

2016 Automobile Consumer Reports; Why are people flocking to imported cars?

1. **Up to where can Imported cars reach?**
2. Why do they consider imported cars?
3. Which one should be blamed? Product or Brand?
4. Greatly satisfied when switching from domestic to imported cars! What about vice versa?
5. Why Hyundai fosters antagonistic customers?

1. Up to where can Imported cars reach?

- **'To buy imported car' can be larger than 'to buy Hyundai cars' after three years.**
- **By 2016, Benz can be a strong contender for 5th preferred brand above domestic**
- **Imports purchase surpassed Hyundai in Gangnam, Seocho & Suji**

The market was partially open to imported car in 1987, but it had passed through the ultra-low growth period and surpassed 1% mark after 15 years in 2002. The rapid growth trend continued thereafter, and had written new record in each year with the exception of 2009 for global financial crisis. Although there was a jumbo size bad news of diesel scandal in this year, it is expected to pass 200,000 sales volume and 16% market share. The forecast on 10% or 15% limit had already become old tales, and 20% is just ahead. As long as there is no big change, the forecast has come out that it would go up to 27% in 2020 based on the replacement purchase market (Source: Consumer Insight's Consumer evaluation report [14-08] released on Oct. 28 2014).

Increased sales of imported cars is because there is a matching demand. Since 2001, the consumers who would buy a new car within next two years were asked about which car they would buy in the annual automobile survey of Consumer Insight that has been done every year. In the result of 2015, 23.7% of the consumers chose imported car as first place in purchase intended vehicle, while 15.5% chose imported car as both first place and second place [Figure 1]. Interesting thing is that the actual market share of Imports has been almost exactly matched with the rate of consumers, who chose imported cars as both first place and second place, for the past few years.

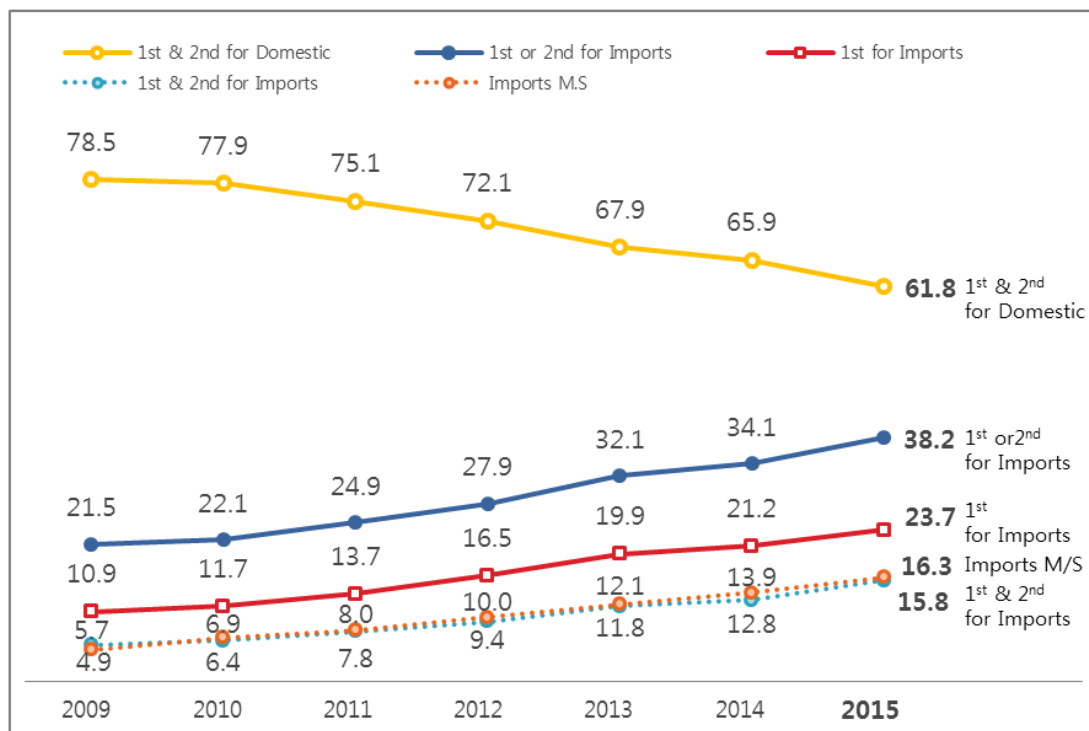
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On the other hand, the answers 'to consider domestic cars only' had reduced by 16.7%p from 78.5% in 2009 to 61.8% in 2015. This indicates that the response considering imported car (as 1st or 2nd in ranks) has doubled to two people (38.2%) from one person (21.5%) out of five people. In terms of purchase intention rate on graph, sales of imported car is believed to continue the rising trend. There is no clue to be found anywhere that it will turn to declining trend.

[Fig.1] Imports purchase intention & Actual M/S

[Base: new car purchase intender within 2 years, %]



Note) 2015 Imports M/S is YTD to Nov. [Source : KAMA · KAIDA]

When comparing 1st rank rate for Imports purchase intention with the domestic brands, it is possible to know better how much threat the momentum of imported cars is. In the 1st place of purchase intention only, imported cars is 23.7%, not only higher than the Kia (21.4%) but also higher than GM Korea - Renault Samsung - Ssangyong combined (22.0%) [FIG. 2]. The gap with Korean market leader Hyundai (32.9%) is just 9.2%p. For the past three years, the gap in purchase intention rate between Hyundai and imported cars has decreased by 3%p or more every year. In view of this, imported car purchase intention rate can also step up to 1st place after two years in 2018 by surpassing Hyundai while passing the current gap of 9.2%p.

For more Information

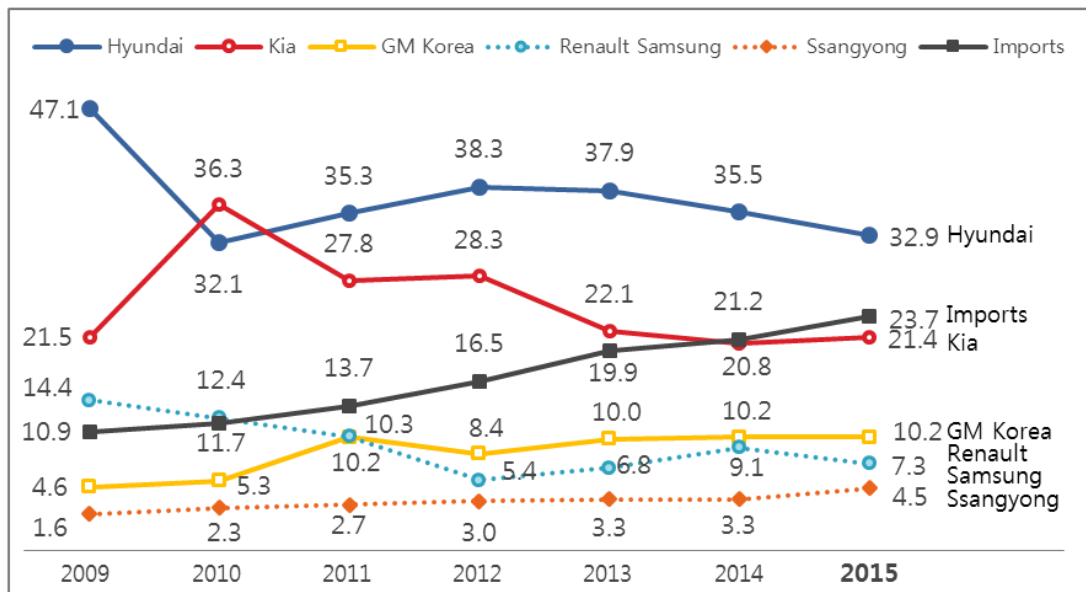
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[Fig.2] Purchase intention Trend (1st place) by Brand

[Base: new car purchase intender within 2 years, (n=31,809), %]



In Imports purchase intention by brand, German cars swept the top level including Benz 4.4%, BMW 4.1%, Volkswagen 3.9% and Audi 3.3%. Imports 1st place Benz at 4.4% has a little difference with Ssangyong at 4.5%. This indicates that an imported brand will surpass a domestic brand shortly in purchase intention.

It has been confirmed that the actual sales is closely related to purchase intention of the consumers. 2015 Imports purchase intention rate at 23.7% as 1st place looks like to have a large gap with this year's market share at 16%. However, the 1st place selection rate of just four years ago in 2012 was 16.5%, which has no difference with 2015 market share after three years. When predicting the situation of two years later in 2018, imported car purchase intention rate is likely to be higher than Hyundai car purchase intention rate, as well as a possibility of Imports market share passing beyond 20%.

In fact, 2015 imported car's purchase rate surpassed that of Hyundai in several regions. In Gangnam-gu (38%) & Seocho-gu (41%) of Seoul and Yongsin Suji (32%), imported car purchase surpassed Hyundai purchase [Refer to attachment Table 1]. Metropolitan area centered imported car boom is gradually spreading to the large local cities such as Busan, Gwangju, Daejeon & Daegu. After 2-3 years, imported cars will reach over 20% M/S with 300k units, and can also bring up imported car brand that can sell a lot more than domestic brands.

Why are the consumers flocking to imported cars?

For more Information

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[Attachment Table 1] Imports Purchase & Purchase intention rates by Region

Rank	Region	Purchase rate ¹⁾	Purchase intention rate ²⁾	Rank	Region	Purchase rate ¹⁾	Purchase intention rate ²⁾
	Total	16.2	23.7	1	Seoul Seocho-gu	41.2	44.0
1	Seoul	25.2	31.3	2	Seoul Gangnam-gu	37.8	45.8
2	Gyeonggi-do	16.3	23.6	3	Seoul Songpa-gu	33.8	35.3
3	Busan	15.0	20.6	4	Gyeonggi-do Suji-gu, Yongin-si	31.6	38.3
4	Gwangju	13.6	20.8	5	Seoul Mapo-gu	30.9	32.6
5	Daejeon	13.1	22.7	6	Gyeonggi-do Bundang-gu, Seongnam-si	30.7	40.3
6	Daegu	11.6	20.5	7	Seoul Gwangjin-gu	29.3	27.9
7	Gyeongsangnam-do	11.4	20.5	8	Seoul Yangcheon-gu	25.9	29.9
8	Jeollabuk-do	10.8	17.2	9	Seoul Dongjak-gu	23.4	28.0
9	Chungcheongbuk-do	10.6	19.0	10	Busan Haeundae-gu	22.4	29.8
10	Incheon	10.3	16.4	11	Seoul Yeongdeungpo-gu	22.1	33.7
11	Gyeongsangbuk-do	10.0	17.6	12	Gyeonggi-do Ilsan-gu, Goyang-si	21.7	30.6
12	Chungcheongnam-do	9.9	17.3	13	Daejeon Yuseong-gu	21.6	33.3
13	Ulsan	9.3	14.3	14	Seoul Dobong-gu	21.2	19.9
14	Gangwon-do	9.1	17.8	15	Seoul Seongbuk-gu	20.9	30.6
15	Jeollanamdo	8.9	18.7	16	Gyeonggi-do Gwangju-si	20.6	26.4
16	Jeju-do	5.6	13.8	17	Gyeonggi-do Anyang-si	20.1	18.9

1) Imports purchase M/S from Jul. 2014 to Jun. 2015

2) Imports purchase intention rate(1st Place) when purchase new car within 2years.**For more Information**

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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	1,690,945
Sampling Frame	Random sampling with quota from Consumer Insight IBP (Invitation Based Panel) & Major portal site members	2015	105,672
Sampling Method	Quota sampling by gender/ age	2014	101,821
Study Method	E-mail survey	2013	101,701
Sample Size	Yearly average 100,000 persons	2012	95,012
Study Contents	U&A (Usage and Attitude) info. & CEQ (Consumer Experienced Quality)	2011	97,356
Study Period	Every July	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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