

Automobile Purchase Behavior 2: Purchase Reason
- Purchased Domestic for Price &
Purchase Condition, Imports for Fuel Economy

- Bought for 'Fuel economy' was high in Volkswagen & Renault Samsung
- Importance of 'Safety' grows larger and will bring the benefit to GM Korea & Ssangyong

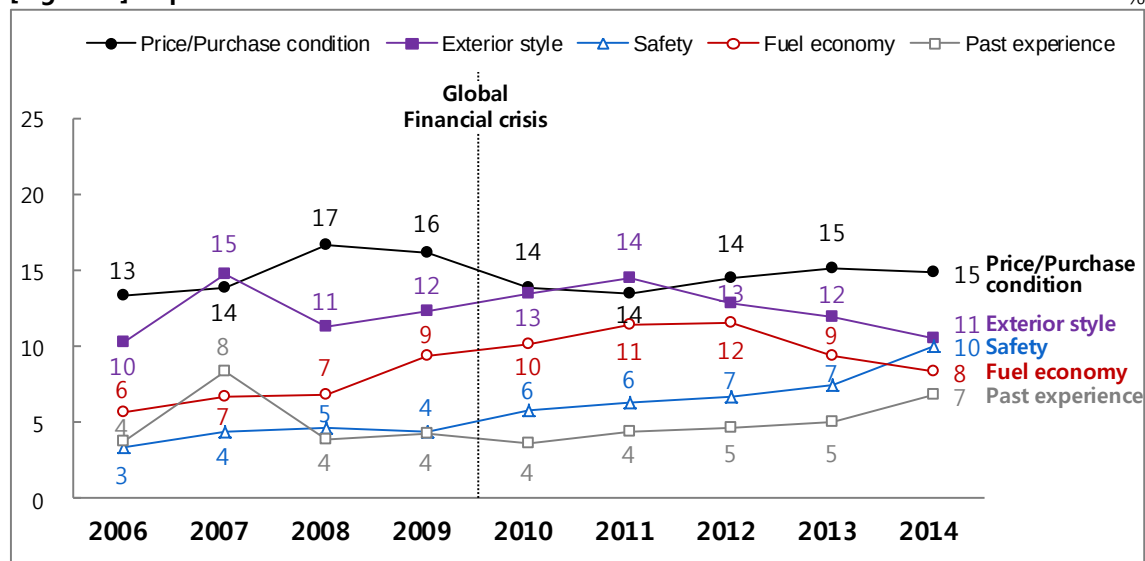
Preference reason and actual purchase reason of consumers, who are about to buy a particular model, matches considerably. If there is a difference, that is 'Price/Purchase condition', which is the most important purchase reason, not being included in preference reason. 'Price/Purchase condition' is not included in Top5 preference reason of purchase intenders but was ranked at 1st and 4th in the purchase reason of domestic and imported cars, respectively. Purchase plan is built in accordance with ideal and expectation but the actual purchase has practical limitations. The noticeable change in the purchase reasons is that the importance of 'Safety' is growing large, same as in preference reason.

Marketing Insight (www.mktinsight.co.kr), an automotive specialist research firm, presented 28 pieces of purchase reasons to consumers, who purchased a new car within a year, and asked to select 'the most important reason for the purchased model' (purchase reason) among them in Automobile Syndicated Study that has been conducted in July every year. Based on that, the five items with the highest selection rate was selected as 'Top5 purchase reasons of 2014'. The result of past nine years for Top5 of this year is as [Figure 1].

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[Figure 1] Top5 Purchase Reason for Domestic cars



The reason with the highest selection rate in this year's survey was 'Price/Purchase condition' (15%), followed by 'Exterior style' (11%), 'Safety' (10%), 'Fuel economy' (8%) and 'Past experience' (7%) in Top5. When looking into the changes in the past nine years, 'Price/Purchase condition' yielded the seat of first place to 'Exterior style' twice in 2007 and 2011, but most of the time, it has been the most powerful purchase reason and seems to do so in the future. On the other hand, 'Exterior style' has been in declining trend in every year and in the next year, there is a possibility to give the 2nd place position to 'Safety', which has closed with the gap of 1%p. 'Safety' started with 3% in 2006 and had steadily increased every year to 3rd place in this year with an increase by 3%p from last year. When looking into the trend of preference reason ([Refer to : Automobile Purchase Behavior 1: Preference Reason-'Fuel economy' Tsunami will be Followed by 'What?'](#)), the rising trend of 'Safety' is expected to continue. 4th place, 'Fuel economy', has decreased to 8% this year from 12% in 2012, and that's because there is no car to be worth buying for fuel economy and not because fuel economy is not very important.

The first place purchase reason of Imported car purchasers for a particular model was 'Fuel economy' [Figure 2]. 'Fuel economy' was about 4% in 2006 but explosively increased thereafter and took 1st place in 2011 with 20% after 5 years, having a high altitude flight for 4 consecutive years. Following at 2nd is 'Safety', which soared to 16% recently from staying at early 10% range, then 'Exterior style' (12%), 'Price/Purchase condition' (8%) and

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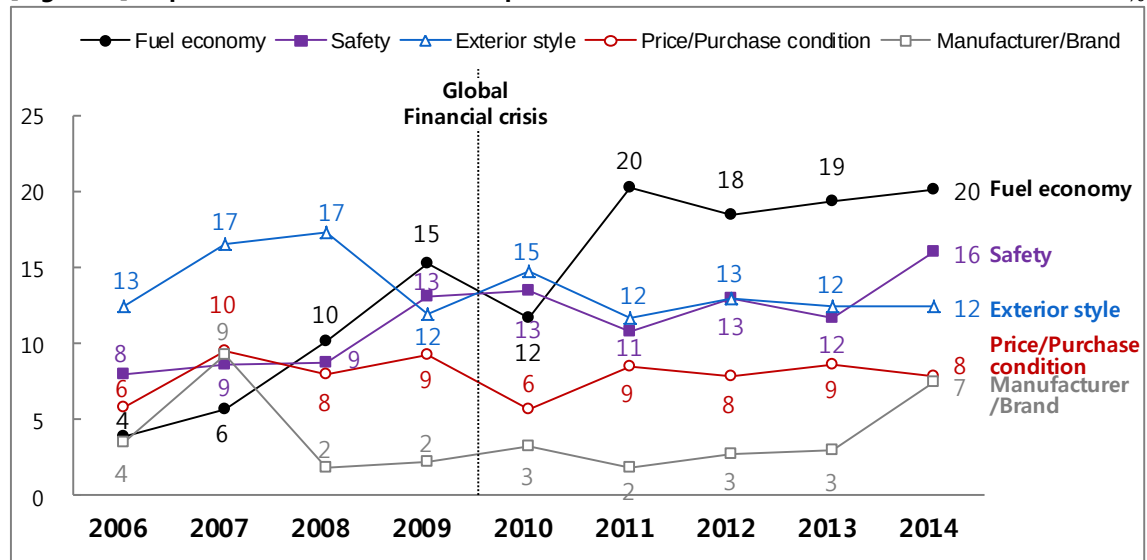
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'Manufacturer/Brand' (7%) followed after. The rapidly surfaced specifics recently were 2 items, 'Safety' and 'Manufacturer/Brand'. 'Safety' is deeply associated with brand rather than a specific model. Mentioning brand on the question to ask reason for purchase of a specific model is likely to be associated with the safety image.

[Figure 2] Top5 Purchase Reason for Imports



Looking into the purchase reason of consumers can find the selection reason for each brand. Of purchase reason of domestic cars, the 1st place 'Price/Purchase condition' and 2nd place 'Exterior style' were 1st and 2nd in Hyundai and Kia only [Table 1]. GM Korea and Ssangyong were 1st place in 'Safety' with 32% and 26% selection rates, respectively, same as in the preference reason ([Refer to : Automobile Purchase Behavior 1: Preference Reason-'Fuel economy' Tsunami will be Followed by 'What?'](#)), surpassing other brands with a distant gap. Also 'Fuel economy' of Renault Samsung displayed outstanding selection rate (22%), same as in the preference reason. It indicates that key preference reason and key purchase reason are directly connected.

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[Table 1] Top5 Purchase Reason by Domestic Brand

% / Rank

Purchase Reason	Domestic	Hyundai	GM Korea	Kia	Renault Samsung	Ssangyong
Cases	(6,231)	(2,530)	(867)	(2,091)	(405)	(338)
1 Price/Purchase condition	15 / 1	12 / 1	16 / 2	20 / 1	8 / 5	8 / 4
2 Exterior style	11 / 2	11 / 2	5 / 5	14 / 2	3 / 10	5 / 6
3 Safety	10 / 3	6 / 6	32 / 1	4 / 8	9 / 4	26 / 1
4 Fuel economy	8 / 4	9 / 4	5 / 4	7 / 4	22 / 1	3 / 10
5 Past experience	7 / 5	9 / 3	3 / 7	5 / 7	9 / 3	6 / 5

* 60 cases or over for effective samples

** Ranking was calculated down to decimal points

In the case of imported cars, Volkswagen was greatly advanced the first place at 39% in the purchase reason # 1, 'Fuel economy', followed by BMW (21%) [Table 2]. In 'Safety' also, Volkswagen was the highest at 24%, taking 63% of purchase reason with two items of 'Fuel economy' and 'Safety'. Audi in 'Exterior style' (16%), BMW in 'Fuel economy' (21%) and Benz in 'Safety' (17%), were relatively high but had no differentiated image as distinctive as Volkswagen.

[Table 2] Top5 Purchase Reason by Imports Brand

% / Rank

Purchase Reason	Imports	Audi	BMW	Benz	VW
Cases	(1,059)	(138)	(229)	(141)	(198)
1 Fuel economy	20 / 1	9 / 4	21 / 1	9 / 6	39 / 1
2 Safety	16 / 2	13 / 2	11 / 3	17 / 1	24 / 2
3 Exterior style	12 / 3	16 / 1	9 / 5	16 / 2	6 / 4
4 Price/Purchase condition	8 / 4	10 / 3	6 / 7	6 / 7	6 / 4
5 Manufacturer/Brand	7 / 5	8 / 6	13 / 2	13 / 3	4 / 7

* 60 cases or over for effective samples

** Ranking was calculated down to decimal points

1st purchase reason of domestic car is 'Price/Purchase condition', whereas imported car's is 'Fuel economy'. 'Price/Purchase condition' had not been in Top5 preference reason of domestic and imports both but newly appeared in purchase reason. It can be seen that there is an economic barrier that cannot be overcome between expectations before purchasing and confronted reality in actual purchase conditions for domestic car buyers. It is possible to infer that there was considerable conflict and compromise in the actual purchase conditions.

Imported car buyers look greatly different from this. They selected 'Fuel economy' as

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preference reason # 1, as well as purchase reason # 1 at the same time, while 'Price/Purchase condition' was 4th place in purchase reason only. Imported car buyers seem to have low price elasticity, and that's because they need a cause that can justify the purchase of imported car. There is a tendency to believe expensive price is all right, if fuel economy of car is good. This is the cause that brought fuel economy tsunami into imported car market, and is expected to continue for the time being. In the case of domestic car market, QM3 of Renault Samsung is causing a gust but not likely to be developed into a large-scale tsunami. This is because there are no various players among domestic cars which can confront import diesel vehicles.

As well as preference reason, 'Safety' is rapidly emerging also in purchase reason. Percentage of selecting safety as the purchase reason has emerged as a more important reason by rapidly soaring 3%p in domestic and 4%p in imported cars from last year. Consumers of domestic cars are looking for an alternative other than fuel economy, and the most promising candidate now is 'Safety'. Safety includes many conditions that can be developed into a more important issue. Sewol-ho disaster and continuing several disasters, defects such as air bag and engine stall, critical perspective against domestic cars and automotive industry and oil price decline in addition to those are building the environment that can develop safety into the center of a new tsunami. Possibility of looming 'Safety' tsunami in the domestic car market is large and when it comes, the largest beneficiary is going to be GM Korea and Ssangyong.

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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.

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[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.

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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