

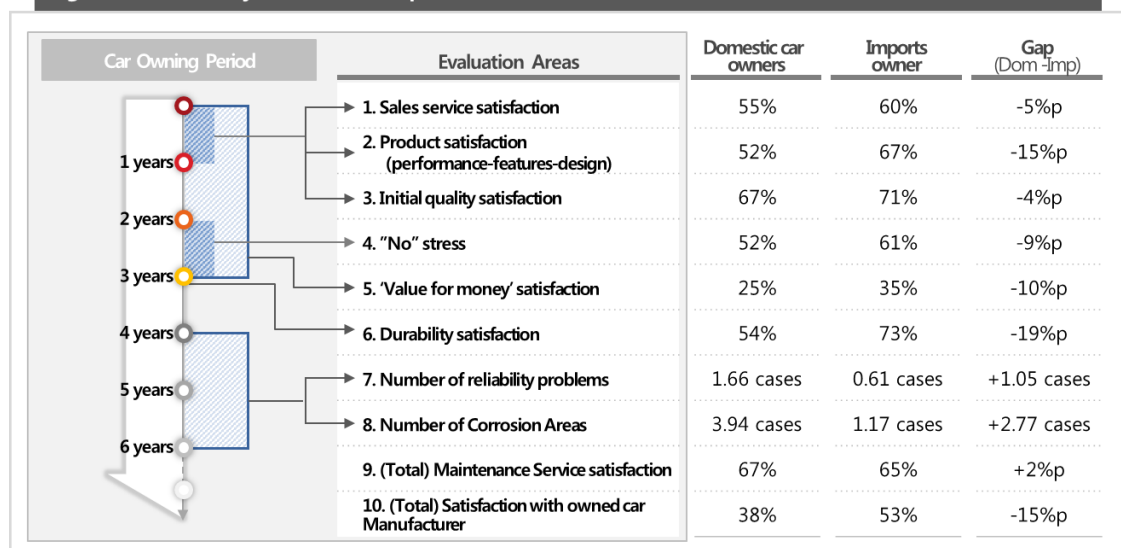
[16/17 - 01] Domestic Car Competitiveness in 10 Satisfaction Areas

- Domestic cars are inferior to Imports in all aspects
- Company image is more vulnerable than product
- Corrosion is the worst part in terms of reliability / durability of product

Imported cars have increased their sales volume and market share each year based on their superior competitiveness, but this year seems to be different due to the diesel gate that happened last year. This is the first time in over 20 years except for the periods of the global financial crisis. There is a possibility of change in the competitiveness of imported cars that have been known to be ahead of domestic cars in all areas except for maintenance services. Below we compared the competitiveness of Korean cars and imported cars through their owners' experiences and attitudes.

Consumer Insight's annual 'Automobile Syndicated Study' tracks consumer experiences and sentiments towards cars in buying and using their cars, with precision. Below is the summary of car competitiveness in the 10 areas of consumer interest according to consumers' usage flow in sequence [Figure 1].

[Fig. 1] Evaluation by Domestic & Imported car owners



*All Satisfaction are the rate of 8 points or over (Top3box%) in 10 point-scale Overall satisfaction evaluation

1. Sales service satisfaction: First, consumers who purchased a new car within a one year evaluated how satisfied they were with the sales service at the time of purchase and customer service after purchase. The consumers who rated 8 or higher out of 10 point

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scale on the measure was 55% for domestic cars and 60% for imported cars with imported cars leading their Korean counterparts by 5%.

2. Product satisfaction: Consumers within a year from purchase also evaluated how satisfied they were with the product attractiveness of car, namely, performance-features-design. The study found 15%p difference in favor of the imported cars as domestic cars stood at 52% against imported cars at 67% in terms of the percentage for 8 or higher on the measure, implying that product attractiveness is the area in which imported cars are relatively more competitive.
3. Initial quality satisfaction: The survey asked the same consumers to point out what kinds of defect-breakdown-problems they experienced while driving their cars in the past year, and the results showed that the consumers' initial quality satisfaction was 67% for domestic cars and 71% for imported ones, indicating a relatively small difference of 4%p between the two different cars of origin.
4. Quality stress: Consumers beyond two to three years since their new car purchase were asked how much they had been stressed by the quality and service of their cars. Some 52% and 61% of the owners of domestic and imported cars, respectively, answered that they had not been stressed (in terms of percent for 8 or higher out of 10 point scale question). The difference was 9%p in favor of imported cars that were perceived to have caused less stress.
5. Value-for-money satisfaction: Consumers were asked about how happy they were with 'value for money' of their cars in general after the question what they thought of the purchasing and maintaining costs of their cars (price, fuel efficiency, maintenance cost, A/S cost, used car price, etc.). The consumer satisfaction for 'Value for money' was rated at 25% for domestic and 35% for imports, showing 10%p surplus for the imports. Domestic cars were rated significantly lower on this measure against imported cars, considering their performance in the other evaluation areas where they often stood up above 50%. However, it is not a surprise that domestic cars are not high on the measure. Rather, the 10% point difference between domestic and imports is noteworthy. That is, when considering the average purchase price of imported cars was 24 million won more expensive than that of domestic cars with imported cars selling for 51.78 million won and domestic cars for 27.73 million won on average, it is rather clear that consumers were quite negative about the value of domestic cars. Despite the fact that the price of imported cars is 1.9 times that of domestic cars and

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there have been consumer complaints and dissatisfactions regarding A/S expenses of imported cars, and so on, it is worth reflecting on why domestic cars were rated so low on 'value for money.'

6. Durability satisfaction: The survey tapped on consumers' experience of defect-breakdown-problems for the past three years with those who had used their cars for the past three years after purchase and then moved on to ask them how satisfied they were with the quality or durability of their cars (Durability satisfaction). 54% of domestic and 73% of imported car owners, respectively, answered that they were satisfied, showing a large gap of 19%p between the two groups. Compared with the above-mentioned initial quality satisfaction rate, domestic cars were 13%p lower on the measure, which implies that their perceived quality had declined over time whereas imported cars maintained their initially perceived quality. Durability is one the biggest weaknesses of domestic cars as drawn from the finding.
7. Reliability Problem: 19 problem areas such as engine, unusual noise and brake were presented to those who had used their cars for about 5 years (4 to 6 years) on average, and the survey asked them to point out anything they perceived as 'rather/greatly abnormal' of their cars for their car make year so as to turn the number of cases into reliability index. Domestic cars averaged 1.66 cases, and imported cars had 0.61 cases pointed out with some 1.05 more cases found for domestic cars. The result can be considered as a reliability evaluation after durability evaluation (3 year ownership). The consumer evaluation shows 2.7 time more quality problems of domestic cars than imported cars.
8. Number of corrosion areas: Corrosion index was developed based on the number of point-outs that the consumers made regarding the corrosion areas of exterior and bottom of a car presented to them. The results of the car users with the average 5 year (4 to 6 years) ownership since their car purchase showed that domestic cars had 3.94 corrosion areas on average while imported cars had 1.17 corroded areas, showing domestic cars were 3.4 times more vulnerable to corrosion, compared to imported cars. The gap on this measure is the largest among all the indices examined. Among the 19 problem areas used for reliability evaluation, the area considered as 'most abnormal' was rust/corrosion, which proves that one of the key reasons for the controversy over Durability - Reliability of domestic cars is corrosion.
9. Maintenance service satisfaction: Consumer satisfaction with maintenance service from their purchased car company in the past year stood at 67% for domestic and 65% for

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imports, with domestic cars leading on the measure but only by the marginal difference of 2%p. The result confirmed the weakness of imported cars that have been long pointed out, but again the difference was not significant.

10. Satisfaction with owned car company: Those consumers who bought new cars were asked about how satisfied they were with the company that they bought their cars from, regardless of how long they had owned their new cars. The results were 38% for 'Domestic automakers' and 53% for 'Imports automakers'. The result for domestic automakers (38%) is the only index that went below 50% other than 'Value for money,' and the gap between domestic and imports automakers is large by 15%p. However, the measure is the only one that imported cars stand in the range of 50% among all the measures examined. Overall, it is indicated that consumer dissatisfaction is by far greater with car manufacturers rather than car itself, and such tendency is more visible with domestic cars.

Overall, the dominance of imported cars is evident in terms of consumer satisfaction in the 10 areas. In the maintenance service area, it seems that the domestic cars are leading by an inch, but they cannot be said to be superior to imported ones when only vertical maintenance service is taken into account. Virtually, domestic cars do not own any competitive advantage against imported cars. They don't have any strengths. The biggest weaknesses in the product side of domestic cars are reliability and durability. Unlike the past, many imported cars have been supplied into the domestic market to make it easy to compare domestic and imported cars. Comparisons in the areas of rust or corrosion that are easy to spot visually clearly show how vulnerable domestic cars are.

However, it should be noticed that the biggest weaknesses of domestic cars are not products or services but companies themselves. Generally, consumers do not hate products they choose. Even if they are disappointed with their products, they often regard it as bad luck. However, if a manufacturer claims that the cause of consumers' disappointment is not the product but the users' mistake, that will naturally infuriate the consumers. For many consumers, domestic automakers were their second-best choice. Either it was a company that they did not like, or an alternative to a company that they did not like! No consumers will make sense of responsibilities posed to them by a company that they had to choose in the stated situations. It is urgent to reestablish consumer relationship.

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 from 2001 by Consumer Insight, an automotive specialized research firm.

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◆ 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

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