

The hyundai motor company marketing essay



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Hyundai's objective is to become a leading global automobile company.

Hyundai Motors is trying to achieve its objective by increasing its worldwide production and sales. According to the Chairman and Chief Executive officer of Hyundai motor Company, the competitive advantage of Hyundai is its product quality.

From the above paragraph, we can get an idea that Hyundai is a huge Multinational Corporation having strong financial resources and strong international presence in more than 180 nations. In this essay I am going to evaluate Serbian Automobile Industry, Hyundai's current situation in Serbian Market, identify the issues in Hyundai's marketing strategy and give recommendations to improve its market presence and position.

Republic of Serbia is a small country located at the crossroads of Central and South Eastern Europe. The capital of Serbia is Belgrade and is the largest city in the country. 21% of the population lives in Belgrade, so this city serves as the highest consumer market place in the country. The population of Serbia is only 7.3 million and the country is spread across 88,361 sq. km. The population of the country is less with respect to its size. So the market size of Serbia is also small.

Serbia has also liberalized its trade policies. Serbia is a part of European Union (EU), EFTA, and CEFTA. Serbia also has trade agreements with US, Turkey and Belarus. Serbia is a developing country and is economically growing at a stable rate. So doing business in Serbia can be profitable to industries that want to export to other European markets.

The Serbian Automotive Industry dates back in 1939 and started to develop after Second World War after Zastava started manufacturing vehicles under the license to FIAT. Automobile suppliers in Serbia started to develop as they had to supply spares and components under the strict quality regulations of FIAT. In 1990's, Serbia faced severe Political and Economic problems. This had a severe impact on automobile industry and the economic sanctions imposed on Serbia depleted the Serbian markets severely. This in turn also affected Serbian components and spare parts suppliers severely.

Today in Serbia, there are six automobile companies that have their manufacturing units and around 70 spares and components suppliers. These six companies are FIAT Serbia, FAP, Ikarbus, Neobus, Zastava Kamioni and Zastava Special Vehicles. FIAT Serbia is the largest vehicle manufacturer in Serbia.

Government intervention in this industry is high. The government of Serbia wants to develop Serbia into an auto hub of the world. The free trade agreements with EU, USA, Turkey are also responsible for rising export of the country. Most of the foreign companies export 90% of the production because of the incentives provided by the government. Spares and components are exported to Russia duty free. The government also gives grants of 20% on project value to companies that invest in projects exceeding 50 million Euros and employ more than 300 employees. The Serbian corporate profit tax is the second lowest in Europe. The government also offers salary tax exemptions, customs- free import, social insurance charges exemptions etc. So we can say that government tax regime in Serbia is highly conducive for doing business.

Hyundai has launched vehicles in Serbia in 3 segments – Passenger Program, Field Program and Commercial Program. Passenger program cars include i10, i20, i30, i30cw and ix20. Field program cars include Santa Fe, ix35 and ix55. Hyundai has launched only one car in commercial segment that is H-1. Hyundai has launched more hatchback models in Serbia as they are preferred more. There is intense competition between these segments. All these cars are highly fuel efficient and cost effective. These cars are mostly bought by middle class. The upper middle class prefer Field program cars. This segment is also preferred because of mountainous terrain of Serbia.

The marketing Strategy adopted by Hyundai in Serbia is franchising. This strategy has proved beneficial in some ways, but also has created problems for Hyundai. Franchising is an agreement where the parent company (franchisor) grants license to an individual or business entity to carry out its business operations by using its own brand name, business system, trademarks and methods of operations for a limited period of time.

This strategy gave Hyundai instant access to the market. Hyundai established showroom in Belgrade in October 2002. This strategy also enabled them to gain effective control over the Brand i. e. the activities of the franchises are controlled by the regional HQ. As Serbia is a small country, the size of the market is also small. Companies like Ford, Fiat, and Volkswagen are already well established in the market and account to considerable market share. With this strategy Hyundai was able to enter the market at minimum cost under its own banner. The cost of running business also reduced because of this strategy.

On the other hand, this strategy failed to give Hyundai a considerable amount of market share. The promotion of brand is only done by the franchises. It is obvious from the market share that, the franchises are not promoting the brand properly. This has had an adverse effect on brand value. Hyundai does not have its own physical presence. Because of this strategy the company is not in direct connection with the customers, so it is difficult to evaluate customer satisfaction as well as performance of the franchises.

Obstacles of Marketing in Serbia

Serbian markets are difficult for foreign players to operate in. For Hyundai, Serbia is a totally different country to enter in. Therefore Hyundai had to incur more costs in studying the market i. e. carrying out market research. After extensive market research they figured out that passenger cars are most liked in Serbia. Zastava a local brand in Serbia has the highest market share in automobile industry. From this we can see that people in Serbia favor local brands more than international brands. So this acts as a major obstacle in marketing vehicles. Hyundai vehicles are standardized all over the EU including Serbia. Serbian customers need a catalogue regarding the details of costs, insurance and VAT. Therefore it is difficult to create a financial advertisement that is attractive to customers.

The business customs in Serbia are somewhat similar to those of UK. Business relationships are formal and conservative in approach. This may not suit the companies from other countries where business relationships are more relaxed. Moreover, English as a business language is only used in major cities like Belgrade. That too is a second language. Serbian language

is spoken in rural areas for business. Building personal and business relationships is also difficult and takes time because of formal behavior. Serbia was also hit by Global Economic Crisis. This resulted in severe drop in sales, so during this period companies found it very difficult to market their products because of stiff competition. This economic crisis also led to severe decline in consumer credit. Therefore Hyundai has to come up with a marketing strategy that give customers options to choose from a wide range of attractive financial offers so that customers would be tempt to buy cars. This can be possible with co-operation with banks, insurance companies and governments. Hyundai also has to offer wide range of models in passenger cars sectors to be in competition. The brand ' Hyundai' is less recognized because of poor promotional practices. As, Hyundai imports cars into Serbia, it has to pay additional 7. 5% custom duty.

So, given above are the major obstacles in marketing in Serbia.

Recommendations

Although the car sales in Serbia are increasing, the size of the market is limited. Therefore Hyundai has to increase its market share by attracting customers of other companies. For this to happen, Hyundai has to establish a strong presence in the market. They will have to carry out promotional activities on a large scale. For carrying out promotional activities Hyundai will first have to carry out detailed research on the likes and dislike of customers and what they are really looking for? Hyundai is an automobile industry and automobile industry is B2C industry.

In order to gain better control over the market, Hyundai should enter into a joint venture or into a licensing agreement. Entering into a joint venture with other company will increase the market share of Hyundai. Hyundai can enter into a joint venture agreement with Skoda, Mercedes, Peugeot or any local company etc. This will not only increase their market share, it will also give access to new market networks as well as technology. In a joint venture the risks and rewards are shared. If Hyundai enters into a joint venture they can make use of the political connections as well as get access to distribution channel. Hyundai will be able to establish its physical presence. Entering into a joint venture will let Hyundai to get in a stronger position. Hyundai should enter into a joint venture with an automobile company that has excellent skills in marketing and promotion. Hyundai is a company that is financially strong and can afford to enter into a joint venture.

The second option is to enter in a Strategic Alliance with other automobile companies like FIAT, Ford, Mercedes etc. In a strategic alliance, the companies do not share profits. They are non-equity based agreements i. e. the companies are independent and separate. Hyundai should enter into a strategic alliance with companies that have excellent distribution networks. This will help Hyundai to get access to new markets or areas where they do not access.

As Hyundai has a strong financial base, the company can opt for Pricing Strategy i. e. reducing the price of cars marginally lower than the competitors in order to attract the attention of customers. This strategy is likely to reduce the margin, but it helps in increasing the sales. Hyundai

should also collaborate with banks, institutions and other financial institutions to offer attractive finance to customers.

These steps can be taken by Hyundai to improve their marketing strategy.

Conclusion

In the first part of this essay I have given a brief introduction on Hyundai and automobile industry in Serbia. Following part of the essay includes position of Hyundai in Serbia. The position of Hyundai in Serbian market is very weak. They are not well established in the market. In the later part I have given recommendations that can be used to develop strategy of Hyundai in Serbian market. Hyundai, if they enter into a joint venture would be beneficial for them because JV required less investment and also gives access to necessary skills and expertise. Setting up a manufacturing plant in Serbia is not of much importance because of the small size as well as they have a manufacturing plant in Czech which is more close to European countries. The second recommendation is to enter into strategic alliance. This strategy would give them access to new areas. For instance Hyundai and Skoda can sell their cars in the same showroom. Hyundai being a powerful multinational has skills and resources to be a market leader.