

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	: Due on Dec 21st, 2016
3. After sales service cost	: Due 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

[16/17-02] Car After Sales Service Process Improvement :

Reservation Process Comparison

- Phone reservation process and long waiting days as weakness for imported cars
- Imported cars with high after sales service level showing no difference from domestic cars in phone reservation process
- Night/weekend after sales service wanted by most customers and wished more for imports

After sales services have been pointed out as the only weakness of imported cars. Imported car after sales services started to fall behind domestic cars starting in 2012, and they have been on the decline for the five consecutive years and have remained some 20 points short compared to domestic cars in the past three years (Appendix 1). However, not all imported car brands are as such. The Japanese cars, which boasts an excellent service level, have stayed above 20 points higher than the domestic cars for the four consecutive years even though the gap has greatly diminished. Consumer Insight will look into any difference between high vs low after sales service brands in a few steps, going forward while having compared 'reservation process,' first below.

For more Information

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

Consumer Insight's 2016 "Annual Automobile Syndicated Survey" compared the reservation process of over 38,000 customers who have received after sales services from vertical/authorized/partner service centers in the past year. According to the results of 2016 after sales service evaluation (CSI), domestic and imported car brands were put into high (above average) vs low (below average) after sales service group and then evaluated for any difference among the two groups.

Prior to the comparison of the after sales service between imports and domestic cars, it needs to be taken into account that there is a difference in service demand handling between the imports and domestic cars. Only vertical service centers were considered for imported cars while the same accounted for only 12% of domestic car service centers examined. So, to be fair to say, it should be noted the actual comparison between the two car groups was done on authorized/partner car centers for domestic and vertical service centers for imports.

First of all, domestic cars were ahead of the imported cars almost in all aspect other than reservation rate. The reservation rate was 96% for the imports, with 89% of them done by phone reservations, but the same was significantly low for domestic cars with 75% reservation rate and some 45% of them having used phones to book their services [Table 1]. The finding is attributed to the fact that domestic cars are serviced through many small-medium sized service providers, but the actual phone reservation of the domestic cars at vertical service centers was similar to the imported cars'.

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[Table 1] Reservation Process Comparison between Imports vs Domestic by Performance

	Imports (4,492)	Domestic (33,805)	Imports		Domestic	
			High* (1,658)	Low (2,834)	High** (10,797)	Low (23,008)
% Made a reservation	96	75	97	96	76	74
→ % reserved by phone	89	45	89	89	49	43
→ % experienced phone reservation inconvenience	17	6	11	21	6	7
→ % Called more than once	25	19	17	30	17	20
→ Average(time)	15	13	13	17	13	13
→ % Reserved the service on the day	12	59	13	11	53	62
→ % Reserved the service 3 or more days later	72	20	70	74	21	19
→ Average (day)	75	44	66	80	36	49
→ % Reserved the earliest day possible	57	52	50	61	45	55
% No after sales service available at all at night or weekend	38	24	36	39	23	24
% Need after sales service at night or weekend	78	70	75	79	67	71

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

Regarding the reservation process, the imported cars were by far inferior. 17% of the imported car customers said they had experienced inconveniences during reservations, which was close to three times the domestic's (6%), and 25% of the import car customers and 19% of domestic car customers claimed that they had to 'call more than once' for the reservations. Imported cars' on-the-day reservation rate was only 12% (59% for domestic), and 72% and 20% of the customers for imports and domestic cars, respectively, answered on 'able to book a reservation 3 or more days later' with the average waiting days standing at 7.5 days vs 4.4 days for each customer group, respectively. Of 'reserved on the earliest day possible,' the study earned 57% and 52% for imports and domestic cars, respectively, and imported cars stood higher on 'no night/weekend after sales service available at all' than their domestic counterpart. As a whole, the after sales service process of imported cars tend to be provided with more inconveniences and take longer time than domestic cars', and the biggest problem is the long waiting time for imported cars, which is because imported car companies do not have enough infrastructure to handle the service demand.

The study put imported car brands into high vs low after sales service group to find any difference between the two. The biggest difference between the two groups was found in phone reservation handling. The study saw a big difference in the two groups as to 'reservation inconveniences experienced' with the results standing at 11% and 21% for imports

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and domestic cars, respectively, and the high performance group was by far ahead of the low service group on 'called more than once' with 17% and 30%, respectively, and the average number of calls was 1.3 times vs 1.7 times for the respective groups. In addition, the high service performance group was below the low service group (61%) with 50% response rate on 'reserved the earliest day possible,' but its service handling was evaluated as faster with the average waiting period of 6.6 days (8 days for domestic). Overall, there was a big difference between the high vs low service group of imported cars. The best discriminating factor between the two groups of imported cars was 'phone reservation processing'.

Domestic cars did not show as big a difference as imported cars between their high vs low service performance group. What was characteristic was that 'on-the-day reservation rate' was higher for the poor service group, but their waiting days excluding on-the-day reservation were longer with 4.9 days than the high after sales service level group (3.6 days). This means that the after sales centers of the poor service brands are receiving reservation requests that are hard for them to handle on the day, by increasing waiting days.

Rather, it is well known that imported car customers are more sensitive to time. Of the reservation process, the phone reservation process is the biggest differentiator between high vs low after sales service group of imported car brands, followed by waiting days. What is noticeable is there is almost no difference between imported cars with high after sales service level and domestic brands in the phone reservation process. Above all, improving phone reservation process appears to be a shortcut to the entry of the imports with low after sales service level into the high performance group.

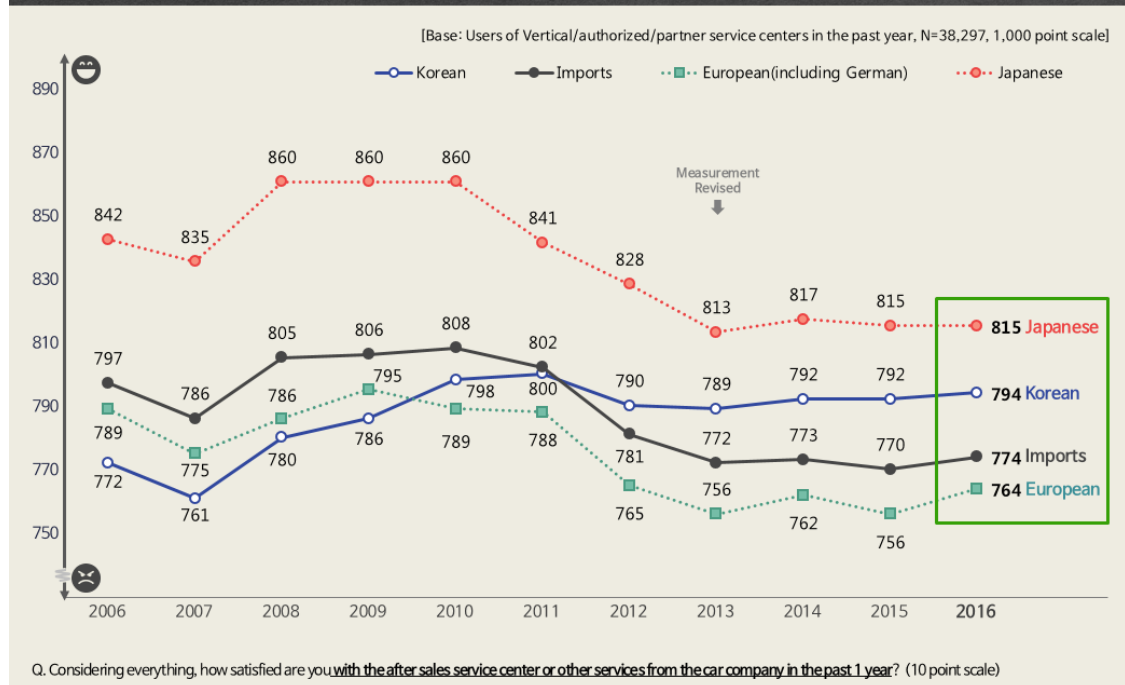
This study results came from the 16th wave (conducted in July 2016) of a large-scale annual 'Automobile Syndicated Study' with 100,000 samples, which was launched from 2001 by Consumer Insight, an automotive specialized research firm.

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[Appendix 1]

※ Domestic vs. Imports' After Sales Service Satisfaction (CSI) Trends



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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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