

## **FORMATION OF LOCAL MARKET OF AUTOSERVICE AND FACTORS INFLUENCING ITS DEVELOPMENT**

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Local market of automotive services is formed under influencing of few simultaneous factors. The main feature of the considered groups of factors is an integrated character of their influence on the development of service market. Beside, it is necessary to notice that influence of every factor of a separate group is not equal: strong, moderate or not significant influence.

Further development of the native economy, increasing volume and assortment of suggested goods and services, growing competition, changing of market conjuncture lead to transition from formed markets of heterogeneous goods and services to markets with a particular specialization. Nowadays scientists-economists, marketing specialists, managers and enterprisers use the term "local market". Local markets are the structural units of regional markets and still have no scientific substantiation of their economic substance, mechanism of formation and functioning of its infrastructure, and also functions. In works indirect references such as: "local is into region, in city, in suburb, area"; "local markets are the market segment of the national economy, marked according to the commodity, functional and other features" are used.

When we research the development of the market of automotive services its importance aspect is considering of mechanism of its formation, definition and classification of factors of its formation. Effectiveness of functioning of automotive service market is joined with mechanism of its action, which is characterized by the next components:

- ◆ quality of suggesting commodity;
- ◆ services of car service station;
- ◆ market price of car services;
- ◆ efficiency of production of automotive services;
- ◆ used technologies;
- ◆ profitability of car service business etc.

For conducting of analysis of modern situation on the local market of automotive services, firstly, by our opinion, we need to consider the factors, influenced the market development, which is a single system.

The base type of forming factors consists of:

- 1) general economic;
- 2) normative-legal;
- 3) general regional;
- 4) structural;
- 5) specific.

General-economic factors consist of a level of division of labour and cooperation of labour among regions and economic specialization of a subject of the Federation, e.g. this factor according to the recommended idea of a category of local market is a definite factor in the formation of local market. The volume and structure of commodity fullness and demand influences the capacity of local market, but the station of interregional links influences the importance of local market on the interregional level. Scientific-technical environment is also very important. Annually the world producers demonstrated a lot of new models of car in international salons. These models are the last development in terms of propulsion engineering, constructional materials, electronics, and technology. Efficiency of production of new models defines competitiveness of a firm. At the same time creation of new cars with an alternative kinds of fuel will not provide the influence the market of the mass cars in the nearest future.

Finance, tax and credit politics provided by the government and administration of subjects of the Russian Federation influence the activity of the local market. Thus providing of the commodity and commercial credits and privileges, re-structurization of tax debts for subjects of the local market, stimulates their activity. Besides, a very important economic instrument which regulates a free entrance the market is different tariffs. The use of them leads to the

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progress of the local market of production, typical for a certain region and impedes to entrance the market of the interregional competitors.

Delivery and goods keeping conditions, maximal proximity of producer to consumer are of a high importance. Allocation of a separate group of normative-legal facts influencing the efficiency of functioning of the local market has become necessary for few reasons. Acts of law, issued by the government of the Russian Federation, ministries and departments, and also regional and municipal authorities is a legal base which regulates the activity of both local markets and subjects of housing. Support of demand of the national cars leads to measures taken by the government of the Russian Federation (equalization of juridical and physical persons to import cars, prolongation of duration of use of customs duty for second-hand foreign marks). Owing to this the market of foreign cars can achieve 300 000 units per year in the nearest future which is significantly more than outlets of the previous years. By this, firms which have plants in Russia, will be in more profitable situation than firms which import cars to Russia.

The important factor for the Russian car market can be new rules of car trade acted since October, 2003 in the European Union countries. According to these rules producers can not show dealers brands of cars, the origin of them, the conditions of selling and price politics. Thus, successful functioning of the local markets depends on normative documents taken on all levels.

General regional factors are a geopolitical situation of a region, presence of natural resources, quantity, sex and aged structure, life quality of the population. Some factors are determined by goods production. Other factors form a capacity of the local market, its structure and assortment of suggested production and services. Significant influence on the activity of local market is provided by a structure of industrial complex of regional and productional structure. It is explained by the fact that the local market consists of goods which are produced on the territory of the complex.

Specific factors, by our opinion, are infrastructural elements which provide servicing of the local market. They are presence and a structure of organized markets and warehousing, package industry, informational support and professional staff of trade and servicing, trade objects.

The mechanism of automotive services market functioning consists of mechanisms of housing subjects acting in the market, and also interrelation of prices, demand and supply. Acting of subjects of this market is defined by a structure of automotive services market. On the one hand the automotive services demand depends on quantity and incomes of consumers of these services (car owners). On the other hand the demand to automotive services depends on price. However use of classical approach suggesting the dependence of demand on 2 factors (incomes and prices) leads to distortion of the situation. According to the law of demand if other parameters were permanent, decreasing price of commodity leads to appropriate increasing demand of it, and on the contrary the increasing price leads to appropriate decreasing demand. Shift of a demand curve, e.g. increasing demand depends on except of price factors, also change not price factors of objective and subjective character. We think that these factors influence the formation of demand.

Not-price factors forming the demand of automotive services are the following.

*1. Car park owned by individual citizens and by organizations: total quantity, division according to marks and models of car.*

Factors, showed the changing of index of car park are referred to:

- ◆ car production is a power of national motor-car construction;
- ◆ export and import of cars;
- ◆ quantity of sale cars;
- ◆ car prices;
- ◆ availability of cars;
- ◆ incomes of the population.

Improving of life level (especially in big cities) has changed an attitude of the Russian people to cars under the conditions of Russian transition to market type of economic development. A car is not a luxury and is a means to satisfy the need of survival under a quickly changing market conditions. Increasing of sales of cars leads to the growth of demand of automotive services. The powers of national motor-car construction, export and import of cars defines the growth of cars. These factors depend on demand and supply laws of market of car sales and price level and incomes of the population. The important indicator which characterizes the correlation of demand and supply and shows

the market conjuncture is an index of availability of a car for a consumer. This index is calculated as correlation of incomes of the population (per year) to a car price and is differenced according to the consumer groups and kinds of cars. The more this index is, the more available a car is and the more probability of sale of this car for certain price is. Availability of a car depends on classes and groups of the population. According to the estimation of experts, in compare to the pre-reform period the low classes of the national cars has became more available for middle groups of the population, while availability of the many brands of the car market (especially new foreign marks) is decreasing for the most part of citizens in Russia. The direct influence of incomes is shown through increasing car park and change of its structure. It is defined by different possibilities of acquisition of cars due to income groups of population.

#### *2. The intensity of car exploitation.*

This factor depends on the following indexes:

- ◆ car run from the start of exploitation, namely “age” of car;
- ◆ average annual run of car.

Car run from the starting of the exploitation is influenced by the volume of the current repair, average regularity, nomenclature of the repaired works and specific costs of the technical servicing and technical repair. Cars, which had capital repair, quantity of repair on 1000 km of run can be less in future than cars, which had not repair in 3-5 times.

#### *3. Quality and complexity of automotive services.*

Thus, it is appearance a multiplicative effect of self-support of demand to automotive services, as return link between dynamics of car park and quality of car service station. We can see this effect in past, when the index of quality of automotive services was low. Long time in conditions of the pre-reform period the low quality of automotive services was a one of the factors which limited the growth of quantity of cars. There is a dissatisfied demand of cars with tendency to growth in the country. This circumstance leads to the fact that car park is not renewing and cars are being used without limits of use duration but being repaired partially at the car service stations by substitution of some details and even the whole body. The maintainance of such cars leads to negative

social consequences, namely low index of safety of road traffic.

Increasing powers of automotive service branch, development and increasing of complexity of automotive services increasing the level of quality of car service in conditions of competitive for clients in years of the economic reforms. Besides the growth of income of the more well-do and middle groups of population this factor was an incentive for car park growth and increasing level of auto-mobilization of the country.

#### *4. Density of arrangement of car service stations and other enterprises of system of servicing of cars and car owners.*

Density of arrangement of car service station influences the quality of services and defines the level of saturation of market by automotive services. Optimal allocation of car service stations allows to reduce unproductive loss of time and means of clients (transportation of cars and expecting in queues) and by this increases the level of demand for services. Besides, the growth of demand level also depends on other elements of the car service systems and car owners as a possibility of complex satisfaction of needs.

#### *5. Consumers income and the service price level of a car service station.*

According to the elicity of demand for income (according to the classification of service groups) the services of car service stations refer to the services suggesting some limited income level. Often the influence of a factor is the beginning of need in services, increased the level of a car comfort (air conditioning, automotive transmission, heating of seats etc.).

#### *6. Station of roads: length and density of roads.*

High density of roads and intensity of road traffic form a big flow of car owners (potential clients of car service stations) in a certain region. Location of car service stations in the centre of a city or in suburbs influences the quantity of clients, and consequently the level of demand. Road conditions define the regime of work of car and is characterized by a technical category of roads (5 groups), type and quality of asphalt, resistance of car moving, elements of road (width of roads, radius of curves, quantity of ascents and slants). The type of road cover influences the regimes of work of a car and it aggregates, and consequently quantity of breakdowns, that requires appropriate repair in

a car service station. In this case the demand is a return correlation from this factor.

*7. Reliability of construction and quality of cars, e.g. exploitation qualities of cars.*

Reliability is an ability of cars to use the transport work, preserving the functions of exploitation indexes in certain limits. Quality is an aggregate of characteristics of cars, lead using to satisfy the needs in transportations according to the appointment of car. This factor provides the return effect to level of demand. Increasing of reliability and quality of cars is provided by car industry by car output of new constructions, which possessive the most exploitative reliability and technology.

*8. Quantity of the fuel-lubricant and spares.*

Quality of fuel and spares influences the car amortization. The high level of these indexes increases time of use of cars and decreases failures of car aggregates. Thus, the low level of quality of fuel-lubricants and spares leads to growth of demand in services of car service stations, but the high level leads to its decreasing. The quality of fuel and spares form the level of production and technology in oil-developing plants, filling stations and automotive plants.

*9. Availability of automotive services.*

There is a problem of rational arrangement of car service stations, which must be situated near to clients. It is very important for satisfaction of needs and increasing demand of consumers in technical service and repair of cars.

*10. Conditions of cars exploitation.*

Conditions of exploitation influence the regimes of work of aggregates and car components, accelerated or slow down the intensity of change of parameters of their technical station. Change of technical station of car requires appropriate technical servicing and repair and directly influence the level of demand in services of car service stations.

This group consists of a few factors:

- ◆ car keeping conditions;
- ◆ qualification of car owners as drivers, total level of their technical education, skills;
- ◆ intensity of road traffic.

Data researches have shown that the keeping of a car in the open area (especially during winter), in compare to keeping of a car in a garage increases the volume of works for car repair to 20-40%. According to the results of the researches qualified drivers who repair their

cars are 2 time less than newcomers. Intensity of road traffic is characterized by influence of external factors to regimes of traffic, and consequently to regimes of work of a car and its aggregates. Regimes of a car into account intensive traffic in the city are changed in compare to roads in suburb and leads to a quick amortization of aggregates of a car and its repair.

*11. Complex of social conditions.*

This complex consists of the following indexes:

- ◆ demographic characteristic of the population;
- ◆ employment structure;
- ◆ annual distance, which was overcome and transport using of population in relation to development of public transport.

Demographical situation influences the characteristics of consumers and influences the market of automotive services. So, for example, the tendency to growth of male population leads to increasing a potential car owners and influence to development of the market of automotive services positively. The higher educational and cultural level of car owners, the higher requirements are made to work quality and serving at the car service stations. The same factor also influences the aged and make structure of car park. The necessity to overcome the distance daily by not sufficient development of public transport is also influences to index of the fullness of cars, and consequently to increasing demand to services of car service station.

These factors influence the change of demand on the market of automotive services and to structure of this market. Consider factors, influenced to supply of automotive services. Beside natural reaction on increasing demand to services or change of its structure, the supply of automotive services depend on factors of macro level, which forms the external conditions for organization of this business and its attractiveness. Among them:

1) Presence of normal normative-legal base.

Development and improvement of normative-legal base regulated a licensing and certification of services of car service station at the absence administrative barriers influences to supply of services by enterprises of car service station. Beside, the development of normative-legal base regulates the relation between state, tax bodies, participants of the automotive market, insurance and credit organizations.

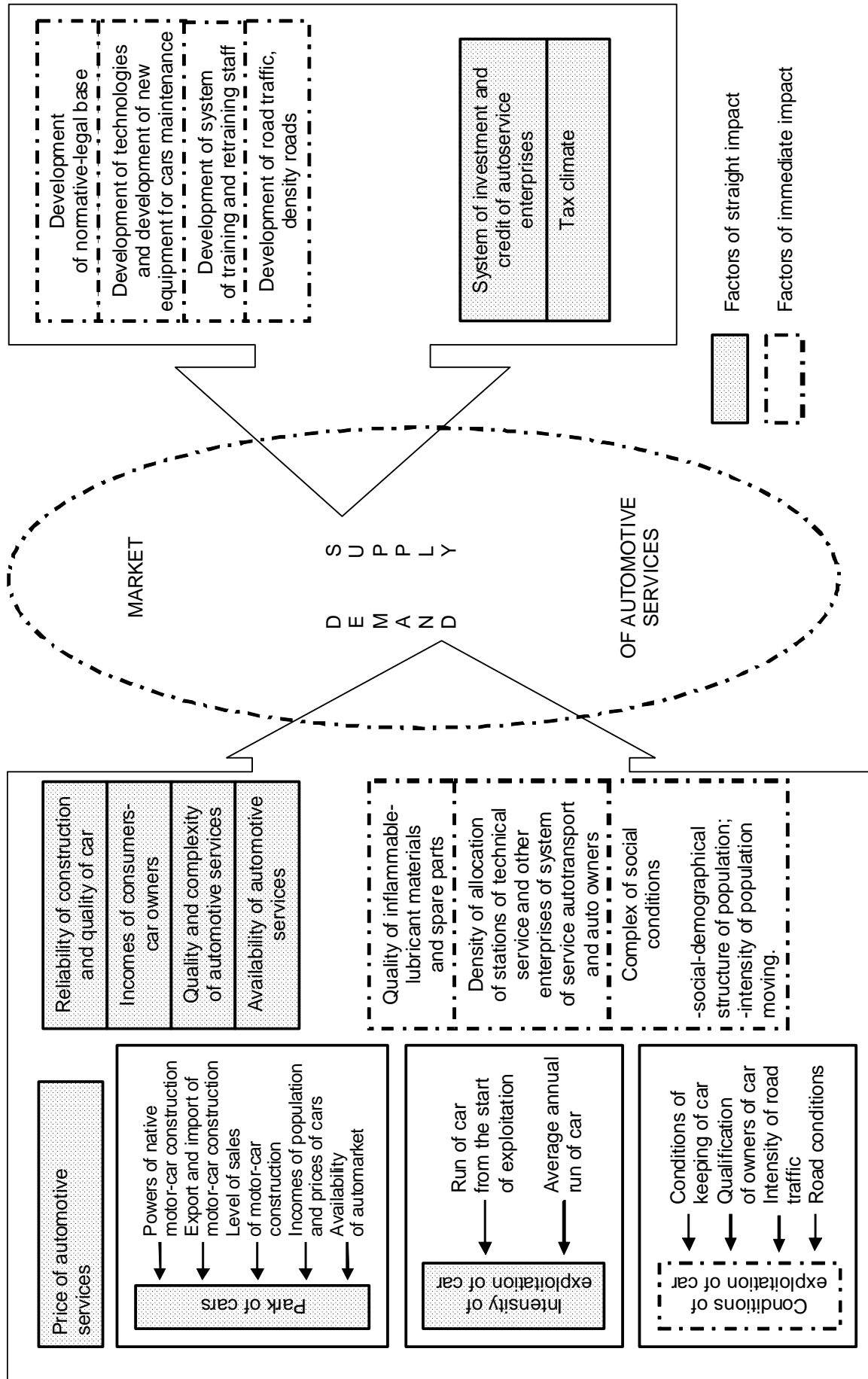


Fig. Classification of formation factors of automotive services market



2) Development of technologies and development of new equipment for technical servicing and car repair.

Application of new technologies of technical servicing and car repair and new equipment lead to the expansion of nomenclature of services in the enterprises (repair of electric system, car diagnostics etc.).

3) Development of staff training and re-training system.

Qualification of staff is a professional (technical and service) level influence to quality of services of car service station. Presence of the qualified staff increases competitiveness of car service stations and allows to react to market conjuncture, changing the supply certain kinds of services. Growth of quantity of specialists in this sphere will lead to increasing new kinds of services with using complex equipment (for example, diagnostic).

4) Presence or absence of normal functioned system of investment and credit of autoservice enterprises.

Support of small business by government (a lot of autoservice enterprises included in this sector of economy), development of leasing and bank credit by commercial banks leads to increasing quantity of car service stations, expansion of their source of production. It leads to increasing supplies on the market of automotive service.

5) Tax climate in general and in this sphere of activity in particular.

Increasing tax is stopped development of autoservice enterprises, their modernization and expansion. This circumstance is a negative for possibility of providing of new kinds of automotive services. Sometimes, the leadership of the enterprises compelled to reduce nomenclature of services. Thus, a changing of taxation in generally leads to changing supply on the market of automotive services.

Changing one of these factors leads to the changing supply on the market of automotive services. Separated and proved factors can be classified as factors of direct influence to formation of demand and supply on the market of automotive service. There is suggested the next classification of factors of the formation of market of automotive services, showed on the figure1 in the result of research.

Thus, aggregate of factors, defined the development of local market of automotive services, is a difficult dialectical interrelation. Change of action of these factors leads to the change of action of others. Feature of these factors is that it leads to change both total capacity and market structure, but feature of others factors is that it not changing the total capacity of market leads to structural changes. In process of research of development of market it is necessary to study the mechanism of operation of system of factors and estimate the aggregate results of their influence to volume and structure of supply on the certain service market. It should be noticed that it is very complicated to reveal the aggregate of all factors and calculate the influence of every factor to development of local market of automotive services. Risk of enterpriser is limited by time factor. Therefore for certain calculation of market capacity of market of automotive services it is necessary to mark the main factors and take into account their main influence, using different methods.

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