

Warning light on for the rapid growth of Imports?

Marketing Insight 2013 Automobile Syndicated Study

- Imports are still strong but the gap with domestic has been narrowed
- Domestic cars are ahead of Imports in Initial Quality & Customer Service

There seems to be a sign of slowdown for the rapid growth of Imports. Consumers had evaluated vehicle product quality and service of Imports a way better than domestic cars, and such evaluation had driven the explosive growth of Imports. But this year's study results display not-so-little changes. That includes narrowed gaps and even a reversal in some cases. That's not because domestic cars had done well but Imports had not done well. Imports are losing competitiveness by going back in several areas. Especially, catching up Imports in Initial Quality and Customer Service Satisfaction, which are most importantly considered by automakers, was noticeable. Degradation of Imports' competitiveness, which was once dominant, can be detected and it can be led to slowdown or stagnation of growth.

Automobile specialized research firm, Marketing Insight (www.mktinsight.co.kr, CEO: Kim, Jin-Kook), has been carrying out a mega size syndicated research in every July for 12 years since 2002 on 'Automobile Experienced Quality & Customer Satisfaction' (101,701 samples in 2013). This study is composed of Experienced Quality part that counts the number of problems on product and service experienced by consumers, and Customer Satisfaction part that subjectively evaluates the experienced feeling while using product and service. Measuring Experienced Quality and evaluating Customer Satisfaction are the main contents.

In more detail, 'Experienced Quality' is composed of 3 parts, the number of Initial Quality Problems experienced during the early period of vehicle purchase (hereafter 'Initial Quality'), the number of Durable Quality problems experienced after 3 years (hereafter 'Durable Quality') and the number of experience stress from vehicle and service (hereafter 'Quality Stress').

'Customer Satisfaction' is also composed of 3 parts, 'Sales Service Satisfaction' that evaluates customer care during vehicle purchase process and after purchase, 'Product Satisfaction' that evaluates performance, feature and design of new car while using, and 'Customer Service Satisfaction' that evaluates process-result-cost of vehicle maintenance and repair service.

For more Information

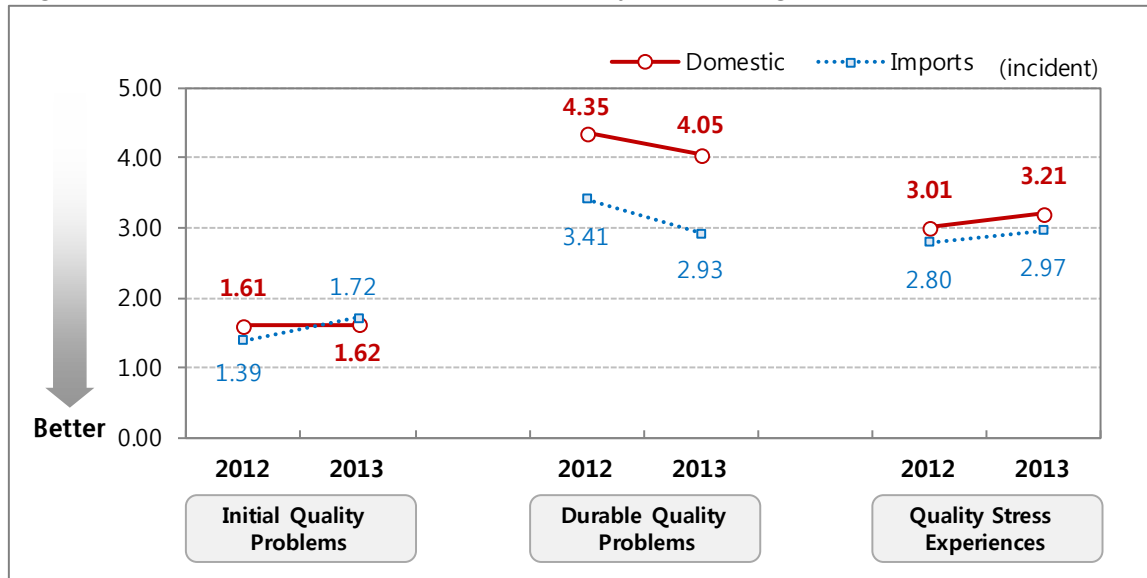
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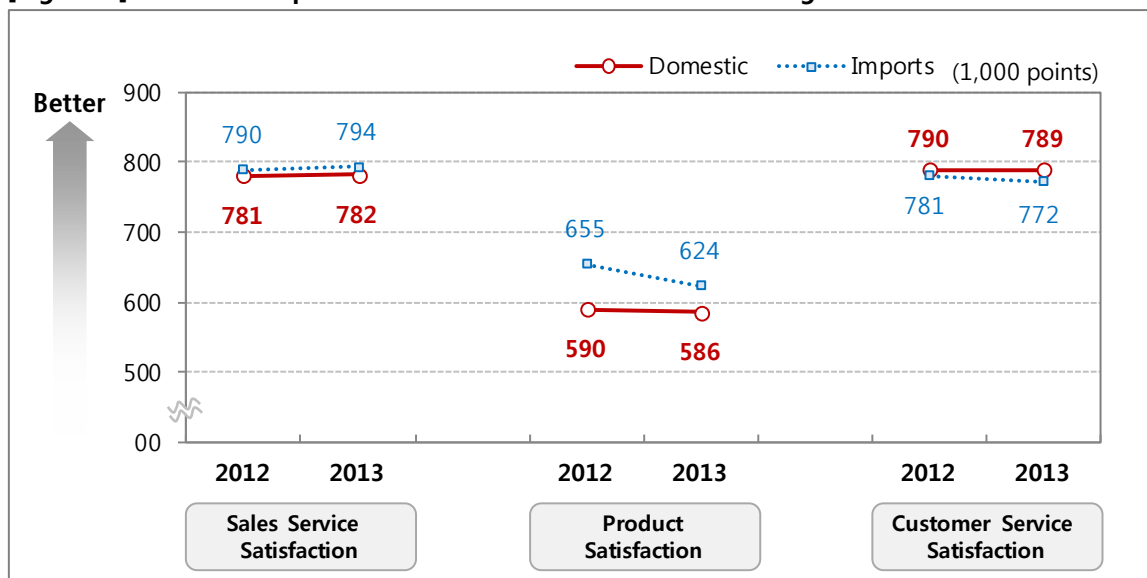
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The results of 2012 and 2013 studies for 6 areas in 2 divisions are presented in [Figure 1] Experienced Quality and [Figure 2] Customer Satisfaction, while [Tab. 1] presents the 1st place domestic and Import brands in each area along with their scores.

[Figure 1] Domestic-Imports "Experienced Quality" area changes in 2012-2013



[Figure 2] Domestic-Imports "Customer Satisfaction" area changes in 2012-2013



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[Tab. 1] Top Brands in 2013 Marketing Insight Automobile Quality & Customer Satisfaction Study

		1 st place in 2013 Marketing Insight Automobile Quality & Customer Satisfaction Study*			
		Domestic		Imports	
Experienced Quality ¹ (incident)	Initial Quality Problems ³	Hyundai	1.43	BMW	1.22
	Durable Quality Problems ⁴	Hyundai	3.72	BMW	2.59
	Quality Stress Experiences ⁵	GM Korea	3.09	Toyota	2.19
Customer Satisfaction ² (1,000 points)	Sales Service Satisfaction ⁶	Renault Samsung	811	Mercedes-Benz	830
	Product Satisfaction ⁷	Renault Samsung	601	Mercedes-Benz	640
	Customer Service Satisfaction ⁸	GM Korea	819	Honda	821

* Compared brands had over 60 cases in each area but 5 domestic brands and 3 Import brands (BMW, Mercedes-Benz, Volkswagen) were included in all 6 areas

1. Lower the number, better the score by counting experienced problem or dissatisfaction
Initial/Durable quality contain renovated study results(reflecting Bridge study result) enhancing Design Failure, and therefore, need to take a caution when comparing with the previous data
2. Higher the number, better the score by adding consumer's subjective evaluation into 1,000 points scale
3. Evaluated by 4,109 new car buyers within 6 months, evaluated brands with sufficient cases (over 60) were 9 including Audi beside of the basic 8 brands
4. Evaluated by 7,442 new car buyers with 3 years use from purchase (purchased in 2010), evaluated brands include the basic 8 brands
5. Evaluated by 7,811 new car buyers within a year (6 months use on average), the number of evaluated brands were 10 including Audi and Toyota beside of the basic 8 brands
6. Evaluated by 7,538 new car buyers within a year (6 months use on average), the number of evaluated brands were 10 including Audi and Toyota beside of the basic 8 brands
7. Evaluated by 7,811 new car buyers within a year (6 months use on average), the number of evaluated brands were 10 including Audi and Toyota beside of the basic 8 brands
8. Evaluated by 44,294 customer service experienced customers within a year, the number of evaluated brands were 17 including Audi, Ford, Honda, Infiniti, Lexus, Nissan, Peugeot, Toyota and Volvo beside of the basic 8 brands

1. Experienced Quality

Vehicle Experienced Quality is divided into a part for product and a part for overall product and service [Figure 1].

Product Quality counts the number of experienced incidents for trouble, defect and problem while using vehicle, and the result is presented in average 'incident' per vehicle. Therefore, the lower the number, the better the score. The number of problems for the vehicle with 3 months of use on average is used for Initial Quality (purchased after Jan. 2013), while the number of problems for the vehicle with 3 years of use on average is used for Durable Quality (purchased in 2010). There was a partial change in this year's study on the measurement of Initial and Durable

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Quality. On top of defect-flaw, Design Failure that causes inconvenience in use was dealt with in more detail.

Experienced Quality for overall product and service counts the number of stressful experiences (Anxiety, Discomfort, Loss, Anger) while using vehicle, which is called Quality Stress.

-Initial Quality (4,109 respondents); The number of problems for 2013 Initial Quality, in other words, the average trouble, defect and problem experienced by consumers who purchased new car within 6 months (average 3 months use) was 1.62 incidents for domestic cars and 1.72 incidents for Imports [Figure 1].

Since measuring Initial Quality in 2002, it is the first time for domestic cars recording less number of problems on average than Imports. Especially, this year was a grand turnaround when considering past 5 years' records (after 2008) of 1st place domestic makers not reaching the Imports average.

It happened not because domestic cars had improved but Imports had poor performance. Domestic cars actually had no change from last year's 1.61 incidents to this year's 1.62 incidents. But Imports had increased by 0.33 incident on average from past year's 1.39 incidents to this year's 1.72 incidents. The poor performance of Imports seems to be caused by several factors affecting in complex way such as Customer service problem, increase of mid-to-low price models, fallen image of once powerful Japanese cars, etc.

Among domestic brands, Hyundai claimed the 1st place for 2 years in a row with 1.43 incidents. In the comparison of 5 domestic brands and 4 Import brands, BMW took the 1st place with 1.22 incidents.

-Durable Quality (7,442 respondents); In the average of Durable Quality which counts the number of problems on the vehicle with average 3 years of use after new car purchase (purchased in 2010), Imports (2.93 incidents) surpassed domestic cars (4.05 incidents) with a large margin. For past 4 years (after 2009), the average number of problems of Imports in Durable Quality had been lower than Domestic average and, of course, the 1st place brand, continuing the lead in this year also.

Among the 6 key quality areas, Durable Quality was the only area, in which Domestic cars had an eye-catching improvement, decreasing by 0.30 incident from 4.35 incidents in last year to 4.05 incidents in this year. But Imports made even larger improvement (from 3.41 incidents to 2.93 incidents), enlarging the gap in quality.

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Among domestic makers, Hyundai returned to the top after 3 years with 3.72 incidents.

In the comparison of 5 domestic brands and 3 Imported brands with over 60 cases, BMW took the 1st place with an outstanding record of 2.59 incidents.

Initial Quality and Durable Quality, which are measured with same scale but different in comparison period, are well known for high correlation to each other. Hyundai among Domestic cars and BMW among Imports displayed competitiveness in both 'Initial Quality' and 'Durable Quality'.

-Quality Stress (7,811 respondents); Quality Stress counts 'the number of stressful experiences experienced by the consumers who purchased new car within a year (average 6 months)'. It designates the number of incidents for stressful experience of consumers in 4 categories of 'Discomfort', 'Anxiety', 'Loss' and 'Anger'. As Product Quality is measured with the numbers of experienced trouble, defect and problem, Quality Stress can be Customer Satisfaction that measures the number of dissatisfied experiences. This one also has lower number meaning higher satisfaction.

In the number of stress incidents experienced from quality problem, Domestic cars had 3.21 incidents, while Imports had less at 2.97 incidents. When compared with last year, Domestic and Imports both had increases by 0.2 incident without a big change.

Among Domestic cars, GM Korea took the 1st place for 2 years in a row with 3.09 incidents in the brand with least Quality Stress. In the comparison including 5 Import brands, Toyota was most excellent with 2.19 incidents.

Quality Stress can be called as Overall Customer Satisfaction because it has high correlation with both Product Quality and Service Quality Satisfaction.

2. Customer Satisfaction

Customer's Satisfaction evaluation is composed of 3 parts. They are 'Sales Service Satisfaction' that deals with satisfaction for customer care during purchase process and after purchase, 'Product Satisfaction' that evaluates performance, feature and design of purchased product and 'Customer Service Satisfaction' that counts how satisfied with customer service such as vehicle maintenance and repair, etc.

All 3 parts are calculated on 1,000 points scale, while Sales Service and Product Satisfaction target the consumers who had customer service within a year from purchase (purchased after July 2012), whereas Customer Service Satisfaction targets all the customers who had been serviced

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within a year.

-Sales Service Satisfaction (7,538 respondents); In the evaluation for Sales Service (sales outlet, salesperson, delivery process) experienced by consumers while purchasing vehicle (was called Sales satisfaction before), Domestic cars scored 782 points (1,000 points scale) and Imports scored 794 points, surpassing Domestic but that was at similar level from past year (781 points and 790 points, respectively).

Imports had been a way ahead of Domestic cars until 2010 with a large gap of around 40 points but from 2011, the gap had been narrowed to a close gap at around 10 points. Unlike other areas, the cause can be found from improved evaluation on Domestic cars in this area rather than receding of Imports. It displays the achievement of domestic cars in efforts of responding to the rapid growth of Imports.

Among Domestic cars, Renault Samsung took the 1st place with 811 points, defending the top for 12 years in a row. It is the only case of a specific automaker monopolizing the 1st place since the launching of this syndicated study. In the comparison of 10 brands including 5 Imported brands with over 60 cases, Mercedes-Benz took the 1st place with 830 points.

-Product Satisfaction (7,811 respondents); Product Satisfaction is an evaluation on performance, feature and design of vehicle by the consumers who purchase within a year. Previously, it was called 'Product Attractiveness' but that had a distance with evaluation after actual use because of strong impression of product value prior to purchase. Product Satisfaction or Experienced Value suit more with the reality.

The most inferior area of Domestic cars against Imports is Product Satisfaction. Generally, Product Satisfaction tends to be high in high-price premium product. This year also had a not-so-little gap (38 points) between Imports at 624 points (1,000 points scale) and Domestic cars at 586 points, but that is natural when considering the price difference of models. This gap has been narrowed from last year (Imports at 655 points, Domestic at 590 points, 65 points gap) and the cause was largely lowered score of Imports (655 points->624 points).

Among Domestic cars, Renault Samsung took the 1st place with 601 points, regaining the top lost in 2012. Renault Samsung had many difficulties in sales but the vehicle purchased consumers were satisfied with their new car. In the comparison of 10 brands including 5 Imported brands with over 60 cases, Mercedes-Benz took the 1st place with 640 points.

When diverse mid-to-low price Imports are brought in, Product Satisfaction should be on down

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curve. Product Satisfaction is a measured value with reflection of value for price in large portion. Commonly in domestic and Imports, equipping competitiveness in same price range is important.

-Customer Service Satisfaction (44,294 respondents); In Customer Service Satisfaction (1,000 points scale) evaluated by the consumers who had maintenance and repair services from the makers within a year, Domestic cars (789 points) surpassed Imports (772 points).

Domestic cars surpassed Imports for the first time last year (Domestic at 790 points, Imported at 781 points, 9 points gap), and widened the gap in this year (17 points gap). Imports had been ahead of domestic cars until 2011 by maintaining 800 points range but had been embarrassment for 2 consecutive years in behind of Domestic cars. Just like in Initial Quality that turned around successfully in this year, stagnation of domestic cars and depression of Imports made a reversal. The growing worries on Imports' Customer service seem to be realized.

Among Domestic cars, GM Korea claimed the top for 2 years in a row with 819 points. In the combined comparison including 12 Import brands with over 60 cases, Honda took the 1st place with 821 points. It was a return to the top after 4 years in fierce competition with Toyota and Lexus. When counting Company owned service stations only, GM Korea beat Honda with a close score at 823 points.

Currently, in all 6 areas of Quality and Customer Satisfaction, 1st place of Domestic cars are behind of the 1st place of Imports. If 1st place of Domestic cars make a new record by beating the 1st place of Imports, it has a high possibility of happening in Customer Service.

3. Summary

When summarizing the major results of 2013 Automobile Quality & Customer Satisfaction Study, 'The competitiveness of once powerful Imports has been retreating from 2012. It is still ahead of Domestic cars in most areas, but the gaps have been narrowed from the previous year.

Narrowing gaps had been caused by draw-back of Imports rather than improvement of Domestic cars. Imports had lower scores than last year in most areas including Initial Quality, Product Satisfaction, Customer Service Satisfaction and Quality Stress. Poor performance in these areas can be directly linked to slow sales. It is necessary to review the effectiveness of sales and marketing focused strategy in the future.

Regaining of Domestic cars' competitiveness was caused mainly by poor performance of Imports. Durable Quality was the only actual achievement, while Quality Stress has been largely increased. Domestic makers claimed to respond actively to the rapid growth of Imports but had no

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big achievement in gaining consumers' hearts in reality.

Currently, in all 6 areas, Imports tops are a way ahead of Domestic tops. The only country that firmly defends domestic market among the major advanced auto-manufacturing countries in the world is Japan and their weapon is 'Quality and Customer Satisfaction'. Unless domestic brands are firmly recognized by consumers for 'Quality and Customer satisfaction', defending the market would be getting more and more difficult.

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Marketing Insight Inc. has been conducted 'Automobile Quality and Customer Satisfaction Study' in every July since 2001 with 100k consumers. The study results had been announced in the middle of Sep. every year and published as '[White Paper on Korean Automobile Quality](#)', which includes 5 years trend analysis, in Nov. Also the results are utilized by domestic major automakers, auto-importers and automotive-related enterprises.

Media release contents and '[White Paper on Korean Automobile Quality](#)' contents are listed on 'AutoInsight' (www.autoinsight.co.kr), which is 'Korean online automobile consumer reports' developed by Marketing Insight Inc., and '[Auto Column](#)' of Daum Automobile section. Especially, 'AutoInsight' provides 'One Page Report' feature than can compare consumers' product quality and service evaluations by model.

[Research design & outline]

- Research body: Marketing Insight (www.mktinsight.co.kr)
- Research type: Syndicated study
- Population: Nationwide Automobile user with e-mail account
- Survey period: July 2013
- Data collection method: Online e-mail survey
- Sample size: Total 101,701 respondents

The results of this report were excerpted and summarized from the results of 'Automobile Quality and Customer Satisfaction Study' conducted by Marketing Insight Inc. in every July since 2001. All the rights for study contents, result and analysis deemed to Marketing Insight Inc. and cannot be used for commercial purpose without prior written permission. More detailed information for the study can be found at www.autoinsight.co.kr

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