
Almighty competitiveness of Imported cars, the only weakness is A/S

- Customer satisfaction, Imports average is higher than domestic 1st place
- In A/S, Imports average is similar with the lowest of domestic cars

Rapid growth of imported cars has continued to march. It has been estimated that the number of total registered Imports are more than 1 million units and the sales in this year to surpass 200,000 units. The reason why the bull of imported cars is continuing is because of consumers' evaluation on imported cars as one step higher than domestic cars in terms of quality and service of automobile. The competitiveness of imported cars has increased even further during the past 1 year, while it's only weakness on A/S. The average score of imported cars' A/S is the lowest level of domestic cars, and European cars are even lower than this.

Marketing Insight, automobile specialist research firm, has conducted large-scale syndicated studies in July every year since 2002 (101,821 sample size in 2014) on "Customer satisfaction and experienced quality of car". This study is comprised of "Customer satisfaction area" that subjectively evaluates feeling received while using product and service, and "Experienced quality area" that counts the number of problems on the product and service experienced by consumers.

The customer satisfaction scores of imported cars and domestic cars in 2013 and 2014 in the six divisions of the two areas are presented in [Figure 1], while the scores of Experience quality area is shown in [Figure 2] and [Table 1] presents the brands and scores of the first place winners in each division.

For more Information

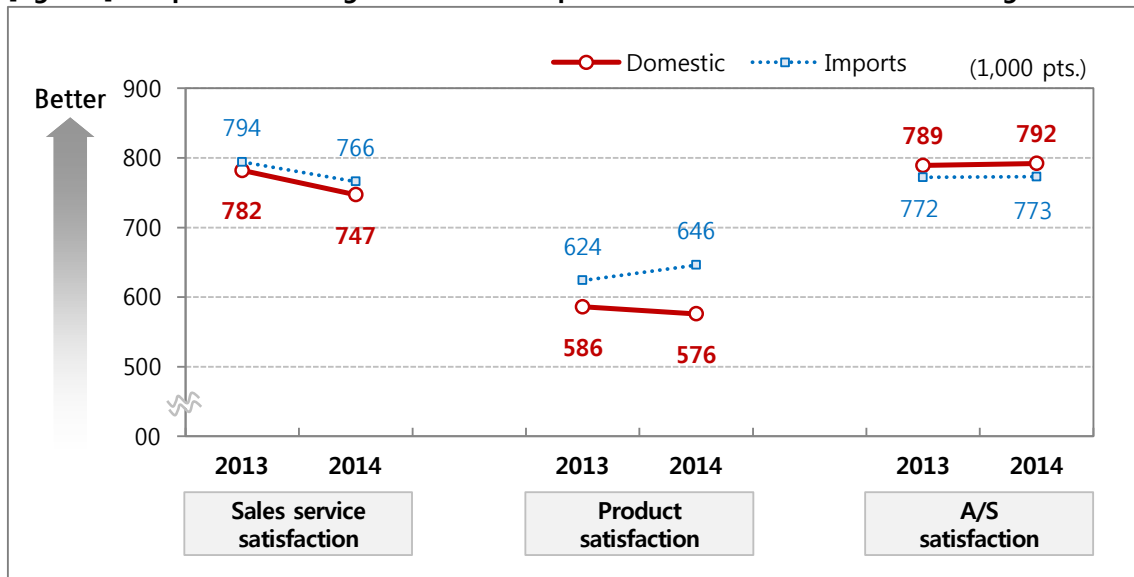
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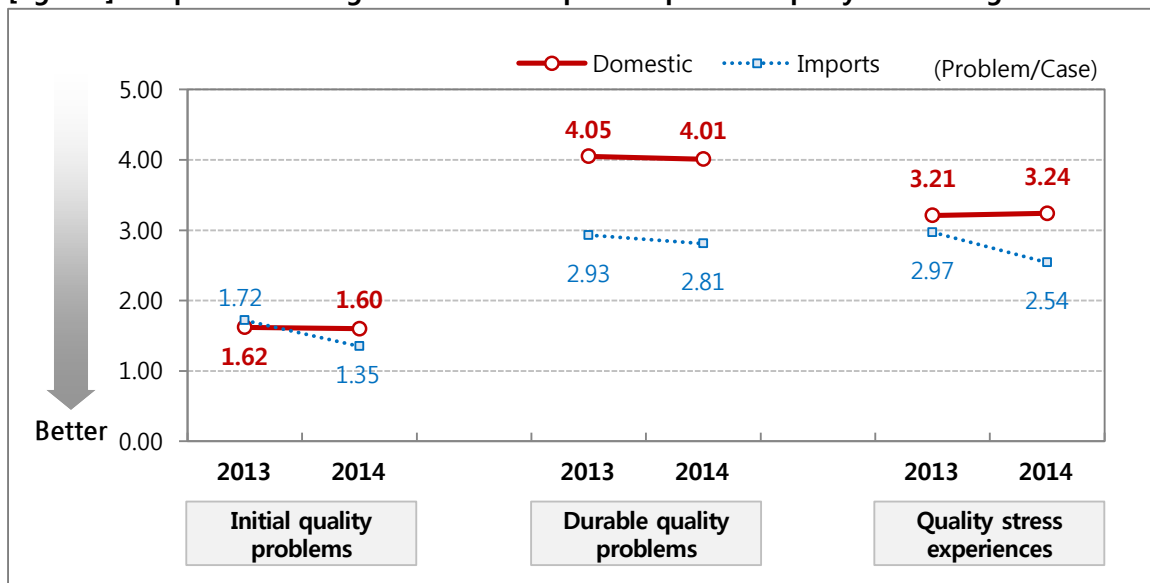
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[Figure 1] Comparison of changes in Domestic-Imports "Customer Satisfaction" area during 2013-2014



[Figure 2] Comparison of changes in Domestic-Imports "Experienced quality" area during 2013-2014



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[Table 1] Top brand in 2014 Marketing Insight Automobile Quality & Customer Satisfaction Study

		Top in 2014 Quality & Customer Satisfaction Study*			
		Domestic Top		Top in Total	
Customer Satisfaction area¹ (1,000 pts.)	Sales service satisfaction³	Renault Samsung	765	Benz	812
	Product satisfaction⁴	Renault Samsung	593	Audi	669
	A/S satisfaction⁵	GM Korea Renault Samsung	816	Honda	831
Experienced quality area² (Problem/Case)	Initial quality problems⁶	Hyundai	1.41	BMW	1.01
	Durable quality problems⁷	Hyundai	3.63	BMW	2.85
	Quality stress experiences⁸	GM Korea	2.81	Benz	1.73

* Comparison subjective brand is with over 60 cases in each division.

5 domestic brands & 4 Imports brands (BMW, Mercedes-Benz, Volkswagen, Audi) were subject to all divisions.

(But excluding Audi in Durable quality)

1. Full score is 1,000 points by summing consumer's subjective evaluation, the smaller the figure, better the score

2. Counted experienced problem or dissatisfaction, the smaller the figure, better the score

3. New car purchasers within a year(average 6 month use), evaluated by 7,383 persons with 9 evaluation target brands

4. New car purchasers within a year(average 6 month use), evaluated by 7,618 persons with 9 evaluation target brands

5. A/S experienced within a year, evaluated by 42,618 persons with 18 evaluation target brands including Ford, Honda, Infiniti, Lexus, Mini, Nissan, Peugeot, Toyota & Volvo beside of 9 basic brands

6. New car buyers within 6 month, evaluated by 3,899 persons with 9 evaluation target brands

7. 3 years ownership from new car purchase (Purchased in 2011), evaluated by 6,153 persons with 8 evaluation target excluding Audi

8. New car purchasers within a year(average 6 month use), evaluated by 7,383 persons with 9 evaluation target brands

1. Customer satisfaction area

Evaluation for Customer Satisfaction is made up of three major divisions. Those are "Sales service satisfaction" that handles the satisfaction of customer-care during purchase process and after purchase, "Product satisfaction" that evaluates how the feature · performance · design of purchased product satisfy the minds of customer, and "A/S satisfaction" that counts how the customers satisfied with after-sales service such as inspection and maintenance of car.

Sales satisfaction and Product satisfaction target all the consumers who purchased car within a year (Purchased since July 2013), while A/S satisfaction targets the consumers who had received A/S within past 1 year. All of these three divisions measure on 1,000-point scale, displaying higher the figure, better the score.

- **Sales service satisfaction (7,383 respondents);** In the evaluation of Sales service that consumers have experienced before and after the vehicle purchase, Imports scored 766 points,

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surpassing domestic cars at 747 points for (1000-point scale) with a slightly large gap. This score was about 30 points lower than last year but the reason is because "Post-sales customer-care" items among the comprising items were greatly enhanced. The gap between imported cars and domestic cars became larger from 12 points last year to 19 point in this year. The main reason seems to be the Post-sales customer-care.

Among the domestic cars, Renault Samsung accounts for first place with 765 points, defending the top for 13 consecutive years, which is the only case of a particular company monopolizing the top place since the launching of this syndicated research. However, the gap with imported car was too great, making Renault Samsung even fell short of the Imports average (766 points). In the comparison of nine brands including 4 imported brands with over 60 cases, Benz took 1st place for two consecutive years with 812 points.

-Product satisfaction (7,618 respondents); Product satisfaction is consumers' evaluation on feature · performance · design of car within one year from purchase.

Generally expensive premium products have high scores. In this year, Imports scored 646 points, surpassing domestic cars at 576 points with a large gap (70 points). This is a nearly doubled gap from the considerable gap of last year (38 points).

Among the domestic cars, Renault Samsung took the 1st place for two consecutive years with 593 points, while Audi took the first place with 669 points in comparison of nine brands including 4 imported brands with over 60 cases. Product satisfaction is the sector in which domestic cars are vulnerable at the most. Over 50 points lower score of domestic first place Renault Samsung than the average of imported car shows how much domestic cars are left behind in product competitiveness.

Among the indicators of various quality and customer satisfaction, the most relevant to the sale of car is the Product satisfaction. One of the biggest reasons why consumers are rushing to imported car can be estimated as the high Product satisfaction.

-A/S satisfaction (42,618 respondents); In A/S satisfaction evaluated by consumers who have visited the maintenance · check-up service of each company over the past 1 year (1,000 points scale), domestic car scored 792 points, surpassing imported cars at 773 points.

Imported cars that had taken the lead of domestic cars with over 20 points in the past got behind of domestic cars for the first time in 2012 (9 points gap) and the gap has become even greater each year (19 points gap). This reversal is a result of improvement of domestic cars and

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degeneration of imported cars working at the same time, but the most of them was caused by the worsened service of imported cars.

In the Sales satisfaction and Product satisfaction mentioned earlier, the average of Imports was higher than the first place of domestic cars. In opposite of this, the average of Imports is at the same level with the lowest of domestic cars in A/S (1 point gap). Already the average of European cars doesn't catch up the lowest of domestic cars, and probably in the next year, the average has a possibility to get below of that even if the Japanese cars at the top ranks are included.

Among the domestic cars, Renault Samsung and GM Korea took the tied-first place with 816 points. GM Korea has achieved 1st place for three consecutive years with that but Renault Samsung returned to tied-top after three years. In the integrated comparison of 18 brands including 13 imported brands with over 60 cases, Honda ranked first for two consecutive years with 831 points.

From a long time ago, it was the dominant opinion that A/S is the biggest weakness of imported cars. But until 2011, imported cars had been ahead of domestic car. The evaluation of consumer on imported cars' A/S had declined continuously from 2012, and now it has firmly established as the weakest point. A/S is one of the biggest reasons that consumers have not purchased after considering imported cars. If there is something that can apply a brake to the running away Imports, the most potent stumbling block is A/S by far.

2. Experienced quality area

Experience quality of motor vehicle is divided into things about products and overall things about products and services [Figure 2].

Product quality counts the number of experienced failure · defects · problems while using the car. And the result is presented in the average number of "problem" per vehicle unit. Therefore, the lower number indicates better score, while using the number of problems from the cars used for 3 months on average as initial quality (purchased after January 2014), and the number of problems from the cars used for 3 years on average as durable quality (purchased in 2011). Experienced quality for overall products and services is called Quality stress that counts the number stressful experiences (anxiety, discomfort, loss, anger) experienced while using the car.

-Initial quality (3,899 respondents); The number of Initial quality problems surveyed in

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2014, i.e., the average failure · defects problems experienced by consumers was 1.60 for domestic cars and 1.35 for imported cars [Figure 2]. While domestic car showed a similar number of problems from last year, imported car has significantly improved by decreasing by 0.37 problems.

During last year, domestic car recorded the less number of problems than imported cars for the first time since the start of the initial quality measurement in 2002, but it was reversed by imported cars again this year. The reversal of last year seems to be a temporary phenomenon that occurred with especially low score of imported cars in last year.

In the brand comparison, BMW took the 1st place for 2 consecutive years with 1.01 problems following last year (1.22 problems), while Hyundai took 1st place for three consecutive years with 1.41 problems among domestic car, displaying the posture of monopoly.

-Durable quality (6,153 respondents); The average of Durable quality problems among new cars after 3 years from purchase was 4.01 for domestic cars and 2.81 for imported cars, displaying imported cars much ahead. The average Durable quality problems of imported cars for the past five years (2009 or later) had been much less not only than the average of domestic cars but also the first place of domestic cars, and the dominance has continued in this year also.

In the comparisons involving five domestic brands and 3 imported brands with over 60 cases, BMW was the 1st place for 2 consecutive years with 2.85 problems, while Hyundai was the 1st place for 2 consecutive years with 3.63 problems among domestic cars. The problem here is the inconsistent results of BMW as the 1st place with 2.85 problems, while the average of imported cars is 2.81 problems. The reason is that the average of Japanese cars (Lexus, Toyota, and Honda), which were excluded from ranking with insufficient cases in below 60 cases, was very much excellent at 1.98 problems.

The excellent quality of Japanese cars acquired great fame all around the world, and is no exception in Korea. However, they often excluded from official comparison because of not enough sales volume for comparative analysis. If Japanese cars are sold a lot more, a new quality competition will start and consumers will be able to enjoy the higher quality products and services.

Hyundai is ranked at the 1st place among domestic cars in Initial and Durable quality divisions for 2 consecutive years.

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-Quality stress (7,383 respondents); Quality stress refers to the number of experienced quality stress from consumers within 1 year of purchase. Just as measuring product quality with the number of experienced faults · defects · problems, Quality stress can be Customer satisfaction which measures the number of dissatisfied experiences. It also has smaller figure as less stress and higher satisfaction.

The number of stress experienced from quality problems was domestic cars was 3.24 for domestic cars and 2.54 for imported cars, displaying a lot more stress of domestic cars (0.70 cases). It had 0.24 gap last year but became larger because of the high level of improvement in imported cars.

Among the domestic cars, GM Korea became the brand with the fewest quality stress for the 3 years in a row with 2.81 cases, while in the comparison including the four imported brands, Benz was the best with 1.73 cases.

Quality stress is also the area, in which imported cars are far exceeding domestic cars with the first place of domestic car staying below the average of imported cars. Strenuous efforts of domestic cars are required.

3. Conclusion

In summary of the main results appeared in 2014 Automobile quality and Customer satisfaction study, the competitiveness of imported cars that seemed to stagnate in 2013 is reviving. The poor performance in A/S is getting larger, but the reversal in Initial quality that happened last year seems to be a temporary phenomenon associated with the slump of some imports brands.

Competitiveness of domestic cars in quality and customer satisfaction is at very much weakened state. In none of the six divisions that were discussed here, domestic cars accounted for 2nd or 2nd position. It was able to get on 3rd place only in service quality aspect such as A/S, but not in product quality for 3rd place. Imported cars took all the positions from 1st to 3rd.

Imported cars showed higher average score of imported cars than the first place of domestic cars in the entire areas except for A/S. Especially from the viewpoint of product quality, the average of the imported cars lead the first place of domestic cars with no small gaps in all three divisions of Product satisfaction, Initial quality problems and Durable quality problem.

There is a need to improve the overall competitiveness of domestic cars, but the most urgent task is how to equip product competitive. There is no doubt that the product power of relatively expensive imported cars is excellent, but it is also natural that the consumers migrate

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into good product.

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Marketing Insight Inc. has conducted 'Automobile Quality and Customer Satisfaction Study' in every July from 2002 to 2014 with 100k consumers. The study results had been announced as press releases from the end of Sep. every year. Also the results are utilized by domestic major automakers, auto-importers and automotive-related enterprises.

Media release contents and '[Korean Automobile Quality Report](#)' 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 2014
- Data collection method: Online e-mail survey
- Sample size: Total 101,821 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 2002.

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