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The American Market

# Year Of The Hyundai

Hannah Elliott, 06.23.09, 4:30 PM ET

When the latest J.D. Power and Associates quality survey came out Monday, the big news was Hyundai's [trouncing](#) of quality stalwarts Honda and Toyota.

The Korea-based automaker was the highest-ranked non-premium nameplate in the study, beating such notables as Mercedes-Benz, Ford Motor, Honda and Toyota. It received the fourth-highest rank overall behind Lexus, Porsche and Cadillac.

Surprised? John Krafcik isn't. The president and chief executive of the South Korea-based automaker's U.S. unit, he says Hyundai's top rank simply reflects what he's known for the past few years. "Our cars research really well ... and when you finally get in the car and drive it, it stands up to that research."

### In Pictures: The Highest-Quality Cars

With the American auto industry in shambles, Hyundai has stood out as one of the few automakers (Audi and Subaru would join it) to remain stable as of late. Arch-rivals Toyota and Honda report faltering sales for the year so far (down 39% and 34%, respectively), but Hyundai sales are down just 7.9% year-to-date. Its market share has increased too, reaching 4.2% in the first five months of this year, up from 2.9% during the same period in 2008, according to Autodata, a New Jersey-based market research firm.

Hyundai executives have said they aim to boost U.S. market share to 5% by the end of the year. Japan's Big Three--Toyota, Honda and Nissan--stand to lose the most if they make good on that goal. Lexus, down 47% for the year to date, is another big target. "They've extended their portfolio, done clever marketing, added fillers, gone up-market, gone down-market, gone left-market and gone right-market," says Lincoln Merrihew, senior vice president at research firm TNS.

And they've made better cars. Hyundai was one of the big movers on the survey, up from its 13th-place rank last year. Its score of 95 PP100 means Hyundai owners reported 95 problems per 100 vehicles, down from 114 last year. The survey covers problems reported in the first 90 days of ownership for more than 80,000 new-vehicle purchases nationwide.

Hyundai--the fifth-largest selling automaker in the world--is still pushing to offer affordable and reliable vehicles to Americans concerned about potential job loss and volatile gas prices. Lately it has also emerged as a contender that offers an alternative to drivers opposed to paying a premium for a luxury nameplate.

The success of the new upscale Hyundai Genesis mid-size sedan is key. It helped engage an entirely new kind of driver--one who wants all the trappings of a Lexus, say, but feels slightly guilty about its insignnia.

"We started noticing a reluctance to buy a badge," Krafcik says. "Consumers are questioning the brand premium."

Hyundai executives took a risk in launching the \$33,000 sedan on the cusp of a bona fide recession, but sales numbers have been strong. Last month, it sold 2,079 units nationwide (several hundred more than competitors like the Lexus GS and Lincoln MKS), spurred on, no doubt, by its distinction as North American Car of the Year and by Hyundai's novel "Assurance" program, which allows customers to return their new Hyundai vehicles if they lose their job after the purchase.

"If you say Hyundai, people used to say crappy cheap car, but now they go, 'Oh these are the guys that are willing to buy back the car if I'm out of work. These are my buddies. They understand my life,'" says Robert Passikoff, the president of

Brand Keys, a market research firm in New York.

The majority of the Genesis sedans Hyundai sells are loaded with upgrades that push the price well above \$40,000 according to the company. And the coupe version of the Genesis, a \$22,750 306-horsepower rear-wheel drive sports car meant to compete with the likes of the Ford Mustang and Infiniti G37, has achieved critical praise.

It all bodes well for the Equus, the larger, plush sedan Hyundai showed at the New York International Auto Show and plans to bring to the U.S. market in the next two years.

The next step, Krafcik says, is to create a second brand under the Hyundai banner in which to sell luxury vehicles, much like Toyota did with Lexus and Honda did with Acura. With the way things are going, it may not be much of a reach.

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