

# Hyundai



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Profile Hyundai Motor Company (Hyundai), the largest car manufacturer of South Korea, is one of the leading global automobile producers (Datamonitor, 2010). The company ranked the fifth largest automaker in the global market in 2009 and other main competitors are the most famous carmakers which are Toyota, G. M, Volkswagen and Ford (Appendix 1, OICA Website, 2010). The company mainly produces passenger sedans, sports utility vehicles (SUV) and commercial vehicles, and it has forty-two affiliate companies such as Kia Motor, automobile components, steel, stock and capital companies (Company Website, 2010). Moreover, Hyundai is the fastest growing automaker in the world automotive industry. For instance, the company registered revenues of \$72.

3 billion in FY2009, an increase of 14. 7% over FY2008. In particular, Hyundai boosted its operating profit margins over the last three financial periods and it elevated from 4. 1% in FY2007 to 5. 9% in FY2009. Thus, Hyundai has been able to improve the automobile market share in the global market more than other competitors in spite of the recent world economic recession (Datamonitor, 2010). Origins and Key Developments Hyundai was established in 1967 and it did not have proper technology in order to produce automobiles. As a result, although Hyundai released the Pony, the first export car model in South Korea, with technical assistance from Mitsubishi Motor in 1975, the company struggled with the manufacture of cars until the 1980s (Company Website, 2010).

However, Hyundai developed core components independently such as gasoline engines and transmissions for the first time in the 1990s (ibid) and the company began to invest significantly into its car quality, design and

research in the 2000s. As a result, Hyundai has been able to achieve high sales and a powerful brand value in the world automobile market (Datamonitor, 2010). SWOT Analysis Hyundai has established a strong brand image. According to Interbrand (2010), since 2005 Hyundai has listed on the world's top 100 brands and its ranking was 84th with a brand value of \$3.5 billion in 2005. After five years, it is ranked 65th with a brand value of \$5 billion. Furthermore, Hyundai was awarded 'car maker of the year 2010' by AM, the UK's auto trade magazine (AM Website, 2010), and automobile experts from nine Middle East countries selected Sonata, the company's typical car, as the best mid-size car of the year 2010 (Company Website, 2010). Thus, the company is able to gain more customers and to record high sales due to a strong brand image (Datamonitor, 2010).

Nevertheless, Kiley (2007) argues that despite earning a good reputation for a strong brand value, the company still does not establish high sales in the luxury car market. Customers who want to buy a car from Hyundai are mainly considering its inexpensive price and this price story is called the company's image problem 'The Yugo Factor' (BusinessWeek, 2007). When the company entered the US car market in the 1980s, it was generally compared with Yugoslavian automobiles which have quality problems (ibid).

For instance, when the Hyundai's vehicle was shown without any company's logo in research with 200 car traders in the US, 71% of people would buy it. However, when the car's logo was displayed, there were only 52% of people. This is the reason that Hyundai is still struggling in the

luxury automobile market (Kiley, 2007). However, Hyundai has an outstanding opportunity in spite of the global economic crisis. The new Asia-Pacific car markets such as India and China are growing significantly (Kim, 2007). For example, the company established the new factories between FY2008 and FY2009 in India and China, therefore its annual production capacity is 1.2 million vehicles from both countries. In particular, having taken 20% of domestic market share, more than 2.

5 million cars have been produced and the company has sold more than 1 million cars within the short period in India. Consequently, Hyundai has a competitive advantage over rival carmakers in the fast growing Asia-Pacific automobile markets (Datamonitor, 2010). Nonetheless, Hyundai is facing a strong threat, which is intense price competition. For instance, the global automotive market reached saturation point which exceeded 29 million cars in 2009. It means that the company should provide marketing inducements such as a price reduction and quality assurance, and it will have an impact on the price of cars.

Furthermore, many countries, which are the EU, the US, China and other Asian countries, have adopted rigorous emission standards. As a result, Hyundai might be forced to produce low emission cars and it will boost manufacturing costs for the product development. Thus, these factors will have negative effects on company's revenues (ibid). EvaluationDespite intense price competition in the recent economic recession and having difficulties in the luxury car market, there are reasonable indications that Hyundai could improve its position over the other main competitors.

To begin with, regardless of struggling in the luxury car market and having a negative car image, its brand value and quality are significantly improving. For instance, in 2008 Hyundai released a new car, Genesis which is the company's first luxury sedan, and it was compared with BMW, Mercedes and Lexus (Madslien, 2008). Furthermore, Genesis was awarded North American Car of the Year 2009 and among Asian cars there have been only three previous automobiles to receive the award (Choi, 2009). On top of that, Hyundai is operating effectively in the world car market including the second biggest car market, India and China, and it will continue to operate for the time being. There is clear evidence that Hyundai has been investing further into R&D and focusing on quality, design and developing eco-friendly vehicles (Datamonitor, 2010). Moreover, Hyundai has recently launched new car models such as luxury sedans, hybrid electric vehicles and compact SUV with new engines (ibid).

In conclusion, Hyundai will be expected to generate substantial revenue, which does not rely on any one market, in the global automobile market.

(Words : 979) Appendix 1: World Ranking of Car Manufacturers (2009)

GROUP	Total	CARS	LCV	HCV	BUS	Total
1	60,499,159	51,075,480	7,817,520	1,305,755	300,404	1. TOYOTA
2	7,234,439	6,148,794	927,206	154,361	4,078	2. G. M.
3	6,459,053	4,997,824	1,447,625	7,027	6,577	3. VOLKSWAGEN
4	6,067,208	5,902,583	154,874	7,471	2,280	4. FORD
5	4,645,776	4,222,532	324,979	98,265	6. PSA	
6	3,012,637	2,984,011	28,626	8. NISSAN		
7	2,744,562	2,381,260	304,502	58,800	9. FIAT	
8	2,460,222	1,958,021	397,889	72,381	10. HYUNDAI	

HYUNDAI 4, 645, 776 4, 222, 532 324, 979 98, 2656. PSA 3, 042, 311 2, 769, 902 272, 4097. HONDA 3, 012, 637 2, 984, 011 28, 6268. NISSAN 2, 744, 562 2, 381, 260 304, 502 58, 8009. FIAT 2, 460, 222 1, 958, 021 397, 889 72,

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291 32, 02110 SUZUKI 2, 387, 537 2, 103, 553 283, 98411 RENAULT 2, 296, 009 2, 044, 106 251, 90312 DAIMLER AG 1, 447, 953 1, 055, 169 158, 325 183, 153 51, 30613 CHANA AUTOMOBILE 1, 425, 777 1, 425, 77714 B. M. W.

1, 258, 417 1, 258, 41715 MAZDA 984, 520 920, 892 62, 305 1, 32316 CHRYSLER 959, 070 211, 160 744, 210 3, 70017 MITSUBISHI 802, 463 715, 773 83, 319 3, 371Sources: <http://oica.net/production-3>BibliographyAM (UK Vehicle magazine) Website. 2010.

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