

Car Production and Sales of South Korea in 2019

by Behrooz Lotfian



Car Production of South Korea

The automobile industry of South Korea is now the fifth largest producer of passenger cars in the world. Its automobile industry accounts for 13 percent of South Korea's manufacturing output and is a very important industrial area that contributes to about 12 percent of the total employment in South Korea. It is a core industry that affects all industrial sectors, from materials (such as steel, nonferrous metals and glass) to transportation, advertising, financial services, and construction. For decades, the automobile industry has grown exponentially and has also been an indicator of the country's economic growth (<https://www.statista.com/topics/5249/automotive-industry-in-south-korea/>).

The car production in South Korea decreased to 3,950,581 units in 2019 from 4,028,705 units in 2018.

Kia and Hyundai are the main car makers in South Korea, representing 81.9% of the whole production in South Korea, and as a result of Kia's bankruptcy in 2007, Hyundai now owns a part of the company. It means that Hyundai is the monopoly producer in South Korean market and Kia is the 2nd brand of Hyundai. Hence, this is the reason that many of the comparable models of these two car makers share the exact same body structures. Although, Kia does still operate independently and has separate design workshops, marketing, and branding.

Table 1. Production of South Korea's Major Car Manufacturers in 2018-2019 (Unit: Vehicle)

Maker/Brand	2019		2018		YoY[%]
	Jan.-Dec.	Share	Jan.-Dec.	Share	
Hyundai	1,786,131	45.20%	1,747,837	43.40%	2.20%
Kia	1,450,102	36.70%	1,469,415	36.50%	-1.30%
GM Korea	409,830	10.40%	444,816	11.00%	-7.90%
Renault Samsung	164,941	4.20%	215,680	5.40%	-23.50%
Ssangyong	132,994	3.40%	142,138	3.50%	-6.40%
Tata Daewoo	4,669	0.10%	6,692	0.20%	-30.20%
Daewoo Bus	1,914	0.00%	2,127	0.10%	-10.00%
Total	3,950,581	100.00%	4,028,705	100.00%	-1.90%

https://www.marklines.com/en/statistics/flash_prod/productionfig_korea_2019

So what is the difference of these two brands?

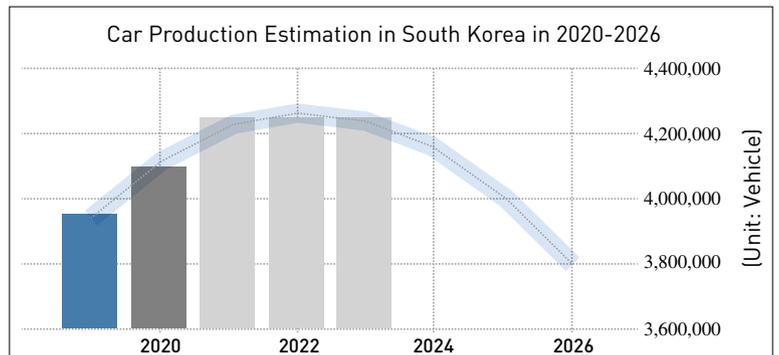
As mentioned above, Kia and Hyundai have the same parent company, but they offer completely different line-ups. While Hyundai's cars and SUVs focus on how much bang you can get for your buck, Kia's diverse line-ups include low-cost models that are sold alongside high-priced models that can cost nearly \$50,000 in their highest grade. This head-to-head battle features each of the company's offerings in our segmented vehicle categories (<https://cars.usnews.com/cars-trucks/kia-vs-hyundai-battle-of-the-brands>).

Car production in South Korea was expected to reach 4,250,000 units by the end of 2020, according to Trading Economics global macro models and analysts' expectations. In the long-term, the South Korea's car production is projected to trend around 4,250,000 units in 2021, according to their econometric models. (See the right graph)

82.3% of South Korean cars sold domestically were manufactured by these two brands and both of them export more than 80% of their production to the world (Hyundai: 83.2%, Kia: 81.2%).

Hyundai-Kia's combined sales in 2019 slipped by 5.1 percent (from 7.4 million units in 2019 to 7.19 million units in 2018).

The sales of South Korean car brands in 2019 reveal that the automobile industry in Korea was not as good as in 2018.



<https://tradingeconomics.com/south-korea/car-production>

Table 2. Global Sales of South Korea's Major Car Manufacturers in 2018-2019

Maker/Brand	Global Sales (Unit of Vehicle)		
	Total 2019	Total 2018	YoY[%]
Hyundai	4,422,644	4,589,199	-3.60%
Kia	2,770,693	2,812,200	-1.50%
Ssangyong	135,235	143,309	-5.60%
Renault Samsung	177,450	227,577	-22.00%
GM Korea	417,226	462,871	-9.90%
Total	7,923,248	8,235,156	-3.80%

https://www.marklines.com/en/statistics/flash_sales/salesfig_korea_2019

The numbers of both Hyundai and Kia decreased in the export sector. Hyundai was down 4.8% and Kia was down 1.3% compared to the overseas sales in 2018.

The domestic sales of Hyundai increased by 2.9%, but Kia appeared a decline of 2.2% in this sector.



Table 3. Domestic and Overseas Sales of South Korea's Major Car Manufacturers in 2018-2019

Brands	Domestic Sales (Unit of Vehicle)				YoY(%)
	2019		2018		
	Sales	Share in Total	Sales	Share in Total	
Hyundai	741,842	48.40%	721,078	46.70%	2.90%
Kia	520,205	33.90%	531,700	34.40%	-2.20%
Ssangyong	107,789	7.00%	109,140	7.10%	-1.20%
Renault Samsung	86,859	5.70%	90,369	5.80%	-3.90%
GM Korea	76,471	5.00%	93,317	6.00%	-18.10%
Total	1,533,166	100.00%	1,545,604	100.00%	-0.80%

Brands	Overseas Sales (Unit of Vehicle)				YoY(%)
	2019		2018		
	Sales	Share in Total Export	Sales	Share in Total Export	
Hyundai	3,680,802	83.2%	3,868,121	84.3%	-4.80%
Kia	2,250,488	81.2%	2,280,500	81.1%	-1.30%
Ssangyong	27,446	20.3%	34,169	23.8%	-19.70%
Renault Samsung	90,591	51.1%	137,208	60.3%	-34.00%
GM Korea	340,755	81.7%	369,554	79.8%	-7.80%
Total	6,390,082	80.6%	6,689,552	81.2%	-4.50%

https://www.marklines.com/en/statistics/flash_sales/salesfig_korea_2019

Why is South Korean Car Industry Under Pressure?

Some fundamental factors that happened over the past years and the Covid-19 pandemic have shown the fact that the stability of South Korean car industry is fragile. These items are:

1- Weak Name:

Name is one of the main factors that may lead to the success or failure of a brand in the global market. Different countries, different languages, and so, some names can sound good in one language and vice versa. Therefore, brands should find names that can be easily spelled in English and have no bad meanings. However, brands should double check their names in the destination market. Korean brands' names won't work globally because their pronunciation is difficult to be spelled in English (Like Japanese and Chinese). Why English? Because English is the communication language of world business.

2- Different Regions, Different Strategies

Hyundai and Kia have earned different views on their car models in different countries. For example, in most Middle East countries Kia and Hyundai are considered luxury brands by consumers because they are not rich enough to buy Benz, BMW, or Porsche, but in other countries like Europe and USA, Hyundai and Kia are on the contrary considered inexpensive brands. These two brands have different positions in different countries, which helped them sell their cars in each region, but damage their brand images (that is, is Hyundai or Kia an expensive or inexpensive car brand?).

3- Weak Visual Position

Hyundai's trademark is similar to Honda's trademark. Both are just stylized versions of the letter "H."

Kia has used one of the weakest ways for making its visual position: using logo type. Successful companies which use a logo type as their logo have visual identity (Visual hammer) beside of it. Customer recall the brands because of the visual identity, not logo type.

4- Line Extension:

This is a problem for most car manufacturers. When Hyundai and Kia introduced their cheap cars in most of the regions, why did they introduce their luxury models? They cannot get a success in their luxury brands. Hyundai's and Kia's luxury cars only share about 3-4 percent of their sales.



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Will the Future be Darker than Before for S. Korean Car Industry?

Based on the performance of Hyundai in 2020, the Covid-19 has fuelled the failure speed of South Korean car industry.

January 2020:

January sales totalled 304,076 units, down 3.6% in comparison with January 2019.

- Sales in South Korea declined 21% year on year to 47,591 units due to fewer work days.
- Sales outside of South Korea slightly rose to 256,485 units vs. 254,954 units in the same period of 2019.

What is the Plan of South Korea?

The South Korean government has presented a “future vehicle industry development strategy” with a target of making South Korea the world’s most competitive presence in the future automobile industry by 2030. The plan is focused on pushing the accelerator in innovation growth in the area of future vehicles, including commercializing completely autonomous vehicles by 2027 and increasing the percentage of eco-friendly vehicles to 33% of all new cars sold in South Korea by 2030.

The problem is in the core of the car industry in South Korea and their managers are looking to the solution in the technical and engineering section!!

In most countries, Hyundai and Kia are successful because these two brands deliver a lot of value for a little money. However, this strategy put them in the horrible situation in a crisis period, like now.

As the production cost of vehicles in South Korea continues to increase, Hyundai and Kia in the long term will have to raise its prices, which will make the brands less competitive in the marketplace.

Nowadays, their low-end market is attacked by Chinese cars, and the Covid-19 disrupted many plans, and the managers think to solve their problems through engineering and technology!! They are in the wrong way again!! Because of their multi-brand image, they don’t have a stable global position, and therefore, improving the technical parts (that is, focusing on engineering) before unifying their brand images will be a waste of money and time.

The best way for these two brands is re-positioning, they are considered inexpensive cars in the developed countries, and on the other hand, they are also considered luxury brands in the developing countries. Their main sale is in developed countries, so they should change their position from a “luxury” to an “ordinary” brand in the developing countries by reducing their car options. Saving money helps them survive during the Covid-19 pandemic and helps them compete with Chinese cars by focusing on “Made in South Korea” which is usually deemed as being more reliable than those “Made in China.”

February 2020:

February sales totalled 275,044 units, down 13% in comparison with February 2019.

- Sales in South Korea declined 26% year on year to 39,290 units
- Sales outside of Korea declined to 235,754 units vs. 262,414 units in the same period of 2019.

March 2020:

March sales totalled 308,503 units, down 20.9 percent in comparison with March 2019.

- Sales in South Korea increased 3 percent year on year to 72,180 units.
- Sales outside of Korea declined 26.2 percent year on year to 236,323 units.

May 2020:

April sales totalled 159,079 units, down 56.9% in comparison with May 2019

- Sales in South Korea slid by 0.5% year on year to 71,042 units
- Sales outside of Korea declined 70.4% year on year to 88,037 units



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Production Specification:

Thickness: Max. 6.5mm
 Material: Low/Mid/High Carbon, Stainless, Brass, Copper, Aluminum
 Finish: Galvanized, Nickel, GEOMET, DACROMET, Powder Coating, Phosphate, Hot Dip Galvanized, Black Oxide, Sand Blasting...

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