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Strategic Changes in Russian Automotive Market (2018–2023)

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ABSTRACT

Due to the crisis phenomena affecting the automotive industry since 2020 – such as the shortage in microelectronics during the COVID-19 pandemic, the withdrawal of key manufacturers as a result sanctions against Russia in 2022, and the impact of unfavorable economic factor – passenger car sales in 2022 decreased by 979,410 units compared to 2021. This has led to the transformation of the Russian automotive market and the search by its participants for new revenue sources and business models. The aim of this study is to analyze the structure and dynamics of the transformation of the Russian automotive market from 2018 to 2023, focusing on the activities of key players (automakers, distributors, car dealers) and related sectors (carsharing, auto leasing, online sales aggregators, micro-mobility services), as well as to bridge the gap in academic research on this sector. **Methods.** To study the market structure and key trends in Russia and globally from 2018 to 2023, reports from major international consulting firms – AEB, Autostat, AutoBusinessReview – as well as Russian regulatory acts were analyzed. The systematization of business trends in the automotive sector was conducted using a PESTLE analysis, while an assessment of changes in the value chain was carried out through interviews with industry experts. **Keywords:** value creation chain; Russian automotive industry; business model; market structure

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INTRODUCTION

Since 2020, the Russian automotive industry has experienced a series of crises that have led to significant transformation. The disruption of global supply chains during the COVID-19 pandemic caused a shortage of microelectronics and semiconductors, highlighting the need to localize companies manufacturing components and materials. This is a crucial part of automobile production, as the share of electronics in a car's cost has steadily increased year after year — from 20% in 2000 to 40% in 2022—substantially affecting the final price of a vehicle.¹ The microelectronics shortage was the first crisis to negatively impact the automotive sector.

The next critical period began in 2022: the exit of European, American, and Japanese automakers caused an even greater rupture in logistics chains, necessitating a rapid market restructuring. Russian car dealers were forced to seek new partners and transform their business models to survive under these conditions. From 2019 to the first half of 2022, the number of passenger car dealership companies declined by 369 units (from 3,450 to 3,081.²).

Moreover, unfavorable economic factors — including the key interest rate rising from 6.25% in 2018 to 20% in 2022,³ and price increases of 106% for new cars and 83% for used vehicles between 2020 and 2023⁴—led to reduced purchasing power and a decrease in sales volume by 979,410 units⁵ in 2022 compared to 2021.

Thus, as of today, the rules of the game in the Russian automotive market, which have developed over the past 30 years, have ceased to apply, while the new ones have not yet been fully established. In this context, Russian and Asian players need

to rebuild the entire supply chain of the product (vehicles with spare parts) to the consumer, focusing on deeper localization of production and searching for new sources of revenue and business models [1].

Given the influence of trends and shifting preferences of the target audience in the automotive sector, it is advisable to adapt or radically change existing business models in directions related to sustainability [2–4], digitalization [5–7], servitization [8, 9], and shared usage [9–11].

Currently, there is a scarcity of up-to-date academic research addressing the transformation of the Russian automotive industry in light of recent events and economic factors, although some studies analyze competition among automakers [12, 13], including within the Russian market [14, 15]. This article describes the structure and dynamics of the automotive market transformation from 2018 to 2023, focusing on the activities of key and related players, as well as changes in the supply chain and value chain.

RESEARCH METHODOLOGY

The research methodology consists of four key stages aimed at a comprehensive analysis of the automotive market and its characteristics. The first stage involved an analysis of the Russian and global automotive markets for the period 2018–2023, with a focus on the influence of the external environment and the activities of key and related players. To this end, analytical reports from leading international consulting firms, data from the Association of European Businesses (AEB), the agencies Avtostat and AutoBusinessReview, Russian regulatory acts, the annual reports of ROLF for 2020–2022, as well as interviews with industry experts were studied. This enabled the formation of a representative picture of current trends, challenges, and market opportunities. The second stage examined the activities of major car dealers and related players based on open-source information available on the Internet: official company websites, media publications, industry forums,

¹ URL: <http://static.government.ru/media/files/EVXNIplqvAaf2Ik5t6l6kWrEIh8fc9v.pdf>

² URL: <https://www.rolf.ru/to-investors/>

³ URL: https://cbr.ru/hd_base/KeyRate/?UniDbQuery.Posted=True&UniDbQuery.From=01.01.2022&UniDbQuery.To=10

⁴ URL: <https://b1.ru/local/assets/surveys/b1-car-sharing-in-russia-survey.pdf>

⁵ URL: <https://aebrus.ru/upload/iblock/101/RUS-Car-Sales-in-December-2022.pdf?ysclid=lz10yjbihn317766954>

and other accessible data, facilitating an understanding of market participants' strategies and practices. The third stage was devoted to describing the value chain and the supply chain. This included an analysis of production, logistics, distribution, and sales stages, allowing identification of key links in the chain and their impact on the final outcome. In the final stage, data obtained during the research were verified with the participation of automotive market representatives, ensuring their reliability and relevance, as well as incorporating expert opinions and practical experience from industry professionals.

RESEARCH RESULTS

Changes in the External Environment of the Automotive Market (PESTLE Analysis)

The automotive market of the Russian Federation faced several challenges during 2018–2023, encompassing the following factors:

1. *Political*: The introduction of sanctions led to the exit of the most popular distributors among the Russian audience (European, American, Korean, Japanese), forcing car dealers to seek new vehicle suppliers among Chinese manufacturers, as well as to develop parallel imports and the secondary market for used cars (CAD.⁶).

2. *Economic*: An increase in the key interest rate and rising inflation caused higher vehicle prices, resulting in a decline in consumer demand.

3. *Social*: The growth of the sharing economy among Generation Z led to a redistribution of demand toward alternative mobility options such as car sharing and vehicle rentals.⁷

4. *Technological*: A trend toward technological sovereignty was set, along with the active implementation of digital transformation among Russian companies across various industries.⁸

5. *Legal*: The implementation of the Russian automotive industry development strategy until 2025, and the concept for the development and use of electric vehicles in Russia until 2030, aims at localization of the production process and stimulation of electric vehicle manufacturing and fast-charging stations.

Changes in the Internal Environment of the Automotive Market (Structure and Dynamics) for 2018–2023

Automakers — foreign or Russian enterprises manufacturing vehicles. Traditionally, the production process is based on cooperation between OEM manufacturers and automakers,⁹ who localize production throughout the entire value creation chain in order to obtain tax incentives, optimize costs, and increase the competitive advantages of their brands. In Russia, from 2018 to 2023, Chinese brands significantly increased their market share in terms of sales volume (see table).

Before February 24, 2022, the automotive production and sales landscape in Russia consisted of European, American, Japanese, Korean, and Russian companies.¹⁰ After that date, Chinese brands took their place as market leaders — primarily Chery Group, GWM Group, Geely, Changan, FAW, GAC, along with Russian manufacturers such as GAZ, Sollers Group, and KIA.¹¹

Distributors (importers) are subsidiaries of car manufacturers whose main role is to establish a vehicle sales system in Russia by selling franchises to official dealers and importing vehicles not produced locally. They are also responsible for developing and implementing brand strategies in the country and handling administrative matters. Prior to 2022, the market leaders were

⁶ URL: <https://www.garant.ru/products/ipo/prime/doc/405963861/?ysclid=lvdigcw92192552494>

⁷ URL: <https://kpmg.com/us/en/articles/2023/navigating-future-us-automotive-industry.html>

⁸ URL: <http://static.government.ru/media/files/8JsiO5kSIJA1g5IHhGd5qiQVAcElECn.pdf>

⁹ Original Equipment Manufacturer — a company that manufactures parts and equipment which can be sold by another company under its own brand name..

¹⁰ URL: <https://www.autostat.ru/infographics/43540/?ysclid=lsc56if0ec837677931%5C>

¹¹ URL: <https://aebrus.ru/ru/media/press-releases/sales-of-cars-and-light-commercial-vehicles.php?ysclid=lsc57qsd93442366023>



Table

Sales Volume of Chinese Brands in Russia in 2018 and 2023 as a Share of Total Car Sales

Sales Volume / Year	2018	2023
Total sales volume in Russia (units)	1 800 000	937 081
Sales volume of Chinese brands (units)	33 310	458 389

Source: compiled based on: URL: <https://aebrus.ru/ru/media/press-releases/?ysclid=m6o3t5ywg1231279039/>

consistently AvtoVAZ, Renault, Nissan, Kia, Hyundai, and Toyota. In 2023, they were replaced by Chery, Haval, Geely, and GAZ.¹² However, LADA has remained an unwavering market leader — its share exceeded 30% in 2023, underscoring its dominant position.

Car dealers are private companies that acquire official franchises from distributors to sell vehicles, as well as used cars, spare parts, and provide service and financial support. In terms of aftersales service and spare parts sales, both official dealers and independent service stations (STOs) play significant roles. The most well-known companies in this sector include FitService, Willgood, Bely Service, TOPSTO, 5th Wheel, EuroAuto, Mobile 1 Center, and Bitstop.¹³

Between 2022 and 2023, the automotive market adapted to new conditions. Dealers began actively cooperating with Chinese manufacturers and expanded parallel imports of familiar brands. The share of parallel imports grew by 2% in 2023, reaching 11%, while official imports increased by 24%, accounting for 44%¹⁴ of the market. Despite the growth of parallel imports, official imports remain the preferred option — especially for dealers — due to significant costs and changes in contractors. Moreover, dealers expanded the share of used cars and aimed to grow the domestic market by 26% over five years by scaling up vehicle buy-backs from private individuals in the regions.¹⁵

¹² URL: https://www.ra-national.ru/wp-content/uploads/2023/07/rynok_avto_2023.pdf

¹³ URL: <https://www.autostat.ru/articles/49327/>

¹⁴ URL: <https://www.autostat.ru/news/55839/>

¹⁵ URL: <https://www.autostat.ru/infographics/55722/>

Driven by the global trend toward electric vehicles, sales of EVs surged — reaching a record 14,089 new electric cars sold in Russia in 2023, which is 4.7 times more than the previous year.¹⁶

In terms of service capacity, the volume of technical maintenance (TM) and repair services provided by official dealers is significantly lower than that of independent service stations (STOs), amounting to 48.7 billion rubles compared to 186.4 billion rubles.¹⁷

Carsharing (as a substitute product for both B 2C clients¹⁸ and B 2B clients¹⁹ such as dealers) is a car rental service with hourly or per-minute payment via a mobile app, with parking, refueling, and mandatory insurance (OSAGO) included in the price. The most popular carsharing services in the market include Delimobil, Yandex Drive, City Drive, Belka Car, and others.²⁰ According to research by B 1 Company, demand for carsharing is expected to grow as it represents the cheapest mobility alternative compared to taxi services and private car ownership.²¹

Online aggregators for car sales (both new and used) and auto parts serve as additional channels for manufacturers and dealers. The most popular

¹⁶ URL: <https://www.autostat.ru/news/56565/>

¹⁷ URL: <https://mims.ru/tpost/8i48os6ad1-itogi-rinka-avtoservisa-za-2023-god-i-pr?ysclid=lsc63u4lps566103721>

¹⁸ B 2C (business-to-consumer) — a business model in which a company sells goods to the end consumer or to a private individual.

¹⁹ B 2B (business-to-business) — a business model in which one company sells products to other.

²⁰ URL: <https://b1.ru/analytics/b1-car-sharing-in-russia-survey/?ysclid=lsc6sfsmox756390442>

²¹ URL: [file:///C:/Users/vsb-5/Downloads/b1-car-sharing-in-russia-survey%20\(2\).pdf](file:///C:/Users/vsb-5/Downloads/b1-car-sharing-in-russia-survey%20(2).pdf)

platforms, according to an Avtostat survey, include Avito Auto, auto.ru, drom.ru, Car Price, among others.²² Car dealers and manufacturers upload vehicle stock to these aggregator platforms to reach their target audience. The best-known auto parts aggregators include Exist.ru, Kolesa-darom.ru, Autodoc.ru, Emex, 4 Tochky, Autopiter.ru, and others.²³

Auto leasing is an agreement under which the lessor purchases a vehicle at their own expense for the lessee and transfers it for use. The lessee makes payments and may buy the vehicle if stipulated in the contract.²⁴ Typically, the lessor is a bank or insurance company that buys the car from the dealer. Leasing is essentially a financial tool that primarily allows B 2B clients to quickly and simultaneously acquire a fleet of vehicles, as purchasing outright or via credit is generally more expensive. The most well-known companies in this segment include Gazprombank Leasing, Alfa-Leasing, Sberbank Leasing, Europlan, VTB Leasing, and Reso Leasing.²⁵ According to a review by Kept, key trends in the leasing sector are the increase in electric vehicles, digitalization of leasing processes, market consolidation by major players (the top 10 companies account for over 80% of business volume and portfolio), and steady growth averaging 17% annually during 2019–2022.²⁶

Micromobility (kick-sharing, bike-sharing) involves the use of lightweight vehicles traveling at speeds up to 25 km/h for short trips — usually within urban areas and distances up to 8 km. The most popular companies in this segment are Whoosh, Urent, and E-motion. According to the Russian kick-sharing market review by B 1, key trends include the expansion of transport acces-

sibility for personal mobility devices (PMDs)—a separate category in traffic regulations that does not require a driver's license — and growing demand for micromobility due to congested city roads and consumer preference for more convenient short-distance travel options.²⁷

Taxi services have faced several challenges in 2023, including a shortage of drivers (72,000 as of September 2023), caused by migrant outflow and worker shifts to other industries; a 1.5-fold increase in operator expenses since 2021, which has impacted ride prices for end users; a shortage of popular vehicle models and fleet aging; and a 13.6%.²⁸ reduction in active taxi permits since 2021.

Based on this analysis, the key problem areas are the dependence on imported software and components, highlighting the need for production localization, and intense intra-industry competition, which drives the search for new revenue sources and the creation of competitive advantages.

In 2018, vehicle and auto parts aggregators already existed, enabling dealers and manufacturers to sell online. These aggregators met customer needs by allowing them to search for and compare cars based on desired features and make purchases with one click. For key market players, they created additional trusted sales channels among motorists. Additionally, major Russian banks offered auto leasing by purchasing vehicles and leasing them to both B 2C and B 2B clients.

Regarding the transformation of the supply chain and value chain, changes affected the following aspects (see *figure*):

- Production process. In 2022, following leading automotive companies, foreign OEM manufacturers exited the market, resulting in most of their factories being transferred to the ownership of the Federal State Unitary Enterprise “NAMI.” These facilities are being consid-

²² URL: <https://www.avtostat.ru/infographics/52031/>

²³ URL: https://www.datainsight.ru/sites/default/files/DI_AutoGoods_2019.pdf?oft_id=407521&oft_k=DtZ1CsAH&oft_lk=LbzOrf&oft_d=637232191513900000

²⁴ URL: https://www.consultant.ru/document/cons_doc_LAW_20780/

²⁵ URL: <https://assets.kept.ru/upload/pdf/2023/11/ru-car-leasing-in-russia-kept-survey.pdf>

²⁶ URL: <https://b1.ru/analytics/b1-car-sharing-in-russia-survey/?ysclid=lzbpzq2hqg735796148>

²⁷ URL: <https://b1.ru/b1-kicksharing-survey-2022/>

²⁸ URL: https://ac.gov.ru/uploads/publications/taxi_app.pdf

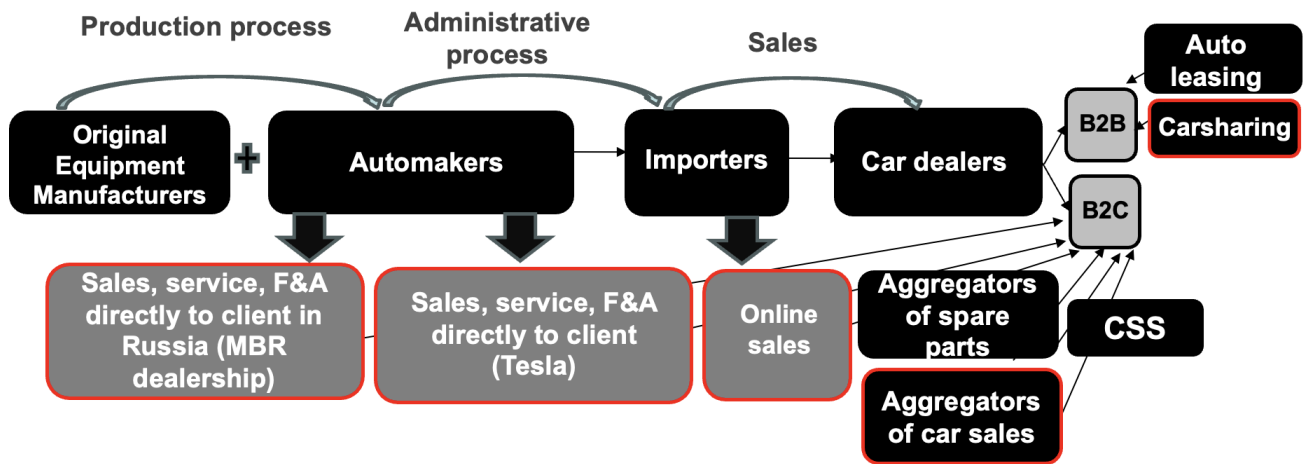


Fig. Value Chain in 2018–2023

Source: compiled by the authors.

ered by Asian countries for further deepening of localized production. There was a radical shift in market share actors. Two of the largest importers — Volkswagen Group Rus (VG) and Mercedes-Benz Rus (MBR) — merged with major dealer networks “Avilon” and “Avtodom,” respectively, transferring the automakers’ assets to dealer ownership. Considering changes in the external and internal environment, current manufacturers focused on developing subscription services, producing hybrids and electric vehicles, as well as deepening vehicle assembly and localization, which requires cooperation with government authorities.

- **Administrative process.** New formats emerged in the automaker-importer-dealer-customer chain, bypassing dealers. For example, Tesla, operating worldwide, provided direct service and financial offerings to customers without intermediaries. In Russia in 2018, Mercedes-Benz Rus opened a service station in its flagship showroom but had to close it by year-end due to financial constraints limiting project scaling. In response to market transformation, since 2020, dealers have focused on securing uninterrupted parts supplies, sourcing high-quality local substitutes to optimize costs, automating customer journeys and business processes, and developing unique warranty programs that mirror those offered by importers.

Sales channels for key market players. In 2019, due to the pandemic and retail shifting online, subscription models appeared among automakers, alongside online sales, including those by dealers. In 2020, manufacturers and dealers gained the opportunity to sell cars through marketplaces. “Avtomir” was the first to launch sales via Ozon. Audi’s distributor ran a special project with Lamoda to attract the marketplace’s loyal audience and launch marketing campaigns. In 2022, Tinkoff Bank and the SBER ecosystem began piloting sales projects through their own online platforms targeting motorists, involving dealers and service centers in bonus programs (“Spasibo”), cashback initiatives, and BNPL projects (Plait, Dolyami). The “Lukoil” and “Yandex.Zapravki” gas station networks used special dealer offers as part of pilot projects for booking maintenance and services through mobile apps operating on a “one-stop-shop” principle. For main market players, these partnerships opened new opportunities to expand sales channels, attract new customers, and increase loyalty through collaborative initiatives.

- **New B 2B client.** Carsharing companies started actively launching pilot projects related to business models and service promotion. To support their core operations, they began purchasing vehicle fleets from major dealers.

Thus, changes affected every aspect of the chain — from production to sales channels — in-

cluding the emergence of new B 2B clients and new players in the automotive market.

CONCLUSION

Currently, the automotive industry — both in Russia and globally — is undergoing significant changes. As a result, the domestic automotive market has transformed across all stages of the value creation chain. Based on the analysis conducted, the following key trends and changes can be identified:

- following the exit of major importers, there is consolidation among certain dealers and automakers, with foreign manufacturers' assets being transferred to state-owned companies;
- government policy is focused on full localization of production;
- share of Chinese brands is increasing among official dealers;

- the domestic market is strengthening due to growth in the used car segment, represented by both official and “grey” dealers;

- in line with the global environmental agenda, production and sales of electric vehicles in Russia are increasing;

- shared mobility and on-demand mobility models have emerged and are actively spreading, reflecting a shift from product-centric to service-centric business models and digital platforms;

- sales channels, amid global digitalization, are transitioning from traditional dealer centers to online sales.

Thus, significant changes occurred in the Russian automotive industry in 2023, compelling all market participants to transform their existing business models to remain competitive under the new conditions.

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