

# *The Strategies of Automotive Manufacturers for Entry into the Emerging Russian Market: The case study of entry via semi-knocked-down (SKD) production in Vladivostok of SsangYong, Mazda and Toyota*

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## **Summary**

This research, with the case study of the semi-knocked-down (SKD) production in Vladivostok of the automotive manufacturers of the ROK's SsangYong Motor Company, Mazda and Toyota Motor Corporation, analyses the changes in the entry strategies into the emerging Russian market from the perspectives of entry mode, KD production, sales and marketing, and logistics. Although Japanese manufacturers lead in terms of technology, with rapidly becoming captivated by the markets of emerging economies, KD production has come to be reconsidered. Via this analysis, I have discussed the rethinking of global competitive strategy. The findings from this research are as follows:

1. Each of SsangYong, Mazda, and Toyota have utilized local Russian firms, and exporting semi-finished products there, have used an SKD (semi-knocked-down) method to assemble them locally. In the case of SsangYong, Sollers, a local assembly and sales firm, covered the investment; Mazda went fifty-fifty with Sollers on the investment; and in the case of Toyota, Mitsui and Sollers covered the investment. It is the same regarding SsangYong, Mazda, and Toyota having provided manufacturing technology. The plus was great of lowering the investment risk in overseas development, via KD production.
2. SsangYong, Mazda, and Toyota are all currently undertaking simple assembly production by SKD, and for Russia the SKD stage doesn't result in a very great amount of value added coming about. In the future, the key will be whether a shift will be possible to CKD, based on a certain level of local procurement of components in Vladivostok. If they are able to handle the shift deftly, for Russia too it will mean that value added will increase. That there is no supplier base in the Russian Far East is a problem.
3. Japanese manufacturers such as Mazda and Toyota send production technicians on-site on a business-trip basis and thoroughly carry out the training of company employees and technical cooperation, and have tackled as the highest priority the producing of commodities with properly ensured quality; in contrast, the SsangYong Motor Company has left it to local firms.
4. In marketing also, the carrying out of the sales and marketing of SsangYong cars is entrusted to another company within the Sollers organization, and is a "sales"-oriented strategy which increases the number of vehicles sold and makes a profit. For Mazda and Toyota, in contrast, 100% subsidiaries for sales are carrying out their marketing. Making a profit via customer satisfaction, including service, is a "marketing-oriented" strategy.
5. Toyota drew a line under its supremacism on the number of vehicles, coming from its reflection on past paths of expansion, and made a target of raising its share in emerging economies. It then carried out organizational reform aimed at a shift toward emerging economies. It hasn't entrusted assembly to the local assembly plants in Russia to date, but via a strategy emphasizing emerging economies, it has linked up with local firms, and has commenced SKD production in Russia also, transporting the components and assembling locally. Via SKD production it is curbing investment and undertaking speedy local assembly.

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