

Hyundai fights for Russian market share

The Taganrog Automobile Works (TaGAZ) plans to substantially step in production of Hyundai cars. Korea will build a \$650 million factory to produce assembly kits to meet the Russian demand for some Hyundai models. Construction will be started this year and production launch is scheduled for 2009.

Later TaGAZ intends to yet increase production capacity to 120,000 cars per year. This will contribute to bridging the gap between supply and demand and help growth in sales.

The two companies' latest news show that they look set to fight for the Russian market and the Korean automakers will expand into Russia in the near future. First, Hyundai is building a plant in Russia. Secondly, Korean auto part makers are looking for a plant location in Russia, too. Third, TaGAZ plant that manufactures assembly kits can supply its products to Hyundai's plant. Fourth, the Korean carmaker is renewing the popular Getz model while the Taganrog plant plans to launch assembly of the previous variant. Fifth, TaGAZ is starting a line to produce new diesel engines based on the Korean technology. These engines will be probably used to power Russian-made Hyundai cars. All this is aimed at reducing car prices or at least slowing down their growth; the market will favor the both options.

Despite the decision to build a plant in Russia was a difficult one to make for Hyundai who was said to lose its competitive advantages, the situation is changing drastically. This strategy may help Hyundai to become the sales leader very soon.

By Kirill Lebedev