

## [16/17 – 09] Domestic Cars way behind Imported Cars on Reliability

- **Domestic cars' abnormal quality issues surpassing 2.5 times imported cars'**
- **Materials and processing as the biggest weakness of domestic cars rather than features/performance**
- **Hyundai ranking 1st on initial quality and durability but lacking in reliability**

Cars age as time goes by and things that consumers will find abnormal with their cars will begin to occur. If we call any abnormalities of cars that start to appear 4 or more years after car purchase 'reliability problems,' such problems with domestic cars were more than 2.5 times those with imported cars. In particular, reliability problems were more severe in 'car body/painting,' and worse off, surpassing 6 times imported cars'. 'Car body/painting' lay in the gist of such reliability problems rather than features/performance.

The 2016 syndicated automobile study found that the average number of durability problems per 100 cars (or hereafter pph) experienced by consumers who used their new cars for three years was 359 pph for domestic cars and 246 pph for imports with domestic cars outnumbering their imported counterparts by 1.5 times. The study measures car durability 3 years after car purchase and asked 37,751 consumers how durability problems would change in 4 or more years of use. On the 19 items where relatively more durability problems were found, the consumers were asked to point out things that they thought of as 'very abnormal' or 'slightly abnormal,' considering their car years, and reliability index was created, averaging the number of abnormal problems per 100 cars thereupon.

Domestic cars used for around the average of 5 years (4 to 6 years: purchased from 2010 to 2012) showed 166 pph, 2.7 times as many as imported cars' 61 pph, and among the cars used more than 10 or more years, the gap was 2.5 times with 261 pph for domestic and 106 pph for imported cars [Figure 1]

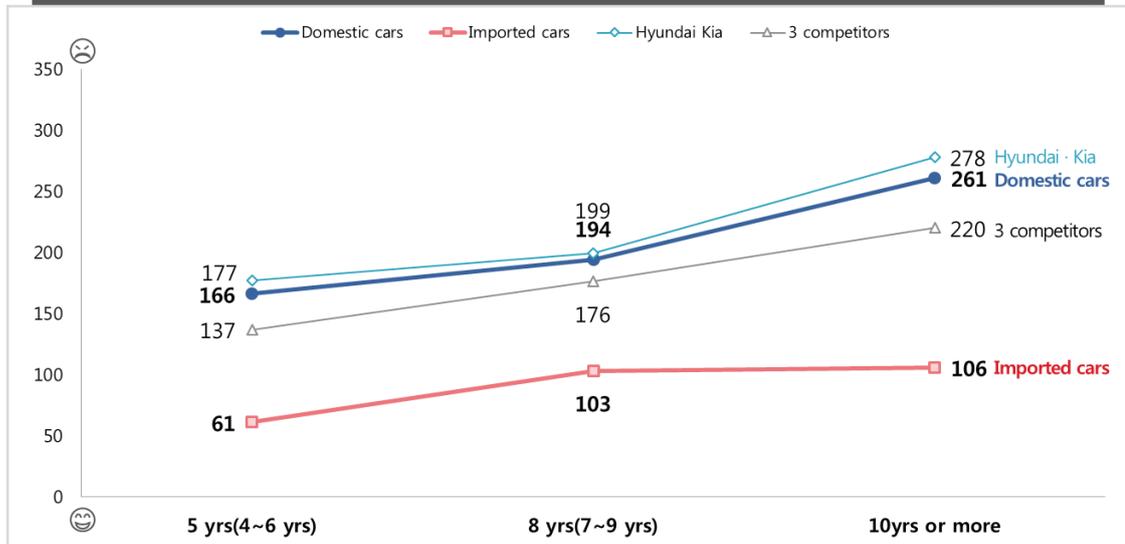
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### **For more Information**

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[Figure 1] Reliability problems by year of car use\*

(n=37,751, PPH)



\*The number of problems that were considered as either 'very/slightly abnormal' for car years (per 100 cars) on 19 items

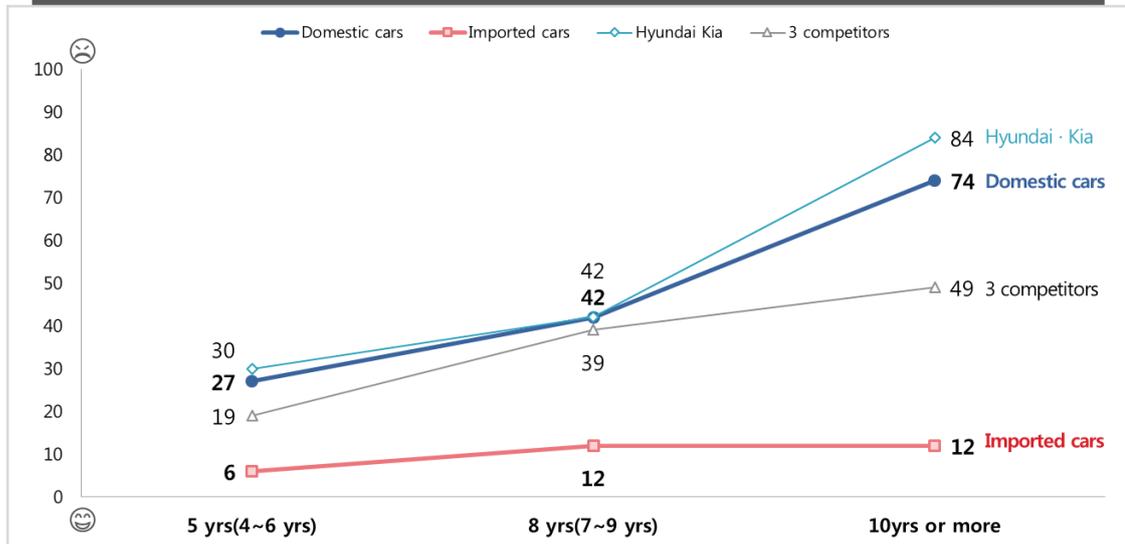
Over time, the reliability of domestic cars did not improve, but rather there was a clear change in the nature of the problems. For the cars aged 5 years on average, what was most commonly pointed out as problems was 'noises' which accounted for 20% of the total problems for both domestic and imported cars. However, domestic cars started to show more problems after 5 years of use with 'car body/painting' rapidly increasing to be the biggest problems after 8 years of use on average [Figure 2]. Among the cars aged 10 years or more, the study found 74 pph among domestic cars, which is 27% of the total problems and 6 times as many as imported cars' (12pph). In particular, 84 pph were found with Hyundai and Kia, which is 7 times imported cars' and 1.7 times the three domestic competitors' (49 pph). Domestic cars' reliability issues appear to be largely attributed to car body/painting problems of Hyundai and Kia.

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[Figure 2] Reliability problems of 'car body/painting'\*

(n=37,751, PPH)

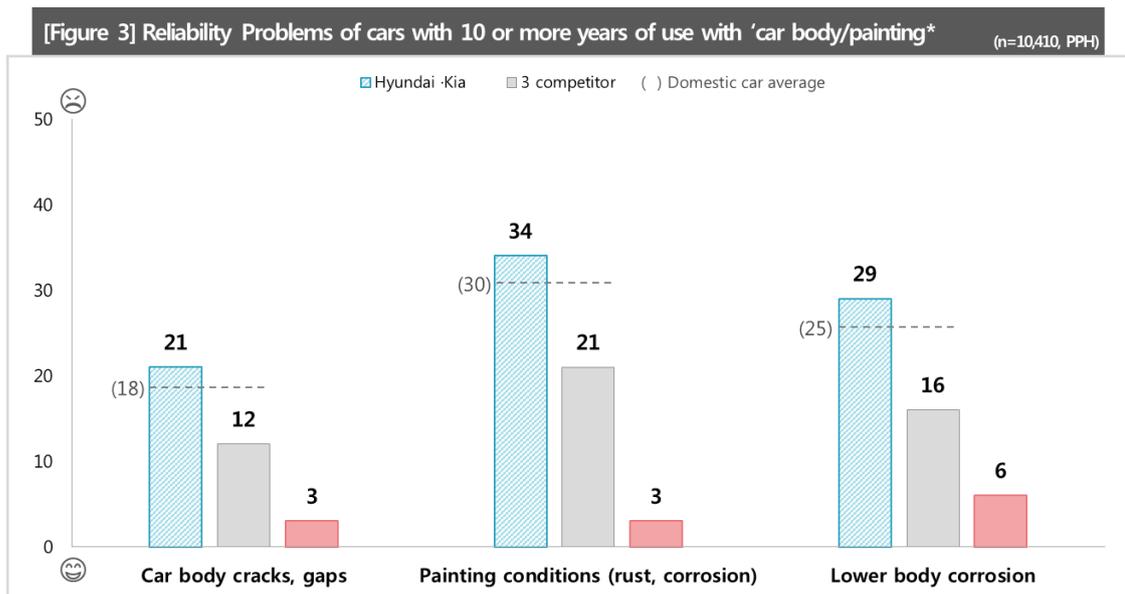


\*Evaluated on car body cracks, gaps /car body, external painting conditions(rust, corrosion)/lower body corrosion

The 'car body/painting' evaluation section consists of the following three areas of 'car body cracks/gaps,' 'external painting conditions,' 'lower body corrosion.' As for cars used for 10 years or more, the difference between domestic cars and imports was 18 pph vs 3 pph in 'car body cracks,' 30 pph vs 3 pph in 'external painting conditions' and 25 pph vs 6 pph in 'lower body corrosion' with domestic cars showing 4 times to 10 times more problems than imported cars. The results tell us that rusting and corrosion were the main causes of domestic cars' reliability problems, and Hyundai and Kia led on the uncompetitiveness of domestic cars'. Problems of Hyundai and Kia reached 1.5 times those of the three competitors' [Figure 3].

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\*The number of problems that were considered as either 'very/slightly abnormal' for car years (per 100 cars)

Regarding initial quality problems that check on the average number of defects/breakdowns of new cars 6 months after car purchase, Hyundai had been outperforming other companies for the 5 consecutive years since 2012 and also ahead of the others in durability of the cars with the recent 3 years of use while Kia also belonged to the upper ranks on the measure. However, Hyundai tends to lose its competitiveness suddenly after 4 years of use.

This can be explained in the two ways. Firstly, consumers can more easily identify such problems as ▲ car body cracks, ▲ painting and rust, ▲ corrosion as 'abnormal' because those problems are more visually identifiable, and these must-not-have problems are indeed more prevalent with Hyundai and Kia. These two brands have their weakness in materials/processing that are easier for consumers to spot rather than features/performance that are rather unclear for consumers to realize. Secondly, consumers' negative attitudes towards car companies might have impacted on the results. Consumers' negative evaluation of car companies will lead to their negative assessment of the cars from those companies. Consumer trust in products is surely affected by their trust in companies.

The survey results came from the 16th survey (conducted in July 2016) of a large-scale annual car planning survey of 100,000 samples, which was launched by Consumer Insight, an automotive research firm in 2001.

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◆ Reference: 「Consumer Insight」 'Annual Automobile Syndicated study Outline

「Consumer Insight」has been conducting 'Annual Automobile Syndicated Study' with over 100,000 respondents since 2001. The study is fielded in July every year and the detailed study design is as follows;

<b>Respondent</b>	Car owners/purchase intenders within next 2 years	<table border="1"> <thead> <tr> <th>Total</th> <th>1,791,733</th> </tr> </thead> <tbody> <tr><td>2016</td><td>100,788</td></tr> <tr><td>2015</td><td>105,672</td></tr> <tr><td>2014</td><td>101,821</td></tr> <tr><td>2013</td><td>101,701</td></tr> <tr><td>2012</td><td>95,012</td></tr> <tr><td>2011</td><td>97,356</td></tr> <tr><td>2010</td><td>106,291</td></tr> <tr><td>2009</td><td>91,129</td></tr> <tr><td>2008</td><td>95,472</td></tr> <tr><td>2007</td><td>105,149</td></tr> <tr><td>2006</td><td>106,088</td></tr> <tr><td>2005</td><td>139,825</td></tr> <tr><td>2004</td><td>171,499</td></tr> <tr><td>2003</td><td>118,195</td></tr> <tr><td>2002</td><td>129,277</td></tr> <tr><td>2001</td><td>126,458</td></tr> </tbody> </table>	Total	1,791,733	2016	100,788	2015	105,672	2014	101,821	2013	101,701	2012	95,012	2011	97,356	2010	106,291	2009	91,129	2008	95,472	2007	105,149	2006	106,088	2005	139,825	2004	171,499	2003	118,195	2002	129,277	2001	126,458
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<b>Recruiting Panel</b>	Random quota sampling from Consumer Insight's IBP(Invitation Based Panel) & other major portal site members																																			
<b>Sampling</b>	Quota sampling by gender/age																																			
<b>Data Collection</b>	E-mail survey																																			
<b>Sample Size</b>	Yearly average of 100,000 persons																																			
<b>Study Contents</b>	U&A(Usage and Attitude) & CEQ(Consumer Experienced Quality)																																			
<b>Fieldwork Period</b>	Every July																																			

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