

Automobile Purchase Behavior 1: Preference Reason

- 'Fuel economy' Tsunami will be Followed by 'What'?

- 'Design' tsunami, 'Fuel economy' tsunami, next one is 'Safety' tsunami?
- When 'Safety' tsunami lands, GM Korea, Ssangyong & Ford would be benefited the most

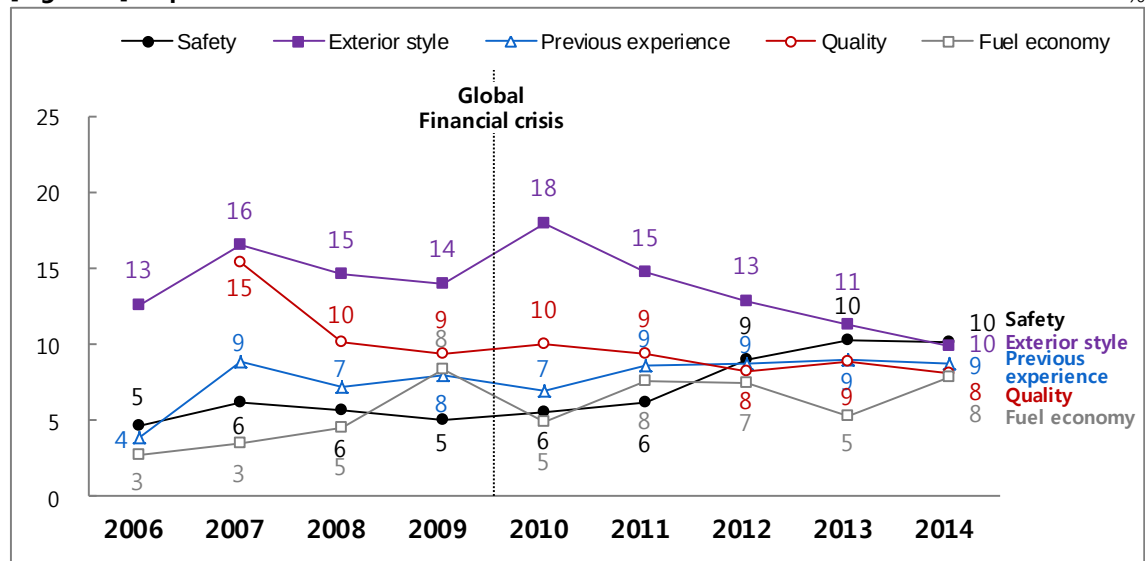
Automobile selection criteria of consumer are changing. During the past 10 years, the biggest reason to try to buy a particular model was 'Exterior style'. However, 'Fuel efficiency' tsunami that has been triggered by imported diesel vehicles mostly has swept the entire market. In addition to this, there are signs of a new tsunami. Prospective buyers of domestic cars in the future tend to consider 'Safety' most importantly, while the surrounding environment is cultivating the condition for developing into a tsunami. According to how wisely prepare for that may also change the future of automakers.

Marketing Insight (www.mktinsight.co.kr), an automotive specialist research firm, asked the preferred model to the consumers, who intend to buy a new car within two years, in Automobile Syndicated Study that had been conducted every year in July. And then, total of 28 purchase reasons were presented to select the most important reason (reason for preference). Based on that, the 5 most highly rated reasons were selected as Top5. The result of Top5 responded for the past nine years by domestic car purchase intenders is as [Figure 1].

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[Figure 1] Top5 Preference Reason for Domestic Cars



For the past 9 years, the most important selection criteria of domestic car consumers was 'Exterior style'. Exterior style had taken the overwhelming first place with 18% in 2010 but downturned thereafter and was surpassed by 'Safety' for the first time this year at 10% range. Previous experience and Fuel economy also had been steadily rising in the 3-4% level, and staying in 8-9% range with Quality that came down from the 2nd place. In overall, all Top5 are competing in the narrow range of 8-10% but there is a possibility of Safety's importance becoming larger as already pointed out in former release ([Refer to: Buy domestic car for price, imported cars for OO](#)). On the other hand, the Fuel economy is rather remaining at a low level, and the main reason is because there is no model that can be selected for Fuel economy as preference reason. This year's 3%p upturn (from 5% to 8%) was completely QM3 effect from Renault Samsung.

[Figure 2] is a summary of imported cars' Top5 that displays similar overall configuration with domestic car and also the similar trend. Importance of Exterior style had reduced, while Fuel economy and Safety became to have larger portion and tended to converge to a narrow region than in the past. The most prominent in the change of imported cars' preference rate was Fuel economy that had rapidly increased from 2007 and rose to first place spot with 17% in five years. This indicates that consumers started to focus on the concrete and practical properties instead of ambiguous advantages such as Exterior style, Quality and Model's fame/reputation.

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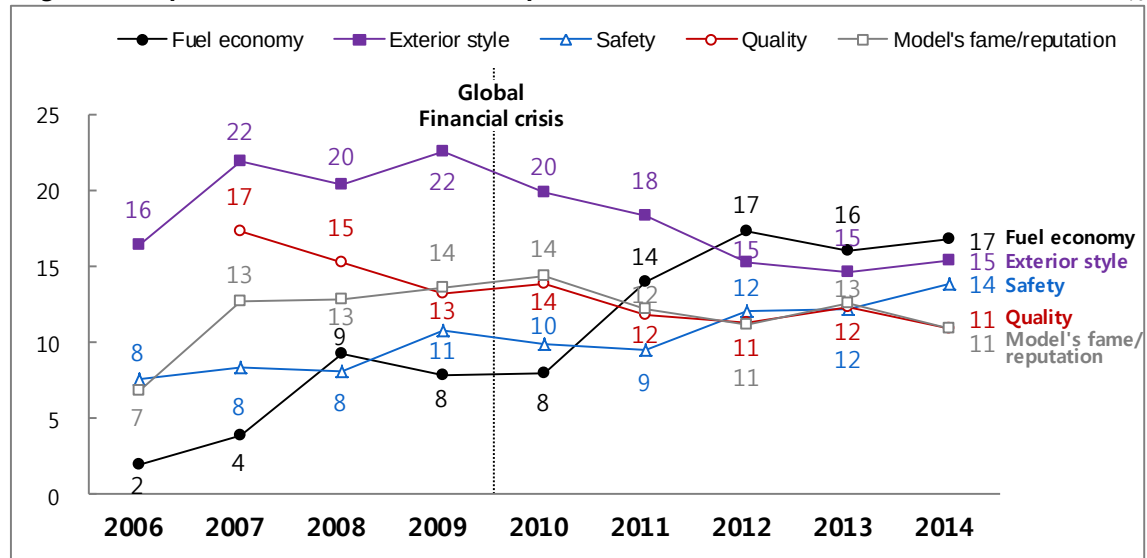
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[Figure 2] Top5 Preference Reason for Imports



Changes in consumer preferences should lead to changes in the market. Preferably when you look at the changes in the preference reason, it is possible to glimpse the competitiveness of many automakers. [Table 1] is a summary of purchase intended models and their reasons by domestic automakers, while [Table 2] is for the cases of imported brands. When summarizing several noticeable items of domestic car brands, the percentage of buying for the sake of Safety was remarkably higher by more than twice in GM Korea (23%) and Ssangyong (19%) than other automakers.

Unlike the evaluation for Ssangyong, which had maintained a preference rate at around 10% with a safe image because of SUV centered lineup from the past, and got on rising trend since 2010, the steep emerging of GM Korea is noticeable. The response of preferring GM Korea vehicles because of safety was at the level of 2-4% until 2008. Since then, it had rapid growth and maintained 23% since 2013. How have GM Korea acquired safe car image is a research challenge.

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[Table 1] Top5 Preference Reason by Domestic Brand

% / Rank

Purchase reason	Domestic	Hyundai	GM Korea	Kia	Renault Samsung	Ssangyong
Cases	(20,913)	(9,389)	(2,787)	(5,501)	(2,384)	(852)
1 Safety	10 / 1	9 / 4	23 / 1	6 / 6	7 / 4	19 / 1
2 Exterior style	10 / 2	10 / 1	8 / 2	12 / 2	7 / 5	7 / 5
3 Previous experience	9 / 3	9 / 2	7 / 5	8 / 3	9 / 3	8 / 3
4 Quality	8 / 4	8 / 5	7 / 4	6 / 7	16 / 2	5 / 8
5 Fuel economy	8 / 5	7 / 6	5 / 9	5 / 8	23 / 1	4 / 10

* 60 cases or over for effective samples

** Ranking calculation includes decimal points

Other noticeable result is that Renault Samsung has overwhelmed other companies in terms of Fuel economy and Quality. The reason why Fuel economy is ranked low at 5th place is not because it's less important, but because there is no model among domestic cars to be preferred for Fuel economy. The outstanding fame of Renault Samsung in Fuel economy came out from QM3, while the achievement in Quality is the result from the acclaim on SM5 and SM3.

[Table 2] Top5 Preference Reason by Import Brand

% / Rank

Purchase reason	Imports	Audi	BMW	MINI	Ford	Honda	Lexus	Benz	VW	Toyota
Cases	(5,637)	(696)	(1,036)	(161)	(153)	(96)	(146)	(1,010)	(1,110)	(182)
1 Fuel economy	17/1	7/5	20/1	4/4	2/14	5/9	14/2	6/6	39/1	25/1
2 Exterior style	15/2	22/1	11/4	65/1	15/3	10/4	7/5	14/3	7/5	2/11
3 Safety	14/3	13/3	14/2	4/5	19/1	14/2	5/8	17/1	11/3	10/3
4 Quality	11/4	10/4	9/5	5/3	6/5	26/1	25/1	12/4	12/2	19/2
5 Model's fame/reputation	11/5	14/2	12/3	8/2	3/10	12/3	6/6	16/2	10/4	6/8

* 60 cases or over for effective samples

** Ranking calculation includes decimal points

1 reason to prefer imported cars is Fuel economy and the frenzy of fuel economy was initiated by imported diesel vehicles and is flying at high-altitude with 17% preference rate since 2012. The reason for fuel economy frenzy was not the benefit from effect of fuel economy itself, but the self-justification effect obtained through good fuel economy. That's because good fuel economy packages themselves as thrift and saving reasonable consumers, while enables to comfortably own the preferred imported car.

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There is a big difference in preference reason for purchase intended imported cars for each brand. For the 1st place Fuel economy, Volkswagen (39%) and Toyota (25%) were high. In Exterior style, Mini was at 65%, higher than any other brand, while Quality was high among Japanese car purchase intenders (Honda at 26%, Lexus at 25%, Toyota at 19%). Benz (16%) was slightly high in Models fame/reputation. Also surprising was the result for imported cars' Safety. Ford with 19% preference rate rose to the first place before the Benz (17%), which is synonymous of safe. This result appeared to be the combined result of image from the large body of recent Ford models and robust image of American cars.

In retrospect the recent automobile market, from around 2008, Kia Motors had led 'Exterior style' tsunami that swept the entire market. The next was 'Fuel economy' tsunami by diesel engine vehicles of BMW and Volkswagen that has been shaking the whole market starting from imported car market. In recent years, Safety related automobile quality issues such as air bag, sudden-unintended acceleration, fire, engine stall and safety device differences between domestic and export models have emerged. The reason for the rising of GM Korea appears to be not being involved much relatively in such debates. In the look from current trend, Safety will catch up Exterior style and take 1st place with a large lead in the next year.

Safety includes many conditions that can be developed into more important issue. Sewol-ho disaster and derived various problems with the decline of oil prices are constructing an environment in which Safety can be developed into the main theme of new tsunami. The possibility of imminent 'Safety' tsunami has become increasingly large. The biggest beneficiaries would be GM Korea, Ssangyong and Ford. According to who corresponds well to that can change the mapping of the market.

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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,

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'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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