

THE BATTLE OF ASIA: JAPAN VS SOUTH-KOREA ON THE INTERNATIONAL AUTOMOTIVE MARKET

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Abstract

For a long period of time, Japan, was the only Asian automotive manufacturing country, recognized at the global level. The Japanese cars are synonymous with quality, reliability and performance at a reasonable cost. In sale figures this translates into top positions on all markets throughout the world. During the recent years South-Korean car manufacturers have become a real force on the international market and they succeeded in offering the Japanese automotive industry a run for its money.

Key words: Japan, South-Korea, automotive industry, international market.

JEL Classifications: F1, F12, F13, F15, F21, F23, F63.

1. Background. Japan's automotive industry is represented throughout the world by companies like Toyota, Nissan, Mazda, Suzuki, Honda, Mitsubishi, and Subaru. Although they are multinational companies that offer their products on the global market, not all of them share the same success. For example, in order to better compete with the American luxury brands on that market, Toyota, Nissan and Honda created their premium car brands. At the time, the Japanese cars were quite popular among the American consumers, but it would have been almost impossible to market a Toyota or a Nissan as a worthy competitor for a Cadillac or a Lincoln. As a result, today we have Lexus, Infiniti and Acura.

Hyundai and KIA form one of the most important South-Korean automotive groups in the world. For years the group offered cars that had a great value for money, and they had small operating cost, but with a very boring design. Nowadays the cars are still great value for the money but the design improved dramatically, especially for KIA that benefits from Mr. Peter Schreyer, who was the chief designer in the Volkswagen Group.

2. Market analysis – United States. Regarding the sales figures, on the United States' market, **Toyota** has been the bestselling car manufacturer for years in a row, thus constantly increasing its market share. The best year for Toyota, in America, was 2007 when the company sold over 2 million cars (2.161.467 cars to be exact). For the first six months of 2016, Toyota recorded a slight reduction in sales of 3.73%. If this trend will continue until the end of the year, unfortunately the Japanese car manufacturer will have to record another year of bad sales.

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Japanese brands' sales on US' market¹

Brand	2005	2008	2015	2016 ²
Toyota	1.800.915	1.843.669	2.098.545	1.008.516
Lexus	302.895	260.087	344.601	151.564
Nissan	940.268	838.361	1.351.420	733.136
Infiniti	136.401	112.989	133.498	64.978
Mazda	258.339	263.949	319.183	145.354
Suzuki	82.101	84.865	-	-
Honda	1.252.862	1.284.261	1.409.386	713.362
Acura	209.610	144.504	177.165	78.994
Mitsubishi	123.995	97.257	95.342	51.934
Subaru	196.002	187.699	582.675	279.458

Lexus, the premium car division of Toyota, entered the American market in 1989, when it was created. In 1983, Lexus was just the name of a project that involved the development of a luxury sedan. Six years later it became a brand on its own, that offered a full range of cars, from a sporty 2-door car, up to a full size SUV (Sport Utility Vehicle).

In terms of sales statistics, Lexus followed the mother company's developing trend, which means that 2007 was recorded as the best year, with 329.177 cars sold. The following years recorded one loss after another, reaching the lowest point in 2011, with only 198.552 cars sold, which is close to the level recorded in 2000. Afterwards, the sales began to boost up and 2015 recorded the biggest sales volume with over 340.000 cars.

Nissan entered the American market in 1958, when it sold just 52 cars. But year after year the Japanese car manufacturer tried to push the envelope even further which in today's sales figures translates into the second biggest Japanese car manufacturer in the US after Toyota.

In 2005, Nissan sold little over 950.000 cars which in terms of market share translates into roughly 5,5%. Unlike Toyota, Nissan was affected by the economic crisis two years earlier, in 2009, when 689.011 cars were sold. For the following years the sales improved constantly, culminating with the last year's sales of 1.351.420, the best year for Nissan in the US.

Unlike other Japanese competitors, **Infiniti** produces in America only one model from its portfolio, while the other models are imported from Japan. Although this can lead to higher operational costs, it has the advantage of maintaining the high degree of build quality that the Japanese car producer is renowned for.

Since its introduction on the American market in 1989, Infiniti has been on an upward sales trend which allowed the division to acquire 0,89% of the market share in 2010, while the biggest sales volume was recorded in 2005 with 136.401 cars sold. The low point was recorded in 2009, with only 81.089 cars, which was quite similar with the sales from 2002.

¹ Source: www.left-lane.com

² Based on my own computation as statistical data goes as far as July 2006

The next year offered the company a much needed sales recovery having sold a bit more than 100.000 cars. Unfortunately the victory was short-lived as 2011 offered a bad surprise: the sales dropped by 4.7%, which means 98.461 cars.

Although the mother company, Nissan found its way into recovery from the economic crisis, Infiniti was a little unstable with the sales figures, but since 2013 Infiniti has been on an upward trend, the first half of 2016 recording a 1.1% increase compared with the same period of 2015.

Mazda is currently the fifth Japanese car manufacturer that entered the American car market. Compared with Nissan, or Toyota, Mazda does not have an entire group that can support the activity at the same level as the big companies do. As a result, Mazda does not have such an extended car range to cover all the market's segments and focuses only on the ones that are profitable.

During the analyzed period (2005 – first half of 2016), Mazda recorded the highest sales volume in 2015 with over 319.183 cars sold and the lowest in 2009 when there were sold only 207.767 cars. It must be said that this is not only the lowest value in the recent years, but since it has been on the American market.

The downward trend strikes again during the first half of 2016 as the sales dropped by 8.5% compared with the first half of 2015. If this trend will not change, the end of the year will bring to the American division of Mazda the first loss since 2009.

Due to low sales volumes, **Suzuki** is the only unsuccessful Japanese automotive constructor that entered the North-American market. The main reason of this failure is the fact that the company did not offer competitive cars. By trying to cover as many market sectors as possible, Suzuki "borrowed" different types of automobiles from a range of manufacturers and sold them under the Suzuki name. The consumers reacted accordingly and from 2007, which can be considered the best year (101.884 cars sold), the sales plummeted dramatically until 2014 (the year of its collapse) when it sold just 5.432 cars and exited the market.

Honda is another powerful Japanese competitor on the United States' automotive market, the second most important one after Toyota. Since its introduction, Honda gained its reputation by offering reliable and well built cars with a sporty touch. Let's not forget that Honda equipped their first car with a motorcycle engine. Today this sporty tradition still lives on, but in the same time the company tries to build (and succeeds) cars that have a smaller impact on the environment. For instance, Honda builds a small hybrid sport car, called CRZ, which combines an electric motor with a gasoline engine that will ensure a more fuel efficient functioning.

Regarding the sales, the US division, during the analyzed period, has been on an upward trend until 2008 when the sales dropped by 6.3% and continued to reduce until 2011 when there were only 1.023.986 cars sold, which is similar to the figures from 2000.

After the worst year in terms of sales from the last decade, Honda had found its way to success and the sales have been improving year after year since 2012. As a result, 2015 recorded a bit more than 1.4 million cars sold which means 8.07% market share. It must be said, that it is very possible that Honda will lose its position as the second biggest Japanese car manufacturer in favor of the American division of Subaru.

Acura is Honda's passport into the premium automotive segment in the United States and it was simultaneously introduced in Northern America and Canada in 1986.

Some of its models are imported from Japan while others are produced in the US.

In terms of sales, Acura sticks with its elitist character grabbing an average of 1.5% market share. During the period took into consideration, Acura has recorded sales losses from 2005 until 2009, when it sold only 105.723 cars, similar to the 1987's sales which was the second year after its creation.

Although 2015 was a good year in terms of sales, as it is the fourth consecutive year of growth, the sales are still not up to expectations. 177.165 cars were sold in the US which means that, in terms of sales' statistics Acura has gone back in time to 2001-2003.

At the beginning of its activity on the North American market **Mitsubishi** was just another Japanese automotive company that wanted to become an important player. The consistent increase in sales volumes, although the figures never matched Toyota or Honda, established Mitsubishi as a constant presence, offering really competitive sport cars or off-road vehicles that were derived from the competition automobiles. But, unfortunately, since 2002, the Japanese manufacturer's sales have declined one year after another.

During the analyzed period (2005-first half of 2016), the lowest sales volume was recorded in 2009 with 53.986 cars sold which very similar to the volume recorded in 1984. The sales began to pick up the pace in 2013 and continued on that trend in 2016 as well, since the company sold during the first half of the year 51.934 cars compared with only 49.544 the year before.

Subaru is considered by the experts the biggest success story on the American automotive market, not only from the Japanese manufacturers but from all the mass-production manufacturers, as well. Although the company does not have a very large portfolio of cars that can cover every segment of the market, Subaru has kept only the models that sell really well and stayed true to its technical creed, "Permanent all-wheel drive". This means that cars handle better than any other normal car both on-road and off-road

In terms of sales, the economic crisis' effect on Subaru was minimal, since only 2007 was considered a "bad" year and the company sold 187.208 cars, which means a 6.7% reduction.

In 2008, Subaru began to live up to its name and marked a sales increase of 0.2%. Of course one can argue that this increase can be considered a very small one and not worth mentioning. But this was the beginning of another period of a few successful years in a row, culminating with 2015 when Subaru sold almost 600.000 cars.

The only South-Korean car brands that are sold in North-America are Hyundai and Kia. Although they are part of the same automotive group, each division has its own path to success and, of course, different market segments.

Out of the two **Hyundai** is the most successful one and has been on the market longer than KIA. This success was partly toned down due to the fact that the demand for cars exceeded the company's sales' possibilities. This problem may be addressed by building the most successful models of the range in the United States, while others are being imported from South Korea.

South-Korean brands' sales on US' market³

Brand	2005	2008	2015	2016 ⁴
Hyundai	455.012	401.742	761.710	374.060
KIA	275.851	273.397	625.818	328.327

Analyzing the sales volumes, one can see that during 2005-2016, the only year that had a slowdown in sales was 2008, when the company sold 401.742 cars, which means a 13.9% reduction. But in 2009 the sales increased by 8.3% and continued on that upward trend until 2015 when it recorded 761.710 sold cars.

Although **KIA** is part of the same group as Hyundai and benefits from the same technology, the brand somehow remains one step behind. But, this situation is very close to end as KIA has been on upward trend in terms of build quality and customers' perception, just like Hyundai, which in the end means more cars sold.

2008 was the worst year for KIA, in terms of sales, with a 10.5% reduction, which meant 273.397 cars. Of course, following its sister-brand, Hyundai, KIA, began to gain more customers every year, having sold 625.818 cars in 2015.

3. Market analysis – European market. Despite the American success and the sales volumes recorded on that market, in Europe, **Toyota** has to settle for the last places in the Top 10 “Bestselling brands”. Although the car portfolio is quite extensive covering all the important market sectors, in Europe, the perception that the best cars are German, still lingers.

From 2005 until 2015, Toyota recorded a downward trend that began in 2008 when there were sold 830.286 cars, which means a 16.4% drop. The sales kept on reducing until 2013, when the manufacturer sold only 509.862 cars, similar to 1999.

In 2015, Toyota seemed to have found the way to increase their sales, and the recipe seems to work in 2016 as well, since for the first half of the year Toyota has an 8.4% increase compared with the same period from 2015.

In Europe, **Lexus** is not very popular as a luxury brand, but as a hybrid car manufacturer that appeals to those that have a green approach to mobility. The European customers are still reserved regarding Japanese cars, despite the manufacturers' efforts and real qualities of their cars and this is reflected by the sales figures. For example, in Europe, Lexus sells roughly ten times less than in United States.

2006 and 2007 were the best years for Lexus Europe as it sold just over 40.000 cars each year. Unfortunately the upward trend did not maintain as the economic crisis' effects began to appear. As a result, the sales plummeted 2009 and 2010, when they reached 19.185 cars.

³ Source: www.left-lane.com

⁴ Based on my own computation as statistical data goes as far as July 2006

Japanese brands' sales on the European market⁵

Brand	2005	2008	2015	2016 ⁶
Toyota	905.805	830.286	556.480	314.653
Lexus	23.340	29.682	39.255	22.636
Nissan	387.325	338.169	554.046	297.468
Infiniti	595	453	5.427	6.898
Mazda	239.655	242.144	209.290	126.555
Suzuki	244.617	247.161	177.686	101.526
Honda	274.312	264.009	130.808	88.685
Mitsubishi	148.902	116.343	132.975	63.699
Subaru	54.324	50.904	38.033	19.653

2015 recorded a spectacular increase in sales volumes compared with 2014, by 24.7% and by the looks of things 2016 will also benefit from this upward trend.

Nissan is a real competitor for Toyota's European market share and if the trend will maintain, the brand will become the bestselling Japanese brand in Europe.

Although sales have been fluctuating during the analyzed decade, Nissan managed to maintain or increase its market share which reinstates the brand's success.

The worst year in terms of sales was 2007, when only 313.437 cars were sold while the biggest sales volume was recorded in 2015 with 554.046 sold automobiles

Regarding **Infiniti**, the luxury brand was not as fortunate as its mainstream sister, as the sales have been far smaller than the Japanese rival, Lexus.

In 2015 the Japanese brand sold 5.427 cars, which in terms of market share translate into 0.04%. As mentioned earlier, Lexus sold 19.185 cars in their worst year, 2010.

In Europe, **Mazda** was on a downward trend for a few years, from 2009 until 2012, selling around 200.000 cars per year, the lowest being 2012, when there were only 123.859 automobiles sold.

2013 brought a new hope for Mazda as the newly launched compact SUV CX-5 and the mid-size sedan Mazda 6 helped boosting up the sales. The increase in sales volumes was present in 2014, 2015 and in the first half of 2016.

Suzuki, which in Europe is famous for its small city cars like the Alto and the Swift, or the compact SUVs like Vitara or S-Cross was on an upward trend in 2005, when it sold 244.617 cars. The sales pattern remained unchanged in 2006 and 2007, but in 2008 the sales dropped by 13%.

In 2009, the manufacturer succeeded to increase the sales compared with 2008, but the victory was short lived as the sold volumes began to reduce dramatically until 2013. The explanation for this situation is the fact that the offered cars although are pretty affordable in terms of acquisition and running costs, they are no longer up to date and the customers turning to other car manufacturers that have better products.

The face-lifted Swift and launch of the New Vitara, in 2015 as well as different promotions for other cars in the manufacturer's portfolio helped increasing the sales

⁵ Source: www.acea.be

⁶ Based on my own computation as statistical data goes as far as July 2006

volumes in 2014 and 2015 when 177.686 cars were sold and the upward trend is maintained in the first half of 2016, as well.

Compared with the other Japanese brands, in Europe, **Honda** has not been successful, at least in the last decade.

2005 was a good year for Honda Europe since the manufacturer managed to increase the sales volumes by almost 4.8%. Increased sales were recorded in the following years as well, until 2007, when Honda sold 311.801 automobiles, the biggest volume since 1990. Afterwards the sales began to decline and not even the launches of the new generations of Civic (the brand's compact car), or the CR-V (compact SUV), could not stop this scourge. As a result, 2015 witnessed another record for Honda, the smallest number of cars sold since 1990: 130.808.

In Europe, **Acura** is not imported officially and as a result there is no official date regarding the brand's sales.

For years, **Mitsubishi** was associated with the World Rally Championship, where the Lancer model was really competitive and why not with their really capable off-road vehicles that were competing in another famous race: the Paris-Dakar rally. The victories obtained by those cars in competitions were perceived as a guarantee of the cars' performances or reliability. Naturally, this translated into bigger sales. Unfortunately, the brand has no longer officially participated in those competitions and the sales were affected.

In 2005 Mitsubishi's sales were on a downward trend as they have been since 1999, which was the brand's best year. The string of losses appeared to stop in 2011 when the sales increased by 11.4%, or 117.387 automobiles. Unfortunately the sales dropped even more the following year, to a record breaking 77.229 automobiles, but only to pick up and remain on that trend until 2015. During the first half of 2016 the sales dropped again by 8.5% compared with the same period of 2015.

Just like all the Japanese car manufacturers analyzed before, **Subaru**'s sales in Europe is no way near those from the United States. Moreover, the sales fluctuated from one year to another without any apparent reason or pattern. As a result, when analyzing the brand's sales one can see that the worst year since 2005 has been 2014, when there were only 32.907 cars sold, while the best year was 2006, when 55.153 people have bought a new Subaru.

Concerning 2015, the sales improved by 15.5% compared with 2014, and they still maintain this trend for the first half of 2016 as there were 4.4% more cars sold.

Apparently the South-Korean managers from **Hyundai** have found the recipe for success since their sales in Europe have been increasing, just like in the United States. The fact that some of the cars in the company's portfolio are produced in Europe (which means no more duty taxes), combined with a fresh and bold design and an unlimited 5 year warranty sets the pre-requisites for a very competitive package.

South-Korean brands' sales on the European market⁷

Brand	2005	2008	2015	2016 ⁸
Hyundai	384.427	257.686	466.167	257.774
KIA	264.657	226.507	383.047	229.159

In 2005, Hyundai sold 384.427 automobiles gaining a 2.38% market share, but afterwards the sales began to decline for three consecutive years until 2008 when there were only 257.686 cars sold, while the market share shrunk to 1.78%.

Beginning with 2009 Hyundai gained back its momentum and the sales increased until 2015 when there were 466.167 cars sold, the best year yet for the manufacturer.

2016 is going to record another increase in sales as well as in market share.

KIA, the brand sister of Hyundai, is also a powerful competitor on the European market both for the Japanese car manufacturer but for the European ones as well.

In terms of sales, the lowest sales volume was recorded in 2006 with 239.488 cars, a 9.5 decrease from 2005. In 2007 there was an increase in sales up to 250.831, but in 2008 the sales dropped again.

2015 was the best year for KIA, as the manufacturer sold 383.047 cars and had a 2.71% market share.

Conclusions

On the North-American market the top three Japanese car manufacturers cannot be surpassed yet by the South-Korean ones since the sales volumes recorded by Toyota or Nissan are twice the value compared with the South-Koreans'. The situation however will not remain the same for too long since Hyundai and KIA launch new cars that are more and more competitive and more appealing to the general public.

Concerning the European market, the combined sales value of Hyundai and KIA are very close to the ones recorded by the Toyota Group, currently the bestselling Japanese automotive brand in Europe. Moreover if one sums up the market share that Hyundai and KIA have it is quite easy to see that Toyota Group lost the battle.

It is quite possible that during the next years we will witness an intense battle for new market shares between these Asian giants.

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