# Automobile Consumer Report 17/18-6 ; 'First time car' trend going in reverse

**- The trend of 'first time car' moving to the bigger and more expensive**
**- Older, high income earners emerging as distinctive trends of first time car buyers**
**- Some 14% of first time car buyers buying imported cars**

Car companies have a lot of interest in consumers buying their new cars for the first time as understanding how many of these consumers are out there and what cars they are buying helps to predict what kinds of changes the market would see in the future. A lookback on changes of the past 5 years tells us that the number of first time car buyers is decreasing and they are tending to be the older and higher income earners, compared to the past. These customers show the tendency of buying bigger and more expensive cars against the past. This tendency could be the outcome of the multiple factors such as unemployment crisis, late marriage, high interest and use of smartphone, and their decreased interest in car, all of which are working together at the same time.

New car purchase types are either 'new' purchase of buying a new car with no previous car used or 'replacement' purchase of buying a car after the disposal of a previous car, or 'additional' purchase of buying a new car in addition to a currently used car. The proportion of each car purchase type varies by car penetration level, economic situations, etc, but what car companies are interested in the most is new car purchase because customers buying their cars as a firs time purchase could be very likely to be their life time customers. The past 5 year patterns of first time car purchase reveals big changes under way. Now car buyers are changing and the cars they are buying are also changing.

First of all, the first time car purchase is decreasing. The first time car purchase dropped by 4%p in the past 5 years, from 16% in 2012 to 12% in 2017 [Table 1]. It is hard to figure out causalities of this because of complex dynamics of various reasons behind this change. Rather, it would help to look at emerging phenomenon such as the decrease of first time purchase.

[Table1] Changes in New Car Buyer Characteristics (Base: First time car buyers among those who bought a new car in the past 1 year)

| | | '12 | '14 | '16 | '17 | '17-'12 |
|---|---|---|---|---|---|---|
| % of first time car buyer | | 16 | 15 | 14 | 12 | -4%p |
| Buyer characteristics | % of those in 20s(%) | 37 | 35 | 31 | 31 | -6%p |
| | Average age(years old) | 33 | 33 | 35 | 36 | +3 |
| | Monthly income of KRW 7 Mill or above (%) | 17 | 23 | 23 | 30 | +13%p |
| Purchased car | Mini (%) | 34 | 31 | 25 | 24 | -10%p |
| | Small/Sub-midsize(%) | 36 | 33 | 29 | 22 | -14%p |
| | B/C SUV(%) | 7 | 12 | 22 | 25 | +18%p |
| | Imported car(%) | 4 | 7 | 9 | 14 | +10%p |

Among first time car buyers, the number of the older and high income earners is increasing [Table 2], compared to the past. Those in their 20s used to be 37% 5 years ago but now significantly decreased to 31%, and the average age has gone up to 36 years old from 33 years old. The proportion of those earning the monthly income of KRW 7 mill or above increased greatly to 30% from 17%. These changes can be attributed to multiple reasons such as unemployment crisis, delayed marriage age, economic recessions, and the emergence of such a substitute as smartphone, but what could be the more fundamental cause is

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because customers want to buy bigger and more expensive cars, compared to the past.

[Table2] Changes in First time car buyers' profile (Base: First time car buyers among those who bought a new car in the past 1 year)

| | | '12 | '14 | '16 | '17 |
|---|---|---|---|---|---|
| | (Case) | (1,358) | (1,167) | (1,197) | (1,058) |
| Gender | Male | 61 | 63 | 59 | 61 |
| | Female | 39 | 37 | 41 | 39 |
| Age | 20s | 37 | 35 | 31 | 31 |
| | 30s | 48 | 48 | 46 | 46 |
| | 40s or above | 15 | 17 | 24 | 22 |
| | Average Age | 33 | 33 | 35 | 36 |
| Life Stage | Unmarried | 63 | 62 | 60 | 56 |
| | Married-without a child | 10 | 12 | 10 | 13 |
| | Married – with a chid | 26 | 27 | 29 | 31 |
| Monthly Household Income | Low(~KRW 2 Mill) | 10 | 15 | 13 | 12 |
| | Mid low(KRW 3 Mill~4 Mill) | 42 | 37 | 35 | 28 |
| | Low(KRW 5 Mill~6 Mill) | 31 | 26 | 28 | 30 |
| | Mid high(KRW 7 Mill~9 Mill) | 10 | 13 | 13 | 16 |
| | High( KRW 10 mill or above~) | 7 | 10 | 10 | 14 |

Of the cars that first time car buyers bought, sub-midsize or smaller cars used to account for nearly 70% 5 years ago but dropped badly to 46% now, and small SUV, the newly emerged class, rose greatly from 7% to 25% [Table 3].The share of imported car that used to remain at around mere 4% skyrocketed to 14%, similar to the total car market's share. The average car purchase price went up as well from KRW 22.8 million (2014) to KRW 28.01 million (2017). In conclusion, it would make sense to think that first time car buyers' characteristics have changed as their expectations of their firs time cars have changed.

[Table3] Changes in first time car buyers' vehicle class (Base: First time car buyers among those who bought a new car in the past 1 year)

| | | '12 | '14 | '16 | '17 |
|---|---|---|---|---|---|
| | (Case) | (1,358) | (1,167) | (1,197) | (1,058) |
| Purchased Car-DoesticvsImported | Domestic | 96 | 93 | 91 | 86 |
| | Imported | 4 | 7 | 9 | 14 |
| Vehicle class of domestic purchased car | Mini | 34 | 31 | 25 | 24 |
| | Small | 6 (70%) | 6 | 3 | 3 (46%) |
| | Sub-midsize | 30 | 27 | 26 | 19 |
| | Midsize | 13 | 12 | 11 | 17 |
| | Large | 3 | 3 | 3 | 4 |
| | Luxury | 1 | 1 | 1 | 1 |
| | B/C SUV | 7 | 12 | 22 | 25 |
| | D/E SUV | 2 | 6 | 5 | 7 |
| | MPV | 2 | 2 | 3 | 1 |
| Average purchase price | | -* | KRW 22.8 million | KRW 24.28 million | KRW 28.01 million |

*Not included in the survey before 2012

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Korean customers are well known for their love for big and expensive cars as they think of cars as means to prove their value and brag about themselves with. It wonders how customers would face such innovations as shared cars, autonomous cars, eco-friendly cars.

The research results on this report are based on 'the 17th Annual Syndicated Automobile Study (fielded in July, 2017)' that ConsumerInsight, an automobile specialized market research firm, conducted since 2001, with the sample size of over 100,000 consumers per study.

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◈ Reference: 「Consumer Insight」 Annual Automobile Syndicated Study Outline

The contents was excerpted and summarized from the results of 'Annual Syndicated Automobile Study' conducted by Consumer Insight Inc. in every July since 2001.

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| Respondent | Car owners/purchase intenders within next 2 years |
| Recruiting Panel | Random quota sampling from Consumer Insight's IBP(Invitation Based Panel) & other major portal site members |
| Sampling | Quota sampling by gender/age |
| Data Collection | E-mail survey |
| Sample Size | Yearly average of 100,000 persons |
| Study Contents | U&A(Usage and Attitude) & CEQ(Consumer Experienced Quality) |
| Fieldwork Period | Every July |

| Total | 1,887,946 |
|---|---|
| 2017 | 96,123 |
| 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 |
| (Year) | (persons) |

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