

Problems & Improvements of Imported Car

After Sales Services

- 2016 Automobile Consumer Report -

※ **Imported cars have received much criticism of their after sales services. Given that, this report is prepared to find problems by comparing the after sales services of imports and domestic cars so as to suggest improvements thereupon.**

- | | |
|--|-----------------------------------|
| 1. After sales service reservation process | : Issued on Dec 16th, 2016 |
| 2. After sales service time | : Issued on Dec 21st, 2016 |
| 3. After sales service cost | : Issued on Dec 23rd, 2016 |
| 4. After sales result & complaint handling | : Due on Dec 28th, 2016 |
| 5. Customer communication process | : Due on Dec 30th, 2016 |
| 6. Suggestion on after sales service improvement | : Due on Dec Jan 4th, 2017 |

[16/17 - 04] Car After Sales Service Process Comparison: Costs

- Imported car after sales services costing 3 times more than domestic cars'
- Simple inspections/part replacement costing 120,000 won for domestic cars and 310,000 won for imported cars
- Costs not closely correlated with customer satisfaction with after sales service

It has been evident that the costs of imported cars' after sales services (hereafter A/S) are high. Apart from various conditions that can be attached, it is generally said that there is more than two to four times the difference in repair costs, parts prices, and labor costs between imports and domestic cars. According to the survey, the costs of imported cars' A/ S services paid by customers was 3.4 times those of domestic cars', but there was no significant customer satisfaction difference between imports and domestic cars. It seems that the high A/S service costs of imported cars are not a main cause of customers' complaints about A / S. Efforts are needed to find causes and improvements on customers' A/S complaints.

In Consumer Insight's 2016 "Annual Automobile Syndicated Survey", there were about 38,000 customers who had received A/S service from either vertical or authorized or partner service centers of their car brands' (vertical service centers only for imported cars). The study looked in to the relationship between A/S service and costs that the customers had paid. Putting both domestic and imported cars into high (above average) vs low (below average)

For more Information

Inquiry: Taesun. Yoon, Automotive Director Tel. 02) 6004-7655, Fax 02) 543-5984 e-mail: yoonts@consumerinsight.kr
Seoul Gangnam-gu Nonhyun-ro 650-1 Hyar building 4F Consumer Insight Inc. www.consumerinsight.co.kr,
www.invight.co.kr

A/S service group, respectively, the study confirmed on any difference among the groups in 'paid costs' and 'A/S service satisfaction.'

First, the survey asked how much the customers had paid for their recent A/S services. The study learned that 32% of the imported car customers paid more than 510,000 won with 13% of them having paid less than 100,000 won but only 11% and half of the domestic car customers paid the same amounts, respectively. The average A/S service cost was 670,000 won for imported cars and 200,000 won for domestic cars, with the former being 3.4 times more expensive than the latter [Table 1].

Paid services were broken down to 'inspection/part replacement' and 'repair' which was then sub-divided into 'feature repair' and 'sheeting/painting' to get the average costs of each item. The results showed that the costs for 'inspection/part replacement' was 310,000 won for the imports and 120,000 won for domestic cars with the imports being 2.6 times more expensive than domestic cars, and the imported cars continued to be 3.9 times and 3.2 times more expensive than their domestic counterparts in 'repair' and 'feature repair', respectively, having charged 1,170,000 won and 830,000 won for the respective services against 300,000 won and 260,000 won paid for the same services of domestic cars'. The costs for sheeting/painting also showed a threefold gap with 1,820,000 won and 610,000 won paid to imports and domestic cars, respectively. The average A/S service costs paid by the customers were 670,000 won for imports, 3.4 times those of domestic cars'.

[Table 1] After sales service cost/satisfaction of imports vs domestic cars'

		Imported (1,480)	Domestic (20,712)	Imported		Domestic	
				High* (641)	Low (839)	High** (7,169)	Low (13,543)
1. Paid service cost	(Base : those who experienced paid services)						
	% Below KRW 100,000	13	50	15	12	47	51
	% KRW 510,000 or above	32	11	29	34	11	10
	Average(KRW 10,000)	(67) >	(20)	(57)	(73)	(21)	(20)
	→ Inspection/part replacement	(31)	(12)	(30)	(31)	(12)	(12)
	→ Repair	(117) >	(30)	(110)	(121)	(31)	(30)
2. A/S service satisfaction	→ Feature repair	(83)	(26)	(90)	(78)	(27)	(25)
	→ sheeting/painting	(182)	(61)	(149)	(200)	(70)	(57)
	% Satisfaction	64	69	74 >	57	72	67
	→ Inspection/part replacement	70	72	78 >	63	75	71
	→ Repair	55	65	66 >	50	69	63
	→ Feature repair	55	65	67 >	47	67	64
3. Paid costs	→ Sheetting/painting	58	62	62	56	67	60
	% Expensive	63 >	36	62	63	38	35
	→ % Parts	26	24	27	25	26	22
	→ % Labor cost	14	34	12	16	31	36
		60	42	61	59	43	42

*High performance brand: Benz, Honda, Lexus, Toyota, Nissan, Volvo
 **High performance brands: Renault Samsung, GM Korea, Ssangyong

For more Information

Inquiry: Taesun. Yoon, Automotive Director Tel. 02) 6004-7655, Fax 02) 543-5984 e-mail: yoonts@consumerinsight.kr
 Seoul Gangnam-gu Nonhyun-ro 650-1 Hyar building 4F Consumer Insight Inc. www.consumerinsight.co.kr,
 www.invight.co.kr

The study also analyzed on customer A/S service satisfaction and costs. It is natural to assume that low cost will lead to high customer satisfaction, and high cost will cause customer dissatisfaction. Regarding customers' satisfaction with imports and domestic cars, domestic cars turned out to be more satisfactory than imports in both total and each paid service, with their costs below a one third the imports', but the difference was rather only 2%p to 10%p. Considering the cost difference between the two car groups of different origin, the costs did not seem to be a major factor influencing customers' satisfaction.

As for imported cars alone, the high service performance group tended to be slightly more expensive than the low service performance group, but the difference was marginal. However, the satisfaction difference between the two performance groups of imported cars was large with more than 17%p gap. On the other hand, domestic cars did not show much cost difference between high vs low service group and the satisfaction difference between the two groups was not big with 5%p, either. The finding confirms that A/S service cost itself is not a great influencing factor to customers' A/S service satisfaction. Rather, it is well indicated that there is something else that is a lot more important than costs. The A / S service costs of imported cars' are certainly high, and there is clearly a reason to cut them down. 63% of the imported car customers who experienced paid A/S services agreed that the services were "expensive," and 60% of them double-confirmed that both parts and labor costs were expensive. However, still, costs alone do not seem to be a main cause of customers' dissatisfaction. Customers' unmet needs are to be more proactively explored out and fully satisfied thereupon.

This study results came from the 16th wave (conducted in July 2016) of a large-scale annual 'Automobile Syndicated Study' with 100,000 samples, which was launched in 2001 by Consumer Insight, an automotive specialized research firm.

For more Information

Inquiry: Taesun. Yoon, Automotive Director Tel. 02) 6004-7655, Fax 02) 543-5984 e-mail: yoonts@consumerinsight.kr
Seoul Gangnam-gu Nonhyun-ro 650-1 Hyar building 4F Consumer Insight Inc. www.consumerinsight.co.kr,
www.invight.co.kr

◆ Reference: 「Consumer Insight」 Annual Automobile Syndicated Study Outline
 The contents was excerpted and summarized from the results of annual 'Automobile Syndicated Study' conducted by Consumer Insight Inc. in every July since 2001.

Population	Car owners/ purchase intenders within next two years	Total	1,791,733
Sampling Frame	Random sampling with quota from Consumer Insight IBP (Invitation Based Panel) & Major portal site members	2016	100,788
Sampling Method	Quota sampling by gender/ age	2015	105,672
Data Collection Method	E-mail survey	2014	101,821
Sample Size	Yearly average 100,000 persons	2013	101,701
Study Contents	U&A (Usage and Attitude) info. & CEQ (Consumer Experienced Quality)	2012	95,012
Study Period	Every July	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

Inquiry: Taesun. Yoon, Automotive Director Tel. 02) 6004-7655, e-mail: yoonts@consumerinsight.kr
 Copyright © 2016 Consumer Insight All Right Reserved. Cannot be used for commercial purpose.

For more Information

Inquiry: Taesun. Yoon, Automotive Director Tel. 02) 6004-7655, Fax 02) 543-5984 e-mail: yoonts@consumerinsight.kr
 Seoul Gangnam-gu Nonhyun-ro 650-1 Hyar building 4F Consumer Insight Inc. www.consumerinsight.co.kr,
 www.invight.co.kr