyers (savings depreciation, rising prices, including for imported cars due to the fall of the ruble, etc.).

Even a luxury tax introduced in January 2014,<sup>14</sup> did not stop the customer buzz. If you look at *fig. 1*, you can see that in 2014 the leading premium brands had different results: Mercedes-Benz, Lexus, and Land Rover kept sales figures, and BMW and Infiniti fell seriously. This is most likely due to the physical shortage of cars, as the salons were almost empty in December 2014, and the last cars sold without any discounts.

- **2015–2018 years. “Four leaders for four years”.** From 2015 to 2018, four companies dominated the Russian premium market: BMW, Mercedes-Benz, Audi, and Lexus, occupying about three-quarters of the market. After the recession of 2014 in 2015–2018, sales of premium cars were about the same — 140–150 thous. cars per year. The market remained strong in quadrant B 4 (natural oligopoly), with CRSV fluctuating in the 75–78% range.

In July 2014, to support domestic automakers, the Russian government imposed a ban on government procurement of automobile equipment that is not produced in Russia. The car to be acquired has since

<sup>11</sup> URL: <https://fb.ru/article/358427/infiniti-strana-proizvoditel-kto-vyipuskaet-avtomobili-pod-brendom-infiniti>

<sup>12</sup> URL: <https://www.forbes.ru/forbeslife/360597-10-let-jaguar-land-rover-kak-indusy-spasli-avtomobilnoe-nasledie-britanii>

<sup>13</sup> URL: <https://www.kommersant.ru/doc/2718234>

<sup>14</sup> URL: <https://www.garant.ru/news/485339/>



had to have a certain level of localization: at least 30%. In addition, the government has promised to increase the required localization level to 60–70% by 2018. This has not affected all premium brands: in Kaliningrad at the enterprise “Autotor” were going with a sufficient level of localization representative sedans BMW, prestigious Audi A6 and A8 models were produced in Kaluga, but for the companies Mercedes-Benz, Lexus, and Infiniti it closed access<sup>15</sup> to the public sector.

- **2019–2021 years. “Then there were two”.** During this period, the market shifts to the RO quadrant — there remain two dominant players and the shares of the rest fall. It would seem the situation is reminiscent of 2011, but then the dominant players were three with the same CRSV value, and now the same market share is concentrated only in the hands of a pair of German brands: BMW and Mercedes-Benz. It is difficult to determine exactly how this happened, as detailed sales statistics of both brands are closed, but the following assumptions can be made:

- Demand for premium taxi services increased significantly (tariffs “business” and higher in Yandex — only for German premium manufacturers: Mercedes-Benz, BMW, and Audi), for example, in 2019 by 20%<sup>16</sup>;

- With the localization of production, Russian government procurement was again available for Mercedes-Benz and BMW, where these brands have always been in high demand. In the Moscow region in 2019 Mercedes factory was launched, which can produce up to 35 thous. cars per year.<sup>17</sup>

In 2019, Mercedes-Benz took a leading position among premium brands and in the corporate sector sold legal entities 14.5 thous. cars. This is about a third of the total sales of Mercedes-Benz in the Russian market. BMW took second place with 13.8 thous., while the

rest of the companies had much less corporate sales: Lexus — 4.9 thous., Audi — 4.8 thous. and Land Rover — 3.3 thous.<sup>18</sup> If you subtract corporate sales from the statistics, the two leaders’ gap will be much smaller.

Why did Lexus and Audi disappear from the dominant group? It is the Japanese premium brand that is to blame, as Audi in the period of “four leaders” closed the four (see *table*), a Lexus was in third place. But since 2019, Lexus sales have fallen, and BMW and Mercedes-Benz, on the contrary, have increased, as a result, the gap between second and third place has widened so much that Lexus became the leader of the second tier of premium brands, leaving the dominant group. And the market share of Audi decreased as early as 2018, but then almost didn’t change until 2021. Truly: “We must run forward, just to stay in the same place. If you want to go somewhere else, then you have to run at least twice as fast!”

The reasons for the decline in Lexus share were quite economic. In 2019, Lexus discontinued sales of the Lexus IS sedan in Russia, so that “Lexus IS competitors offered greater variability and sold much better, for example, BMW 3-Series in half a year bought 2 799 people, Mercedes-Benz C-Class — 2364, and Korean Genesis G70–711”.<sup>19</sup> In January 2020, Lexus and Toyota announced the recall of 82 thous. cars produced since 2015, due to technical defects.<sup>20</sup> Overall, Lexus’s market share declined by almost a quarter since 2018: from 16 to 12%. In the European market Lexus in 2020 also refuses to sell sedans and focuses on crossovers.<sup>21</sup>

During the pandemic, many car manufacturers experienced a shortage of components and a shortage of cars starting in the second half of 2020, said all dealers of premium cars in Russia.<sup>22</sup> BMW and

<sup>15</sup> URL: <https://www.autostat.ru/news/17313/>

<sup>16</sup> URL: <https://www.gazeta.ru/business/2020/03/02/12986107.shtml?updated>

<sup>17</sup> URL: <https://www.vedomosti.ru/auto/articles/2019/04/03/798178-mercedes-benz>

<sup>18</sup> URL: <https://www.gazeta.ru/business/2020/03/02/12986107.shtml>

<sup>19</sup> URL: <https://motor.ru/news/lexus-is-gone-28-09-2019.htm>

<sup>20</sup> URL: <https://www.gost.ru/newsRST/redirect/news/1/6624>

<sup>21</sup> URL: <https://news.drom.ru/Lexus-81153.html>

<sup>22</sup> URL: <https://www.autonews.ru/news/5ee732e19a79476d0a4eb4be>



Mercedes-Benz reacted by restricting car sales, which will affect the level of prices that increased during the pandemic, even when the semiconductor shortage is overcome.<sup>23</sup> Companies are so confident in the loyalty of their customers that they consider creating an artificial deficit an opportunity to strengthen their dominant position. But maybe it's a temporary marketing move to get more orders from buyers.

The state continued to influence the market of premium brands during this period: for example, from 1 July 2020 a ban on the purchase of foreign cars came into force,<sup>24</sup> but sales continued to rise.

And perhaps complete the description of this period by reporting the results of the super-premium brand: "The company Lamborghini said that 2021, which was marked by the crisis of the global automobile industry, became the best in the history of sales: last year's results, taking into account sales worldwide, managed to improve by 13%, in Russia — by 48%". Also, Rolls-Royce announced that in 2021 Russia was among the top three buyers of this brand, Bentley and Porsche sold 11% more cars in the previous year.<sup>25</sup>

### HOW THE SITUATION HAS CHANGED SINCE 24 FEBRUARY 2022

According to Rosstat, in January-February 2022 it was recorded a decrease in the volume of automobile production by 7.2% compared to 2021 (even before the imposition of sanctions). From the end of February to early March 2022, the situation in the Russian automobile market began to deteriorate significantly: automobile prices began to rise and production volumes decreased as a result of the sanctions, which caused problems with logistics, lack of components, the decline of the ruble.

The Russian government, on the one hand, took several actions, trying to support the demand for cars (amendments to the Tax Code increasing the minimum threshold of the car price, which is covered by the "luxury tax", from 3 to 10 mln rub.<sup>26</sup>), as well as car manufacturers (possibility not to equip cars system of "ERA GLONASS"<sup>27</sup> in the first half of 2022, deferral of payment of auto recycling fee in 2022), etc. On the other hand, at the moment the state programs of preferential car lending and leasing are not extended.<sup>28</sup>

Now it is difficult to say about the prospects of development of the premium market, as the situation on it is constantly changing, and the premium brands discussed in the article are increasingly announcing the suspension of activities in the Russian Federation.

So, in March 2022, the US government announced a ban on the export of premium cars (before the imposition of sanctions from the United States to the Russian Federation exported Cadillac Escalade, some Jeep models, as well as BMW and Mercedes-Benz American build),<sup>29</sup> and brands such as Lamborghini, Ferrari, and Infiniti, have suspended the delivery of cars to Russia.<sup>30</sup> Since 5 April 2022, Japan imposes a ban on the export of premium cars to the Russian Federation.<sup>31</sup>

If these trends continue, the factors described above will soon lead to radical changes in the structure of the Russian premium car market.

### CONCLUSIONS AND RECOMMENDATIONS

In the premium car market in Russia, it was always possible to provide the dominant group, which included two to seven brands. In 2014, as in 2009, immediately after the

<sup>23</sup> URL: [https://www.gazeta.ru/auto/2021/09/13\\_a\\_13980920.shtml](https://www.gazeta.ru/auto/2021/09/13_a_13980920.shtml)

<sup>24</sup> URL: <https://tass.ru/ekonomika/8856597>

<sup>25</sup> URL: <https://vz.ru/news/2022/1/12/1138468.html>

<sup>26</sup> URL: <https://www.vedomosti.ru/auto/articles/2022/03/03/911814-nalog-na-roskoshnie-avtomobili>

<sup>27</sup> URL: <https://www.autostat.ru/news/51110/>

<sup>28</sup> URL: <https://www.autostat.ru/news/51052/>

<sup>29</sup> URL: <https://www.autonews.ru/news/622b794e9a794700c31722b9>

<sup>30</sup> URL: <https://www.kommersant.ru/doc/5251872>

<sup>31</sup> URL: <https://ria.ru/20220329/yaponiya-1780588409.html>

strong crisis, the size of the dominant group increased, then there was a gradual reduction to three, and then to two alpha leaders.

In terms of dominance, the premium car brand market fluctuated between RO and B 4 quadrants from 2009 to 2021, without falling into quadrants I and G of the SV matrix. This indicates a relatively low differentiation between players in the dominant group (the HTSV index did not rise above 0.07). If you look at the CRSV index, you can see that the dominant group companies have always controlled more than 50% of the market, and sometimes this value was significantly higher, indicating a high concentration (see *table*).

The premium car market cycle is different from the industry-wide: the premium car market in crisis continues to grow and falls a year or two after the fall of the common market. The delay was attributable to various factors: on the one hand, consumers of premium products, in an attempt to save the depreciating savings, sent to renew cars, expecting a sharp rise in prices next year. Residents of neighboring countries (Kazakhstan and Belarus) whose incomes are not tied to the ruble, in the context of a sharp fall in the price of premium cars (in 2014 due to the foreign exchange difference this fall was more than twice) also increased demand for premium cars.

In recent years, an important factor in the growth of market leaders (Mercedes-Benz, BMW) can be called the reorientation towards the corporate sales segment: the changing structure of the passenger transport market and the growth of the premium taxi

market are now very important trends, then Mercedes-Benz and BMW actively used.

The state as a regulator influences the market by determining access to public procurement, but we have not been able to identify a significant impact on sales due to the relatively small volume of premium brand purchases compared to total sales figures. We also found no evidence that the luxury tax had any impact on the premium car market. The main impact of government measures to support the automotive industry was on the stamps of the mass rather than the premium segment.

Thus, after the study can be made the main conclusion: while in the mass segment of cars, the power of companies and dominant groups is highly dependent on external factors, for example, support to the state (financing programs, public procurement, infrastructure in the form of credit programs, etc.) and the overall dynamics of the automotive market (growth or decline, i.e. the key to success is to build the right relationship with the regulator), in the premium segment the main drivers of the market situation are the actions of the companies themselves, their competitive strategy (price policy, control of the model range, service level and the ability to ensure of demand on time), as well as adaptation to current market trends.

The events of the first quarter of 2022 show that political and economic factors can radically change the structure of the market and significantly reduce the influence of strategic decisions of individual market players.

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