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COMPARISON ANALYSES OF MARKETING STRATEGIES IN THE BOTTLED WATER INDUSTRY IN UZBEKISTAN

СРАВНИТЕЛЬНЫЙ АНАЛИЗ МАРКЕТИНГОВЫХ СТРАТЕГИЙ В ОТРАСЛИ БУТИЛИРОВАННОЙ ВОДЫ В УЗБЕКИСТАНЕ

O'ZBEKISTON QADOQLANGAN SUV INDUSTRIYASI KORXONALARINING MARKETING STRATEGIYALARINING TAQQOSLAMA TAHLILI

Abstract. *Competition is an integral part of our life. We can observe competition in different levels, in various fields and occasions. Charles Darwin also describes competition in his theory Natural Selection. He wrote in his book «Origin of Species» that it was not the strongest of the species that survives, nor the most intelligent that survives. It was the one that was most adaptable to change. It can be implemented in any field, including business. Especially, it is important when business environment changes frequently and technologies' lifetime become shorter. In this research study, bottled water industry of Uzbekistan was analyzed. Author tried to address its evolution by studying how bottled water industry emerged in Uzbekistan, how new foreign companies changed competition in this industry, how local companies adapted to new business environment, and what was key success factors for surviving and competing with global companies.*

Key words: *bottled water industry, competition, marketing strategy, emerging markets, local vs global, benchmarking*

Annotatsiya. *Raqobat hayotimizning ajralmas qismidir. Biz turli darajalarda, turli sohalarda va vaziyatlarda raqobatni kuzatishimiz mumkin. Charlz Darvin ham o'zining tabiiy tanlanish nazariyasida raqobatga tarif berib o'tgan. U «Turlarning kelib chiqishi» kitobida shunday deb yozadi, «Hayotda yashab qoladigan tur bu turlarning eng kuchlisi ham, eng aqllisi ham emas, balki bu o'zgarishlarga eng tez moslashuvchan bo'lgan turdir. Bu jumlani har qanday sohada, shu jumladan biznesda ham qo'llash mumkin. Ayniqsa, biznes muhitining doimo o'zgarib turishi hamda texnologiyalarning umri (faoliyati) qisqarib borishini hisobga olganda yuqoridagi jumlaning ahamiyati yanada oshadi. Ushbu tadqiqot ishida O'zbekistonning qadoqlangan suv industriyasi tahlil qilingan. Muallif o'z ishida O'zbekiston qadoqlangan suv industriyasi yaralishini, evolyutsiyasini o'rgangan, shuningdek, yangi xorijiy kompaniyalar ushbu sohadagi raqobatni qanday o'zgartirganligi, mahalliy kompaniyalar yangi ishbilarmonlik muhitiga qanday moslashib ketgani va bozorda jon saqlash, global kompaniyalar bilan raqobatlashishning muhim omillari qanday bo'lganligini tahlil qilgan.*

Tayanch iboralar: *qadoqlangan suv industriyasi, raqobat, marketing strategiyasi, rivojlanayotgan bozorlar, mahalliy va global, benchmarking.*

Аннотация. *Конкуренция – неотъемлемая часть нашей жизни. Мы можем наблюдать конкуренцию на разных уровнях, в разных сферах и при разных обстоятельствах. Чарльз Дарвин также описывает конкуренцию в своей теории естественного отбора. В своей книге «Происхождение видов» он написал, что выживают не самые сильные из видов и не самые умные. Выживает тот, который лучше всего приспособился к изменениям. Его слова можно применять в любой сфере, в том числе и в бизнесе. Это особенно важно, когда бизнес-среда часто меняется, а срок службы технологий сокращается. В данном исследовании была проанализирована промышленность Узбекистана по производству бутилированной воды. Автор проанализировал возникновение и эволюцию индустрии бутилированной воды, как новые иностранные компании изменили конкуренцию в этой отрасли, как местные компании адаптировались к новой деловой среде и каковы были ключевые факторы успеха для выживания и конкуренции с глобальными компаниями.*

Ключевые слова: *промышленность бутилированной воды, конкуренция, маркетинговая стратегия, развивающиеся рынки, локальные и глобальные, сравнительный анализ.*

INTRODUCTION

Uzbekistan is located in dried area of Central Asia. Its climate is hot and population consumes mainly bottles water. Population growth rate is high, every year about 500 000 population increasing and now total amount of population is more than 33 mln.

Demand for bottled water increasing in Uzbekistan and this trend going to be continued in the future. Population of Uzbekistan will be grown up to 41 million in 2050[1]. Therefore, potential market for bottled water is growing up and marketing strategy of bottled water industry is actual problem.

Uzbekistan's economy is transitional market economy. Prior to the independence from the Soviet Union in 1991, there were no commercial laws, principles, codes, and rules. Formally, there were no commercial activities as all the entities were centrally controlled by the government. Commercial thinking or competition was not existed in any industry.

After getting independence from Soviet Union, private small and medium enterprises emerged. At the beginning of 2000s, government gradually started selling its shares in different entities to individuals and corporations. Foreign companies came to establish subsidiaries or joint venture companies. Now there was a need for commercial thinking after competition emerged. Frankly, foreign companies set industry standards and local companies tried to follow that standards and compete in their own way. Some companies survived, some disappeared. These companies disappeared, because they could not adapt to changes and new competitive environment. Even those companies who could survive they were still in tough competition and each decision that made by top manages could be curtail for further surviving of the company.

For instance, bottled water industry of Uzbekistan is one of the industries with high competition. In 2014, the volume of bottled water industry was about 500 million liters and 60 billion uzbek soms [2] or approximately 25 million USD. Currently, there are more than 100 domestic and foreign brands in bottled water industry. There are mainly 3 kind of bottled water: spark, still, and mineralized water. Competition is very strong and market is saturated. Almost 50% of whole water market sales accounts for Tashkent, the capital city. Each region has its local brand and they compete mostly in their area mostly by price. However, even the market is highly fragmented; it is also highly concentrated at the same time. Nestle Pure Life and Hydrolife are two the biggest players that together controls about 76% share of the market [3].

It is quite difficult to create a unique offer for this category of products. One of the characteristics of bottled water's market is a high level of consumer loyalty to certain brands, which makes acquisition of new consumers harder. Principle players have established strong brand awareness, which builds high consumer loyalty.

There are few barriers to entry to bottled water industry such as high investment in equipment for manufacturing and build up distributions. However, having good production and distribution is not enough to survive. Strong brand image and loyalty is needed. Good distribution, brand awareness, and consumer loyal are key successful factors in this industry.

BRIEF STORY OF BOTTLED WATER INDUSTRY DEVELOPMENT

The existence of the bottled water industry in Uzbekistan could be traced back to 1950s with first glass-bottled mineralized and sparkling water produced by local manufacturers. «Tashkent suv» was one of them and local producers were named after their production location. That is, If in Samarkand, then «Samarkand suv»; if in Chortoq, then «Chortoq suv» and so on.

The industry was very fragmented and region-based due to the lack of an established national distribution channel. No bottled still water was produced locally by then because there was no demand since people in Central Asia drank water from draw-well, river, or tap for its cleanness. Sparkling water was popularly sold via special vending machines which were conveniently located in big cities.

Young people loved to consume highly carbonated sparkling water perceiving drinking water with bubbles as cool. Sometimes people mixed sparkling water with fruit syrups to make homemade soda.

After the emergence of commercial activities in 1991, new and modern competitors appeared in the industry of bottled soft drinks, including bottled water. Both multinationals and local enterprises, equipped with advanced management skills and production technology, introduced a new life style and business model in this emerging economy.

First, Coca Cola Bottlers Uzbekistan was established in 1993, followed by Silver Water in 1995, Shaffof in 1999, Nestlй in 2000 and others. The existence of fiscal advantages and international trading rights for foreign investments encouraged some local Uzbek entrepreneurs to pair up with foreign investors to build up joint ventures though the company was fully operated by local investors.

Shaffof and Arktika were examples of this with their corresponding foreign partners from Poland and Liechtenstein. Other renowned local brands were Hydrolife, established in 2003, and Splash in 2009. The usage of PET bottles soon replaced the glass bottles as the main container and special sparkling water vending machines disappeared.

Characterized with relatively low entry barriers except investments in the initial equipment for manufacturing and setting up distribution channels, the bottled water industry became highly competitive and the market was saturated after more than two decades of evolution.

As a commodity product, it was difficult to differentiate bottled water one from another, making branding as a key factor to achieve a high level of consumer loyalty. In 2000s, the demand increase slowed down, and competitors started to search for alternative niche markets.

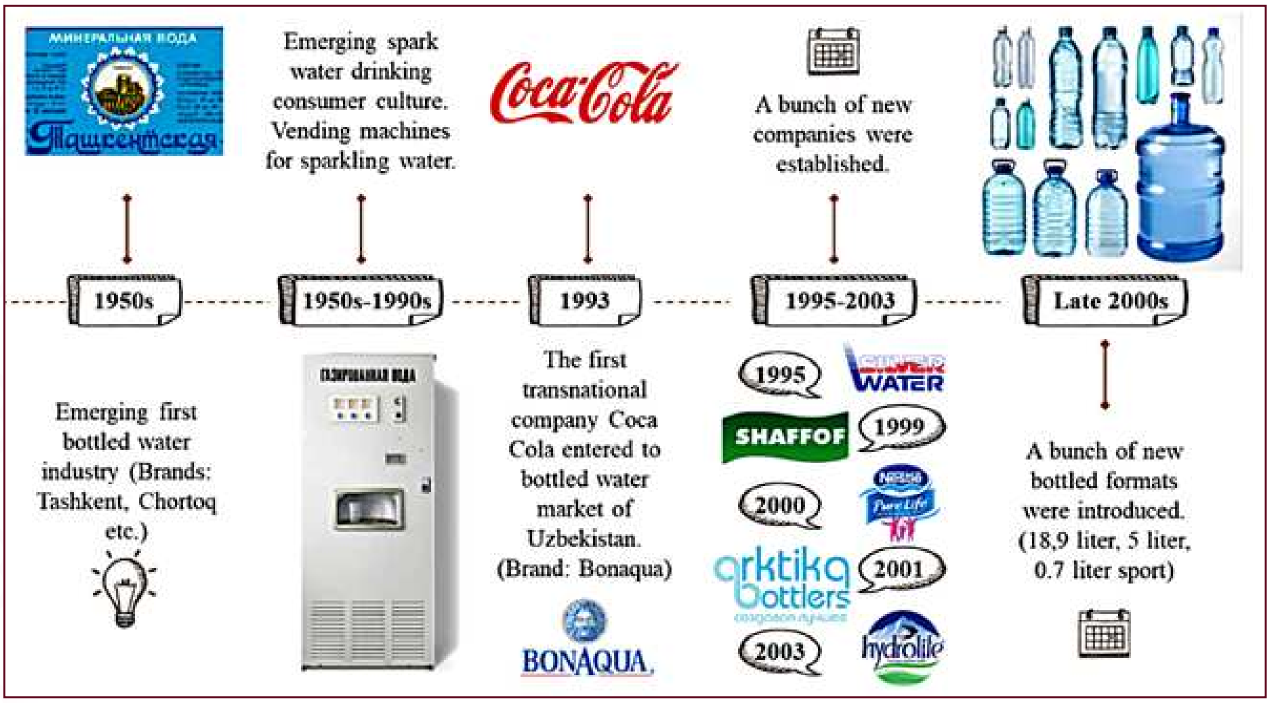

Figure 1. **Evolution of Bottled water of Uzbekistan.**

In 2014, the sales volume of bottled water industry achieved about 500 million liters with a value of 60 billion Uzbek soms [2]. Nonetheless, there were more than one hundred of domestic and foreign brands competing. Market was so saturated that it was even hard to get a space in the retailer's shelf.

Tashkent, the capital city of Uzbekistan, accounted for almost 50% of the entire sales. Besides the market concentration in Tashkent, the rest of regions were very fragmented, with each region having its own local brands and competing mostly in their own area with low price. Among hundreds of competitors, Nestl Pure Life and Hydrolife stood out as market leaders in 2014, together controlling about 76% of market share.

The distribution of bottled water often went through distributors and wholesalers. Distributors delivered products to modern markets (e.g. minimarkets and supermarkets) and big groceries. Convenience stores (e.g. commercial shops, kiosks, and street vendors), small groceries and HoReCa (hotel, restaurants, and cafe) preferred to buy from wholesalers. Wholesalers' price normally was cheaper than distributors' price. In 2014, 56% of sold bottled water was through groceries, 33% in convenience stores, 8% in modern markets and 3% through other channels [5].

MARKETING ACTIVITIES AND STRATEGIES OF LOCAL COMPANIES

Hydrolife Bottlers Ltd (Hydrolife hereafter) was established in 2003 by Uzbek entrepreneurs and soon became one of the leading brands of bottled water [6]. Primarily producing and wholesaling bottled sparkling, still, and mineralized water, the success of Hydrolife was attributed to its benchmarking strategy with Nestlй, the leading multinational in the industry. Viewing the success of Nestlй, Hydrolife imitated several similar actions in order to gain market share competing among locals. The similarity with Nestlй's products is, among others, similar pet bottle's shape like a torpedo, different label color for sparkling and still water, and security seal for the bottle. Not only similar in the packaging, the taste of bottled water of

Hydrolife and Nestlй were also quite similar. Blind tests carried out by De Facto Marketing Agency showed that consumers could not distinguish clearly between Nestlй Pure Life and Hydrolife. In addition, in terms of distribution, Hydrolife covered all regions of Uzbekistan as Nestlй, with the same amount of facing in retailers' shelves.

The benchmark of Hydrolife was with their own creativity, beyond a simple imitation. For instance, after imitating Nestlй's first using different color of labels to help customers to distinguish sparkling water (in pink) from still one (in blue), Hydrolife went further to change bottle shape for still water, from torpedo shape to square shape. By using blue and green colors with a mountain at the background, the labor of Hydrolife provoked a perception of nature of water. By emphasizing that water was from the nature, untouched, and spotless, Hydrolife was implicitly targeting similar consumer segment of Nestlй who cared nature and health but in a differentiated manner. Hydrolife had been constantly monitoring market, quick learning and fast reacting toward the leader, and even other competitors' competitive strategy. When Shaff of first started to produce water in 5 l, 8 l and 18.9 liters, targeting new segments of the industry, Hydrolife soon reacted and added these formats to its manufacturing lines. Similarly, it reacted rapidly to a similar action when Splash started to use sport cap bottles.

Though Nestlй was leading and setting the standard for the industry, the centralization of its strategic decision making in the headquarters in Switzerland gave much space of maneuvers for Hydrolife. Since Nestlй Pure Life was globally produced and commercialized in more than 20 countries, the change of bottling format implied a strategic decision that the new implementation needed to be in line with corporate level strategies and plans, and coordinated with other countries to launch new products or campaigns. Nestlй Uzbekistan had to wait for the centralized decision making from the headquarters which took about 12-18 months, though they were ready to launch new format bottled water. While Nestlй reduced its presence in TV and outdoor advertisement after the successful launch of «eight glasses of water a day» campaign, Hydrolife continued with aggressive marketing activities, occupied all those outdoor ads places and sponsored broadcasting of mediatic sport events such as World Cup and European Cup.

Shaffof Servis Ltd (hereafter Shaffof) was established in 1999 by locals with investing partners from Poland. The company produced only still water under the brand Shaffof, while most of other competitors produced both still and sparkling water. Shaffof imitated the business model of C'estbon Beverage, a Chinese company who was not present in Uzbek market. The similarities between these two brands were in the packaging, label and product formats. Through the purchase of production equipment from China, Shaffof visited frequently Chinese exhibitions, fairs and market to update and acquire needed technology and equipment. In such a way, Shaffof got access to existing business model in China's bottled water industry, learned from the market study in China, and slightly adjusted to Uzbek local market. At the beginning Shaffof produced still water in the format of 550 ml, 1 liter, 1.5 liters, with the same bottle shape and volume as C'estbon Beverage's. When C'estbon Beverage launched new formats of 350 ml, 5 l, 8 l and 18.9 l for Chinese market, Shaffof also introduced these new formats in Uzbekistan soon after, becoming a first mover in 2009.

Shaffof was ranked as top producers in the product segments of 5 l, 8 l and 18.9 l and competed directly with market leaders Hydrolife and Nestlй Pure Life. In these above-mentioned categories, Shaffof gained 1st or 2nd position. It is especially in the format of 5L that Shaffof owned 29% of market share, which made it become the 3rd largest company in terms of total revenue in the bottled water industry. The segment of 5 L grew very fast, due to the increasing demand from households using bottled water for cooking. Shaffof leveraged Nestlй's healthy life campaign in its own benefit, without spending in promoting healthy life style or changing consumer's culture towards still water consumption on its own cost. Almost 75-80% of Shaffof's sales came from 5L while Hydrolife's 5L segment only contributed around 20% of the total sales.

By focusing on these specific niches, Shaffof not only increased its sales, but also created favorable brand image and high brand awareness. According to De Facto Marketing agency survey in 2014, the highly demanded water brand among consumers was the Nestlй Pure Life brand, preferred by 54% of respondents; the second and third places were Hydrolife and Silver Water, which were selected by 24% and 7% of consumers, respectively. Even though, Shaffof got 4th place in this survey, 6% of respondents chose Shaffof as preferable water brand.

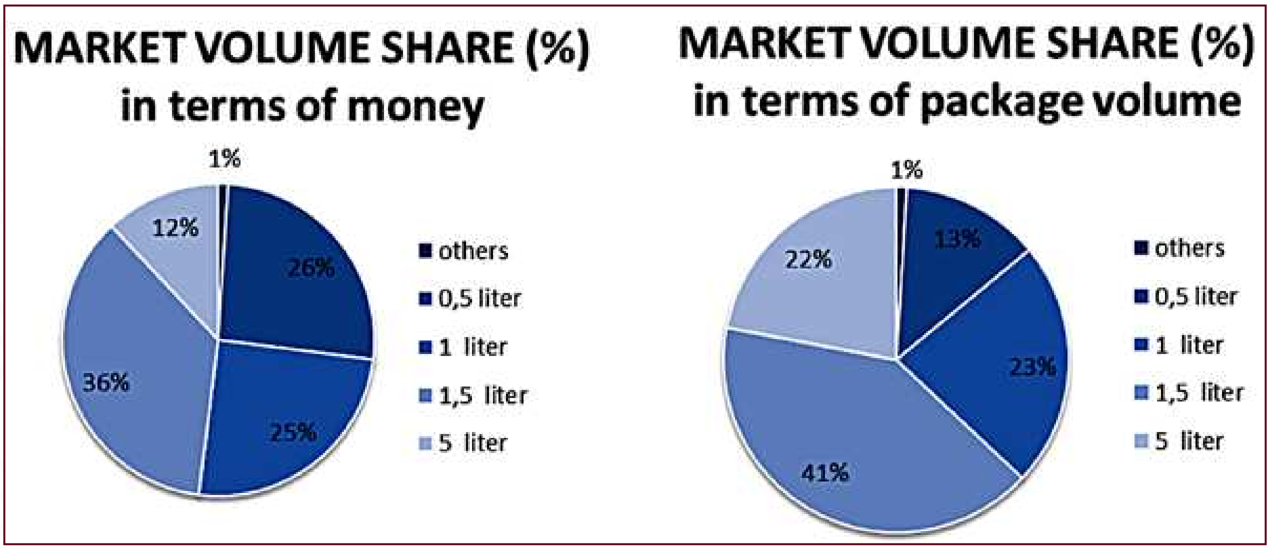

Figure 2. **Market share (%) in terms of Revenue and volume of Different packaging format, 2014 [3].**

Another competing bottled water brand was Splash, owned by a pharmaceutical company Asklepiy. Asklepiy was established in 1993, and became the largest distributor of pharmaceutical and para-pharmaceutical products in Uzbekistan. The company had several business units: Nika Pharm specialized in pharmaceutics on generic drugs and herbal products, OxyMed in drug store retail chain, Zamona Rano in producing natural herbal products and so on. In 2009, Asklepiy diversified to the business of dippers and bottled water with the establishment of a new company- Mtegra. The newly created brand for water was Splash. With a fancy label design, unique bottle shape, Splash intended to bring some new bottling formats into the market. In 2010, Splash was the first who introduced the 250 ml format bottle for babies and the 700 ml bottle for sportsmen with special plastic bottle cap.

The 250 ml bottle format didn't become popular like 350 ml bottle format, but it found a niche market, specific for babies and little children. In contrast, 700 ml sport cap format was in great demand among customers due to the unique sport cap. Splash brand was promoted in all advertisement channels, including TV commercials and sponsorship of big events. Consumers had high brand awareness of Splash, and its new sport format provided additional interest for diffusion. However, while almost all beverage companies provided free branded refrigerators to retailers to support the sales, branded refrigerators of Splash were installed in pharmacy stores instead of traditional bottled water selling points like convenience stores, groceries, and modern super markets as most competitors did.

As a result, in spite of a big promotional campaign, the sales volume in 2010 was low. Splash took one to two years to change its distributional channels and focus more on convenience and grocery stores. In 2012, Hydrolife also launched a similar sport cap bottled water in 700 ml format and customers' initial high interest in sport cap also decreased. The curiosity of consumers emerged with proactive commercials was gone due to the out-of-stocks, and the misfit of distribution channels. Splash missed its chance to penetrate into the market and sustain its positioning.

By analyzing brands communications and positioning, we can notice that almost all companies positing itself as natural, pure, healthy water. There is small room to differentiate. Local companies almost get same quality as their foreign counterparties. However, local companies still slightly losing in brand loyalty and preference. Hence, they also cannot charge with higher price (see Figure 3).

Brand logos	Brand names	Usage	Brand preference	Price policy	Quality	Positioning Focus
	Nestle	Family / Solemn Individual	High	High	High	Healthy life
	Hydrolife	Family / Solemn Individua	High	Medium	High	Gentle / Mountain
	Arktika	Individual	Low	Medium	Standard	Artesian well
	Shaffof	Family Individual	Medium	Medium	High	Nature / Mountain
	Bonaqua	Solemn Individual	Medium	High	High	Freshness

Figure 3. **Competition matrixes of water brands.**[1]

Different companies using a variety of tactics and strategies to compete with leaders like Nestle or Hydrolife, new companies and brands emerged like Welle in 2012, Safis in 2017, and some old ones could not survive and closed or rebranded, like «H2Only» or «Arktika». Nonetheless, local companies finally understood the words of Charles Darwin which stated that it was not the strongest of the species that survives, nor the most intelligent that survives. They are adapting to open competitive market environment with global mind set.

CONCLUSION

Considering future, the globalization and open international competition, Uzbekistan should make regulation which helps to have fair competition in the market. Government should put all parties including local, foreign and even state companies in the equal condition, without providing any specific preference or discriminations policies towards certain type of companies.

[1] Author's elaboration.

Local companies had struggled in new market driven economy due to the lack of experience and knowledge. However, after entrance of international companies and setting new high standards, local companies started to react and imitate them. In that sense companies like Hydrolife and Shaffof were first reacted companies who shared knowledge from abroad and could organize their business model being competitive. In contrast, some local brands and companies partly learned foreign counterparty's best experiences or could not implement in their own companies to be as successful as they were.

Local brands like Hydrolife, Shaffof, Splash, Silver Water, Montella well organized operations and found their customers. They used benchmarking and different strategies. For instance, Shaffof focused in high volume bottled water. However, there are dozens of regional producers which are still limited within their boundary, like Samarqand, Humson, Yetti buloq, Shahrisabz, Chortoq and etc. Few big players expanded national wide and only leaders like Nestle Pure Life and Hydrolife also exported its products. Almost 50% of whole water market sales accounts for Tashkent. Therefore, those producers that do not sell their products in the capital city loose half of market potential. Some local companies tried to differentiate and find a niche mostly focusing in their area.

Foreign companies also had problems with adaptation to new market. For instance, CCBU at the beginning utilized political positive preference, but at the end it was faced with political scandal and issues. Meanwhile, Nestle succeeded and became leader in the market. However, it also faced with imitation issues, and tough competition from local companies. Bureaucracy and slow reaction to new trends were other problems for foreign company. In contrast, local companies were flexible and easy to implement new knowledge.

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PERSPECTIVE WAYS OF IMPROVEMENT OF MARKETING ACTIVITY IN SMALL BUSINESS

ПЕРСПЕКТИВНЫЕ ПУТИ УЛУЧШЕНИЯ МАРКЕТИНГОВОЙ АКТИВНОСТИ В МАЛОМ БИЗНЕСЕ

KICHIK BIZNESDA MARKETING FAOLIYATINI TAKOMILLASHTIRISHNING ISTIQBOLLI YO'LLARI

Abstract. *In this paper have been discussed the improvement of marketing activities in small business in the development of competitive markets. The author has improved the system of indicators, evaluating the effectiveness of the marketing strategy taking into account changes in profits, market share, number of competitors, with the selection of segments of strategic business areas of small businesses.*

Key words: *Small business, Marketing, Competitiveness, Enterprises, Market relations, Strategy and Management.*

Аннотация. *В данной статье были обсуждены вопросы совершенствования маркетинговой деятельности малого бизнеса в условиях развития конкурентных рынков. Автор усовершенствовал систему показателей, оценивающих эффективность маркетинговой стратегии с учетом изменения прибыли, доли рынка, количества конкурентов, с выделением сегментов стратегических направлений бизнеса малых предприятий.*

Ключевые слова: *малый бизнес, маркетинг, конкурентоспособность, предприятия, рыночные отношения, стратегия и управление.*

Annotatsiya. *Ushbu maqolada raqobatdosh bozorlarni rivojlantirishda kichik biznesda marketing faoliyatini takomillashtirish to'g'risida muhokama qilindi. Muallif kichik biznesning strategik biznes yo'nalishlari segmentlarini tanlash bilan foyda, bozor ulushi, raqobatchilar sonidagi o'zgarishlarni hisobga olgan holda marketing strategiyasining samaradorligini baholab, ko'rsatkichlar tizimini takomillashtirdi.*

Kalit so'zlar: *kichik biznes, marketing, raqobatbardoshlik, korxonalar, bozor munosabatlari, strategiya va menejment.*

Small business all over the world is considered as the most important basis for the effective functioning and development of the national economy. Small business can effectively contribute to the growth of employment in the republic and its regions, promote the formation of a competitive environment and its saturation of the market with consumer goods, as well