

# Top Five Korean Companies

(Market Value, Nov. 17, 2011)

<b>Company</b>	<b>Market Value (\$ billion)</b>	<b>Ratio out of total listed companies (%)</b>
1. Samsung Electronics Co.	140.4	14.9
2. Hyundai Motor Co.	48.1	5.1
3. POSCO	30.2	3.2
4. Hyundai Mobis	26.8	2.8
5. Kia Motor Co.	26.1	2.8

# Hyundai Motor Co. & Kia Motors Co.



**Korea University**  
**Prof. Mannsoo Shin**

# Significance of Automobile Industry in Korea

- \$100 billion production (10.1% of Mfg.)
- 250,000 employment (10.2% of Mfg.)
- \$33 billion value added (9.4% of Mfg.)
- \$54.7 billion export (11.7% of total export)
- \$28 billion tax (15.3% of total taxes)
- Spillover effect to other industries
- A mix of high-tech industries

# Major Topics

- A History of HMC/KMC
- Strengths and achievements of HMC/KMC
- Success factors of HMI/KMC (external & internal)
- Future Challenges

# I. A History of HMC & KMC



Establishment of  
KyungSung JungKong Co.  
(1944)

Hyundai Motor  
(1967.12)



Pony for domestic &  
Export markets  
(1976.6~7)

M&A of KMC  
(1998)

Indian Plant  
(1998)



US Alabama  
Plant  
(2005)

JV w/ Beijing  
Automotive  
(2002)



Slovakia  
Plant  
(2007)



2<sup>nd</sup> Indian  
Plant  
(2008)

Czechoslovakia  
Plant  
(2009)

Genesis, named  
Car of the Year  
in US  
(2009)



Tau Engine,  
Named top 10  
engine  
(2008-2010)



US Georgia Plant,  
& Russia Plant  
(2010)

Best  
Performance  
(2010)

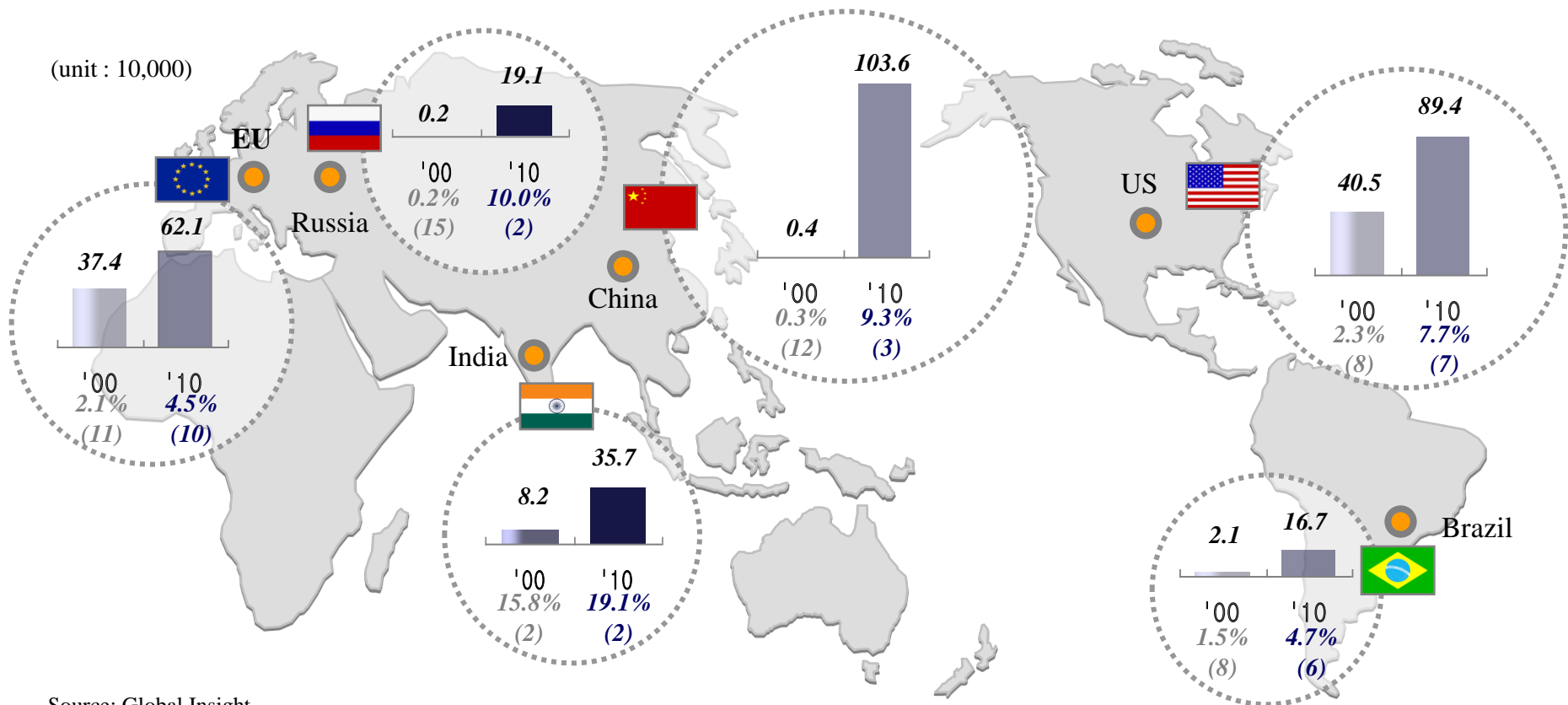
## II. Strengths and achievements of HMC/KMC

1. Globally Balanced Growth
2. Continued Improvement of Financial Performance
3. HMC and Affiliated Companies (HM Group)
4. Continued Quality Improvement
5. Product Line Extension for Most Categories
6. Brand Power Improvement

# 1. Globally Balanced Growth

- Advanced countries and BRICs

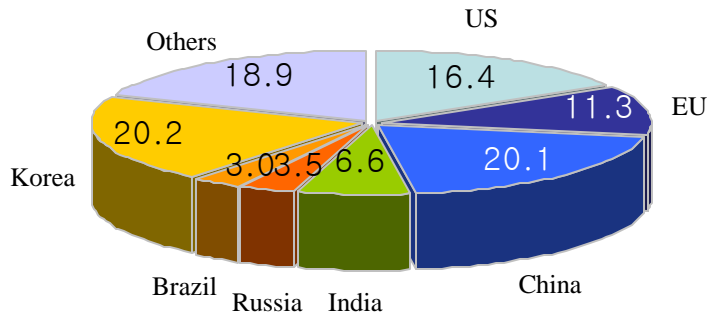
## Sales & MS by Region



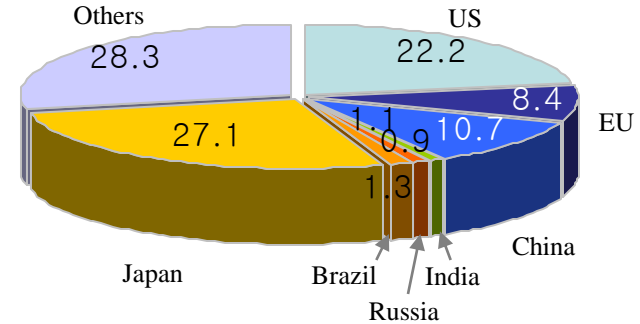
# A Comparison of Sales Ratio with Competitors

## Sales Ratio by Region(2010)

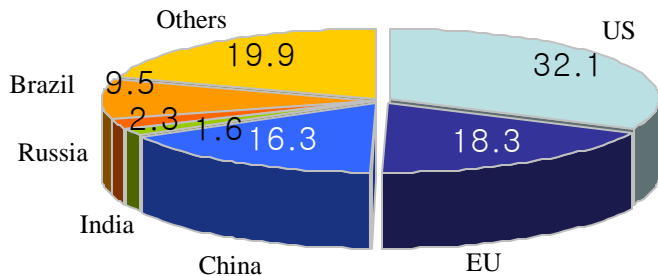
**HMC/KMC**



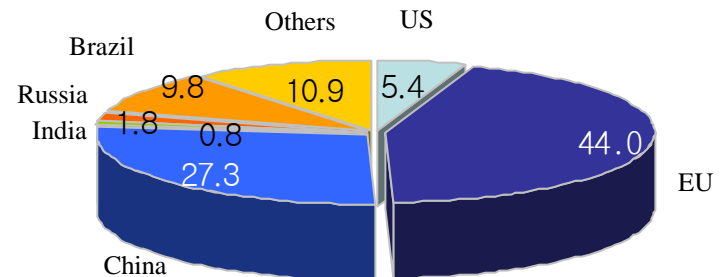
**Toyota**



**GM**



**VW**

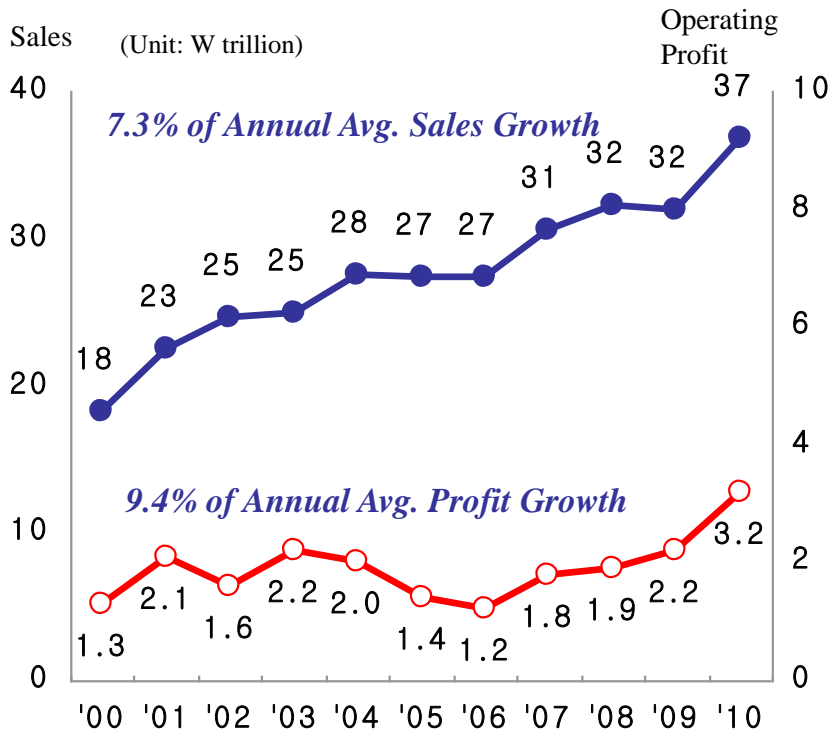




## 2. Continued Improvement of Financial Performance

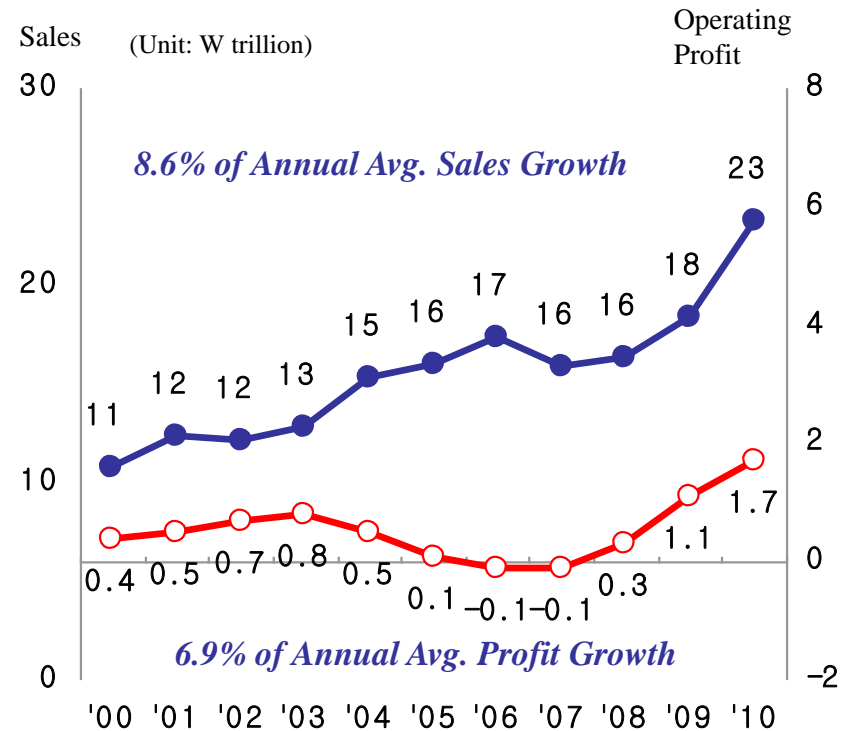
- Increase in sales (200%) and in operating profit (250%) during 2000-2010
- Increase in market value by 20 times (and 10 times for KMC)
  - Stock price: HMC W11,900('01.1) → W252,500('11.5),  
KMC W7,280 → W75,700

HMC



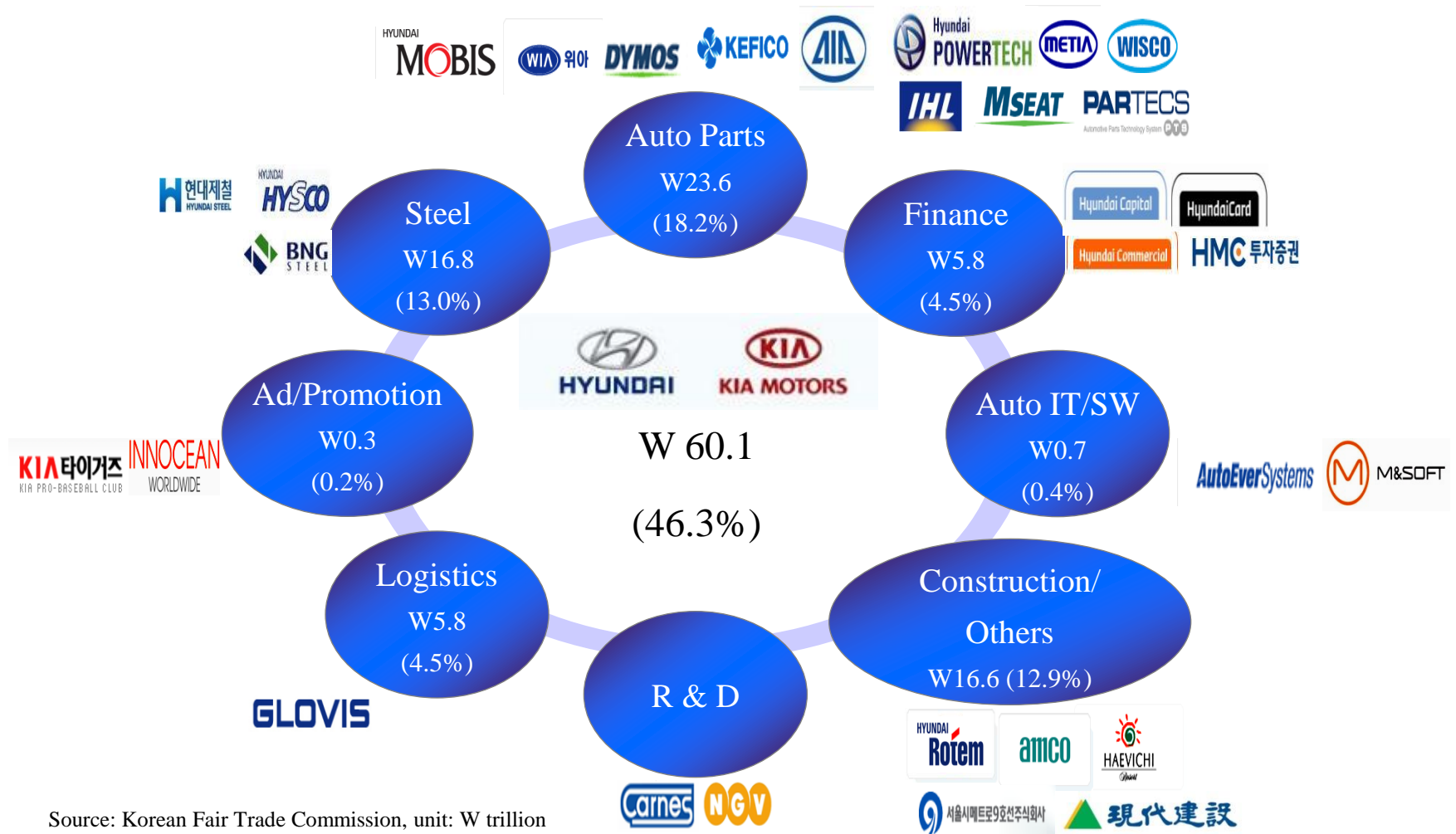
Source: Company record

KMC



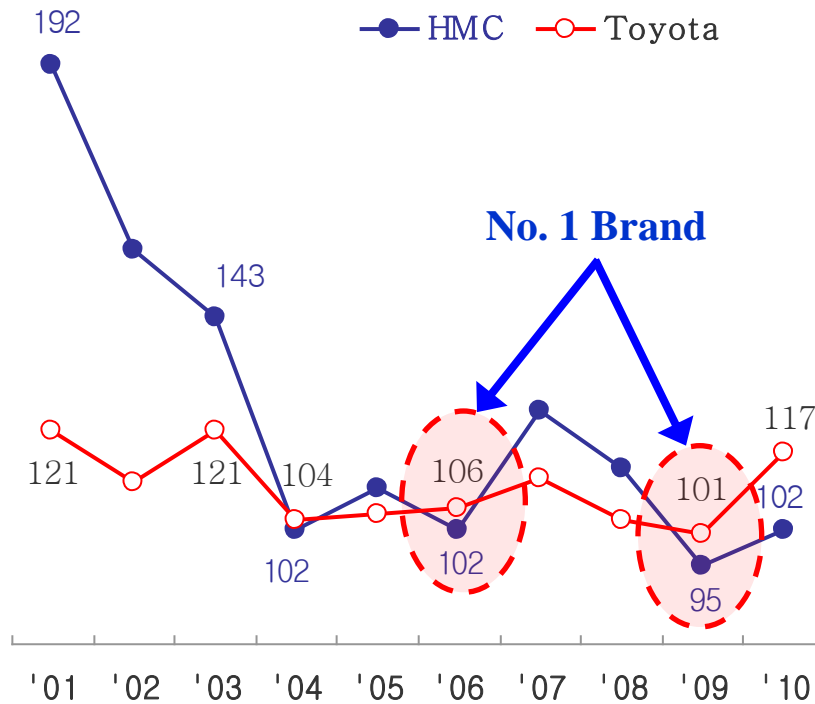
# 3. HMC and Affiliated Companies (HM Group)

- Automobiles, Steel, and Construction
  - Group sales of W 129.6 trillion (63 member companies)



# 4. Continued Quality Improvement

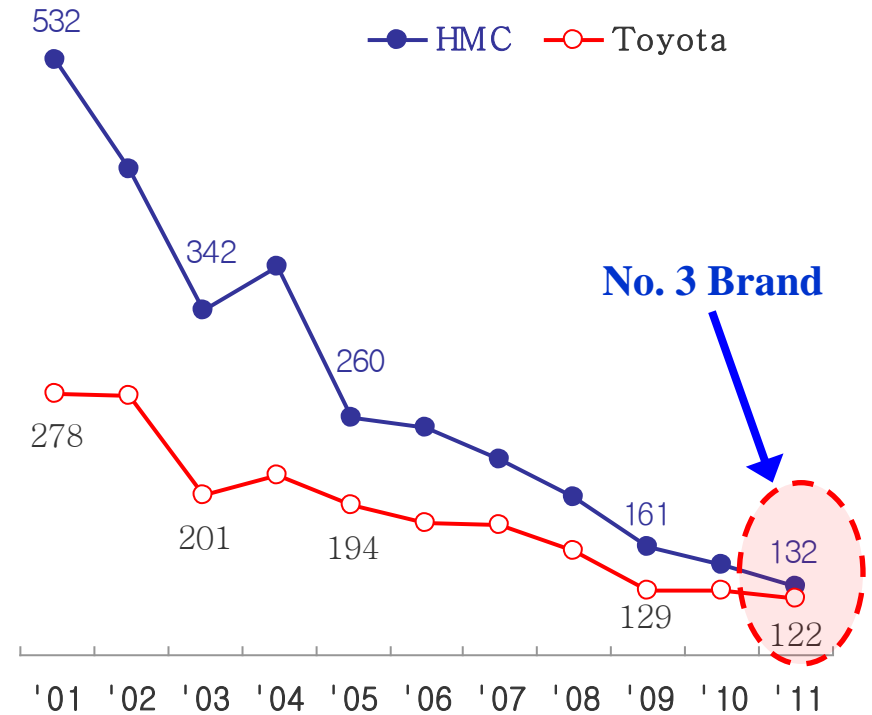
Initial Quality Study



Source: J.D. Power

Note: IQS(Initial Quality Study): The number of quality defects for 100 new cars within 100 days of new vehicle ownership

Vehicle Dependability Study



Source: J.D. Power



























Note: VDS(Vehicle Dependability Study): A total of 201 item quality survey for 100 new cars within 3 years of new vehicle ownership

# 5. Product Line Extension for Most Categories

2000 (23 Models)

SC (2)	Atoz  Visto 
C (2)	Verna  Rio 
I (2)	Avante  Spectra 
M (3)	Tiburon  Sonata  Optima 
L (5)	Grandeur  Dynasty  Equus  Potentia  Enterprise 
SUV (4)	Galopper  Santa Fe  Sportage  Retona 
MV (5)	Santamo  Trajet  Carens  Carnival  Car Star 

2011 (32 Models)

SC (3)	Santro  i10  Morning 
C (3)	i20  Accent  Pride 
I (6)	Avante  i30  Porte  Porte Coupe  Seed  Veloster 
M (4)	Genesis Coupe  Sonata  K5  i40 
L (5)	Grandeur  Genesis  Equus  K7  Opirus 
SUV (7)	SantaFe  Tucson  Veracruz  Soul  Sportage  Sorento  Mohave 
MV (4)	ix20  Carens  Carnival  Venga 

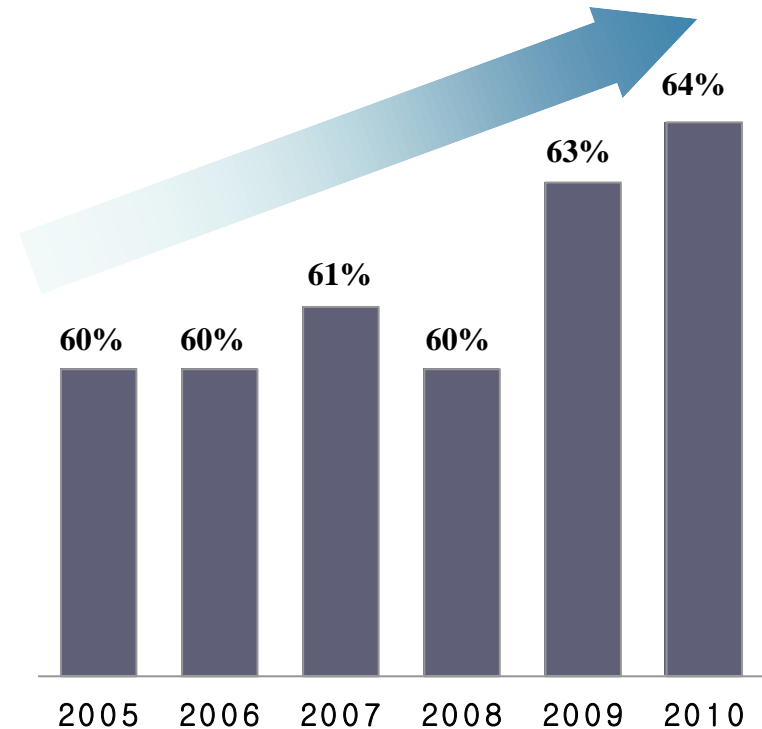
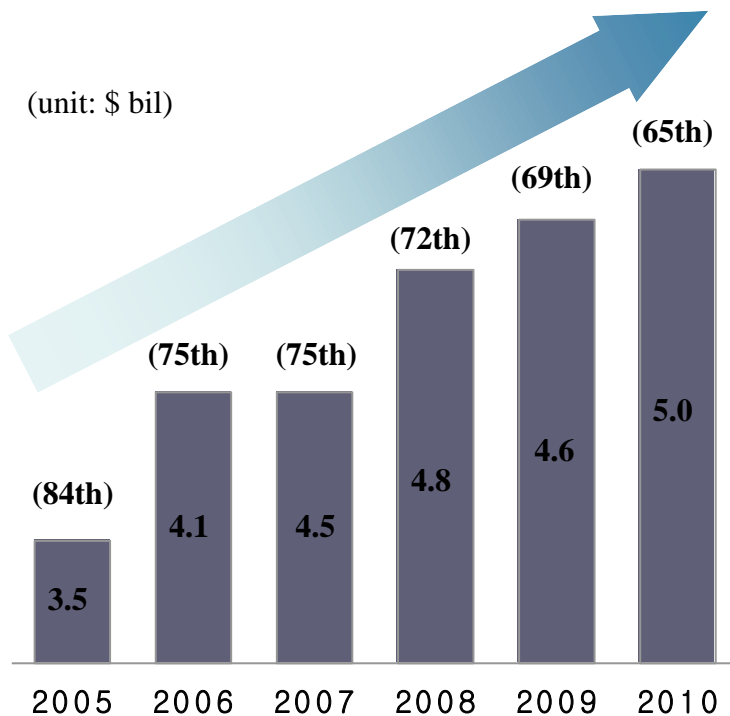
Note: SC: Sub-compact, C: compact, I: Intermediate, M: Mid-sized, L: Large, MV: Minivan

# 6. Brand Power Improvement

- Global 100 brand in 2005

Brand Value (Intebrand)

Brand Image (US)



Source: Intebrand, 2009

Source: GFK Automotive

# Media Features



10 HOURS AGO · BY ALEX TAYLOR III

## Hyundai: Toughest carmaker aro

The Korean car company is speedi head of the pack with a focus on qu push into the luxury-car game. More

- Hyundai smokes the competition
- ▶ Hyundai's success story

shipments are tracked from the time they leave the supplier until | is all about aggressiveness and speed.



CHAIRMAN/ONG 400  
CHANG TOOK OVER  
FROM HIS FATHER IN  
1997 AND SWITCHED  
THE COMPANY'S  
FOCUS FROM VOLUME  
TO HIGH QUALITY

38 FORTUNE January 18, 2010



# III. Key Success Factors of HMC/KMC

## External

## Internal

### ● Market Change

- BRICs
- Performance/price over brand
- Preference of small car

### ● Competitors

- Collapse of US carmakers
- Slowdown of Japanese carmakers

### ● Strategy

Quality → Market growth

### ● Management

Speed, Flexibility, & Transparency

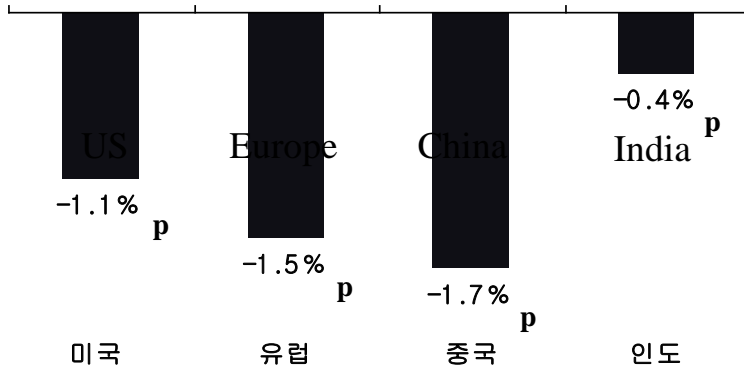
### ● Org. Culture

Learning, Crisis Mgt., & Mgt. by Wandering Around

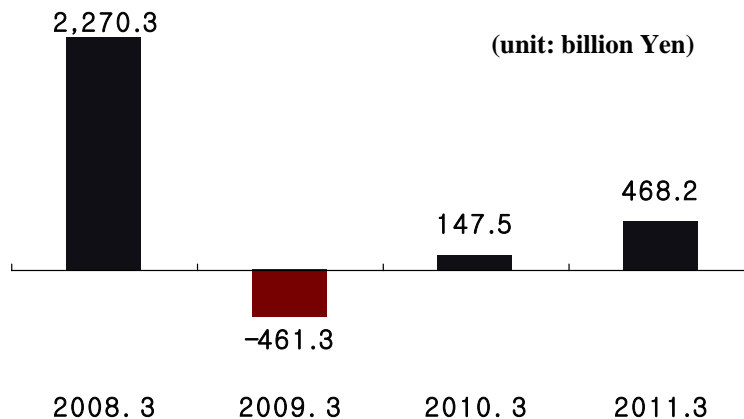
### ● CEO Leadership

# 1. Recent Slowdown of Toyota

Change in M/S (2007 vs. 2010)



Change in Operating Profit



Reasons for slowdown

## Strategic mistake

- Late entry to BRICs markets
- Emphasis on high end segments in North A.

## Strong Yen

- |                  |   |                  |
|------------------|---|------------------|
| <b>Jan. 2007</b> |   | <b>Dec. 2010</b> |
| • Y120.4/\$      | → | Y83.4/\$         |

## Recall

- Delayed recalls to Lexus models
- Damage to brand image

## Earthquakes/Floods

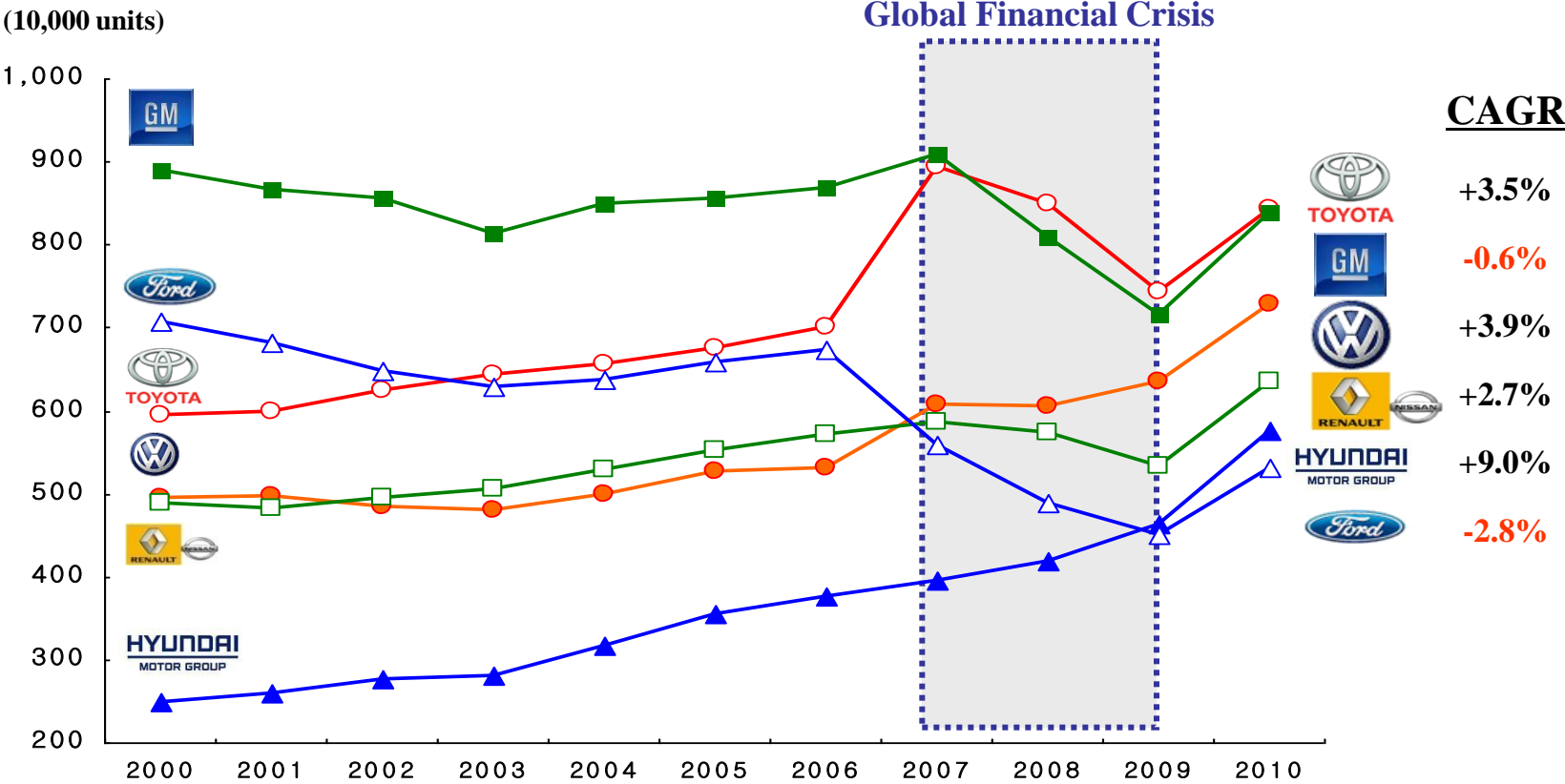
- Supply chain network & power shortage
- Slowdown of domestic demand



# Change in Competition

- Less difference in market share among top six (from 7% to 4%)

Sales Trends of Top Six



Source: Company records and Global Insight

# Global Top 5

- No. 10<sup>th</sup> place in 2000, but No. 5<sup>th</sup> in 2010

## Global Top 10 and Market Share

1. GM	16.0%
2. Ford	12.6%
3. Toyota	10.1%
4. Volkswagen	8.9%
5. Renault-Nissan	8.7%
6. Chrysler	5.5%
7. PSA	4.7%
8. Honda	4.5%
9. Fiat	4.4%



'00년

1. GM	13.7%
2. Toyota	12.3%
3. Renault-Nissan	9.3%
4. Ford	9.2%
5. Volkswagen	8.1%



'05년

7. Honda	5.4%
8. PSA	5.3%
9. Chrsler	4.5%
10. Suzuki	3.1%

1. Toyota	12.0%
2. GM	11.9%
3. Volkswagen	10.1%
4. Renault-Nissan	9.1%

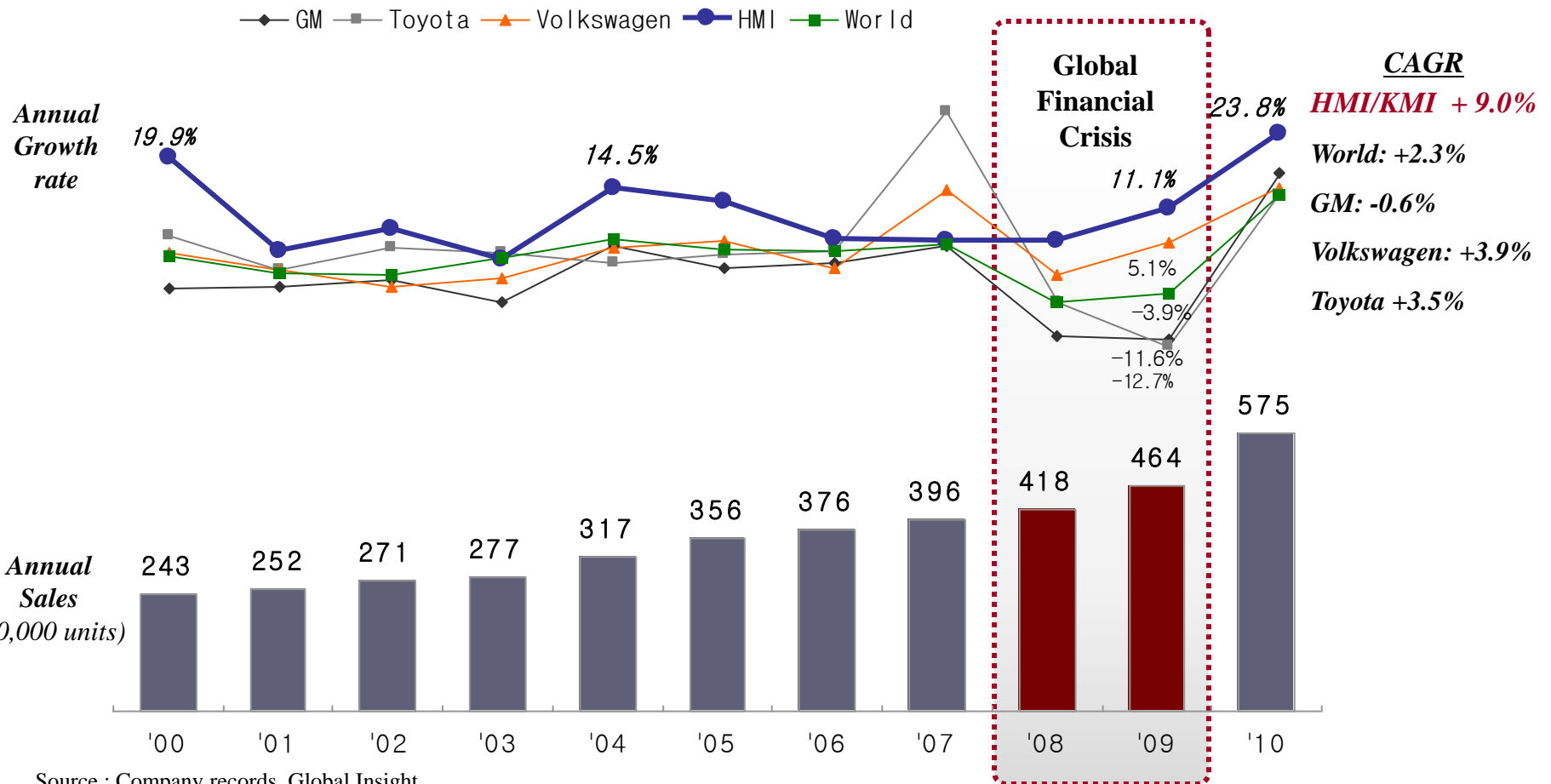


'10년

6. Ford	7.0%
7. Honda	5.1%
8. PSA	5.0%
9. Suzuki	3.6%
10. Fiat	3.3%

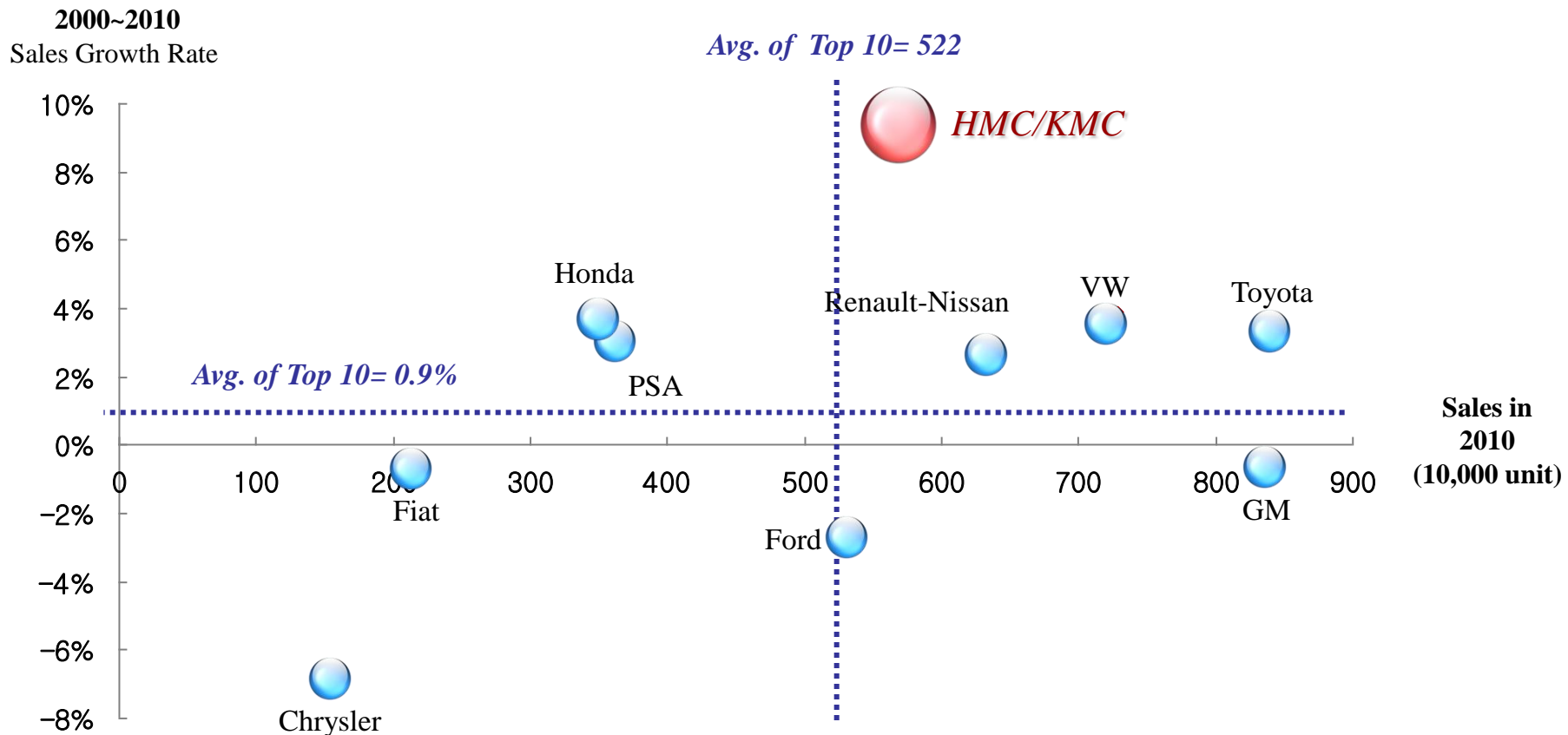
# Rapid Sales Growth Since 2000

- 9.0% of Cumulative Annual Growth Rate during 2000~2010



Source : Company records, Global Insight

# A Comparison of Sales Growth of Top 10



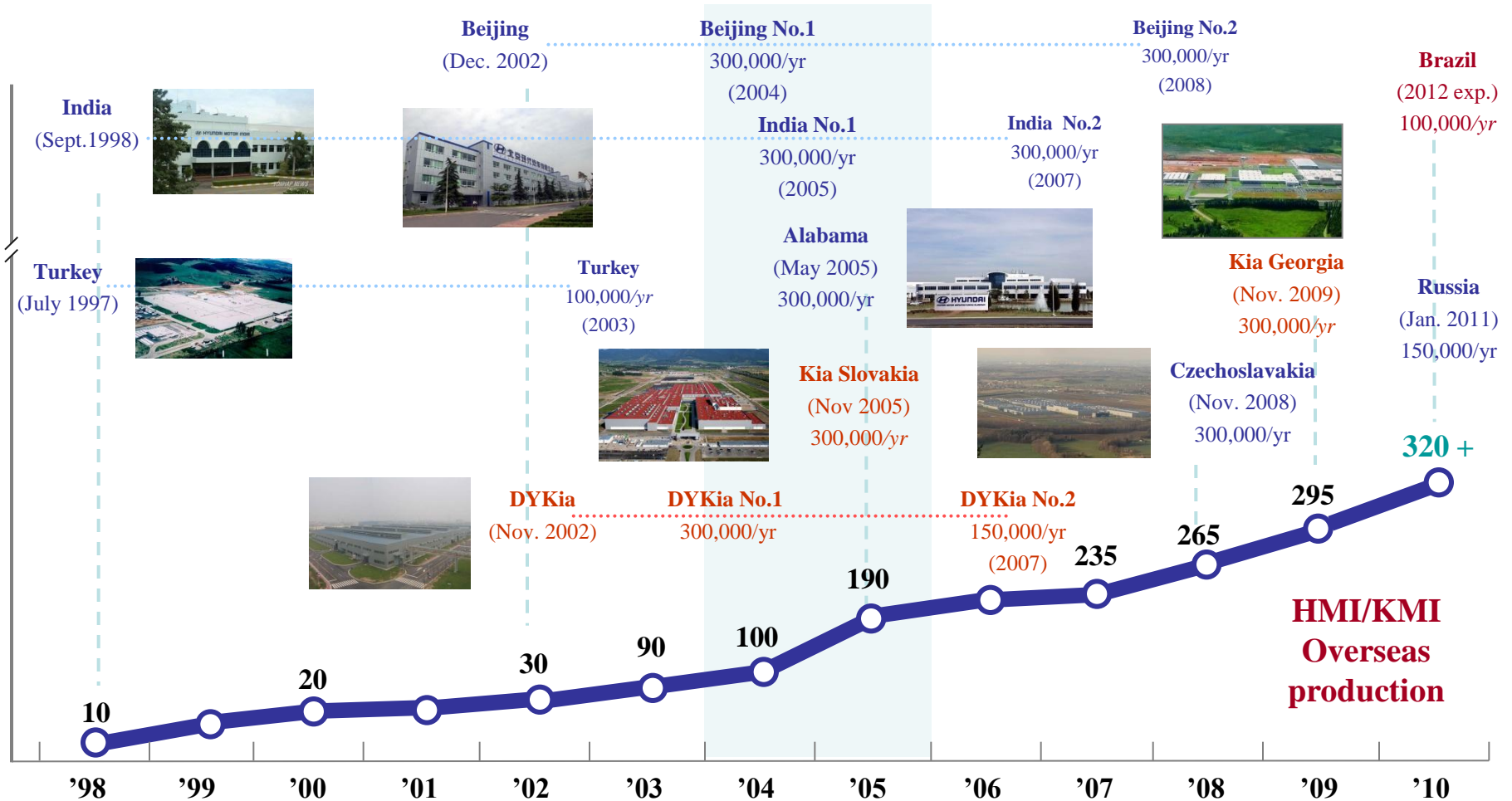
Source : Global Insight(2011.5), company records

## 2. Business Strategy

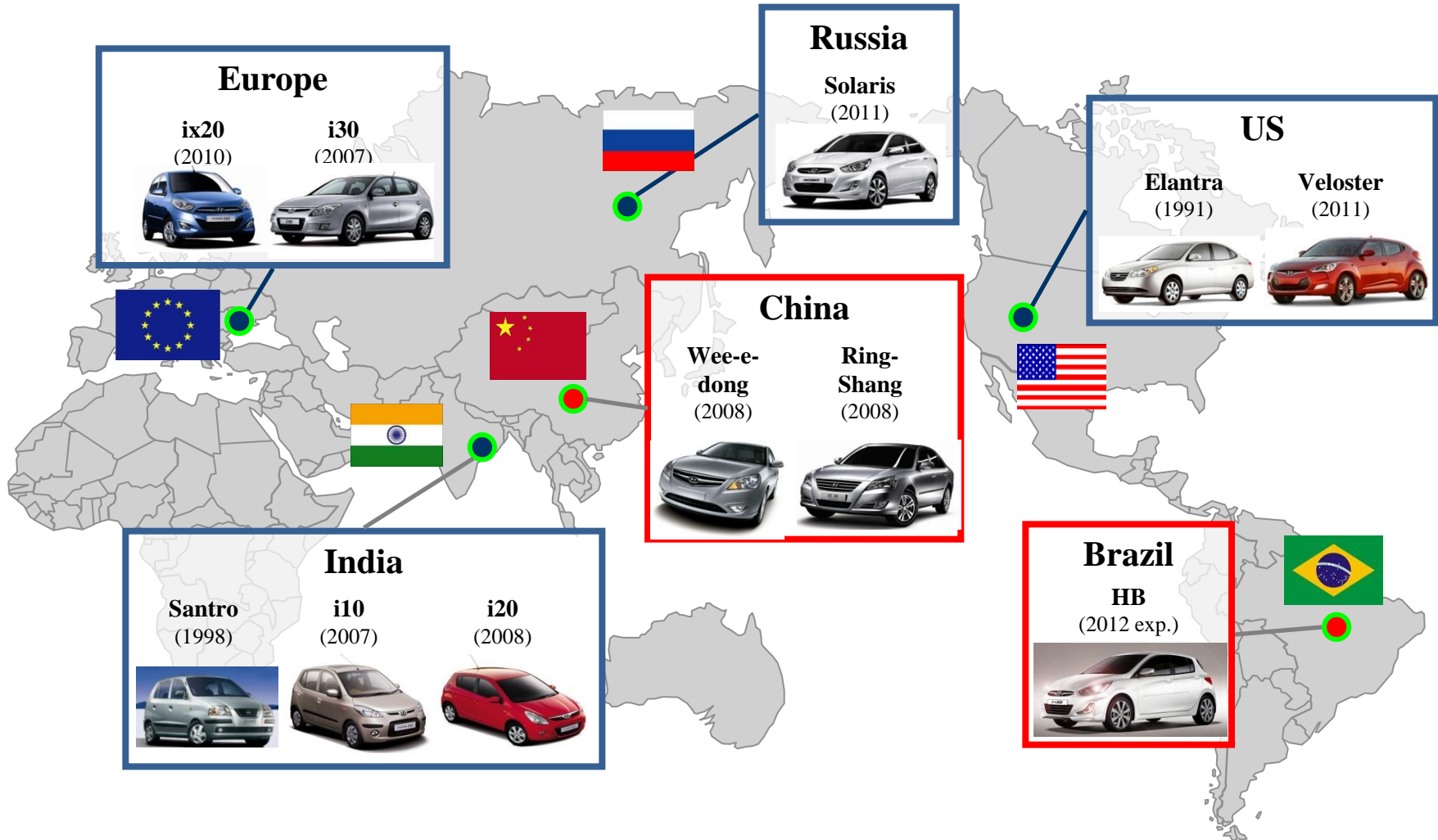


- 1 **Product** — Regional Strategic Model, Design
- 2 **Cost Comp.** — Common Usage, Modulation
- 3 **Technology** — Independent Engine full line-up
- 4 **Marketing** — 10 year 100,000 mile Assurance

# 2-1. Global Market Expansion

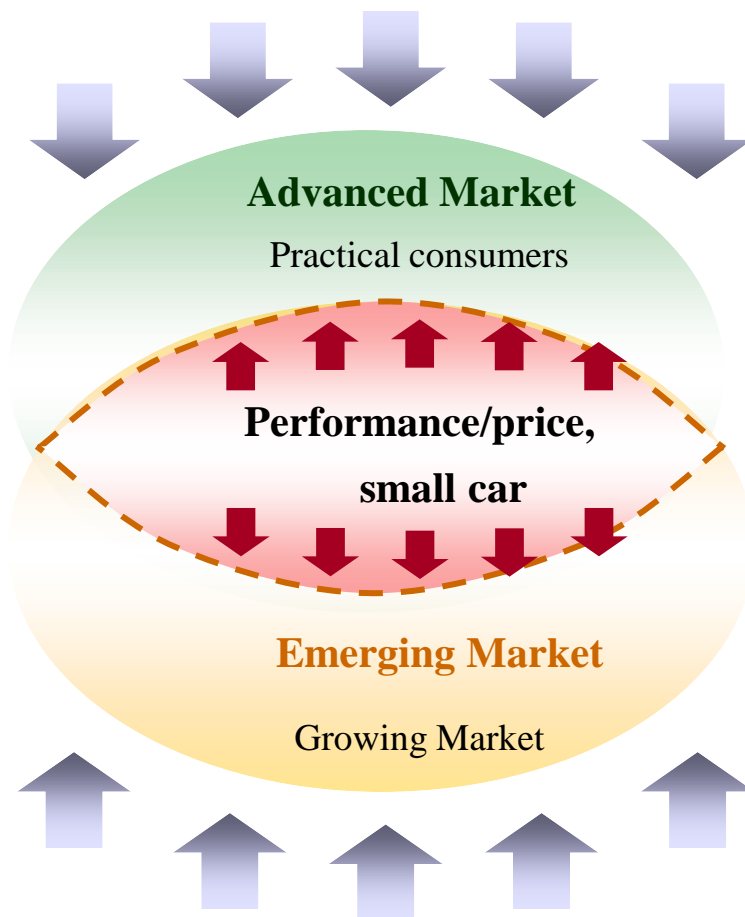


# 2-2A. Regional Strategic Models



## 2-2B. Appropriate Product Line-up

- Appropriate both for advanced and emerging markets



**Ratio of Small Car/Emerging Market(2010)**

(%)

	HMC/ KMC	GM	Ford	Toyota	Honda	Renault Nissan	VW
Small Car	59.5	49.2	39.6	45.6	49.4	52.7	65.5
Emerging Market	42.8	31.2	18.7	15.8	20.7	21.0	36.0

**Sales of Key Models (2010)**

(1,000)

Advanced Market	Elantra(170), i30(127), Soul(91), i10(86), Seed(77), Accent(77), i20(66), Forte(59)
Emerging Market	悅動(229), Elantra(189), i10(179), Accent(164), Rio(164), Serato(152), Forte(145), Verna(140)



# 2-2C. Product – Design Innovation

- Design Identities bot for HMC and KMS

HMC



**HYUNDAI**

NEW THINKING.  
NEW POSSIBILITIES.



**‘Fluidic Sculpture’**

- Flexible dynamics
- Natural appearance

KMC



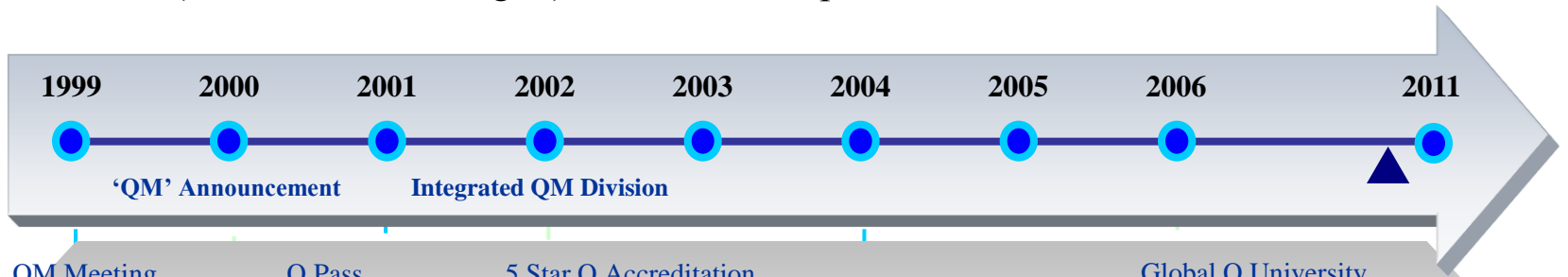
**‘Simplifying of lines’**

- Young, future-oriented
- Innovation

Family Look

# 2-3A. Quality Management (QM)

- CEO (Mr. CHUNG, Mongku)'s continued emphasis



QM Meeting

Q Pass

5 Star Q Accreditation

Global Q University

6 Sigma

Supplier SQ mark

Global QM Center

QM by CEO

"I am CEO of QM"



IQS, VDS

(JD Power, 2006/2009)



Q Goal

10 year 100,000 mile warranty (1999)

America's Best Warranty'  
10-Year/100,000-Mile  
Powertrain Limited Warranty

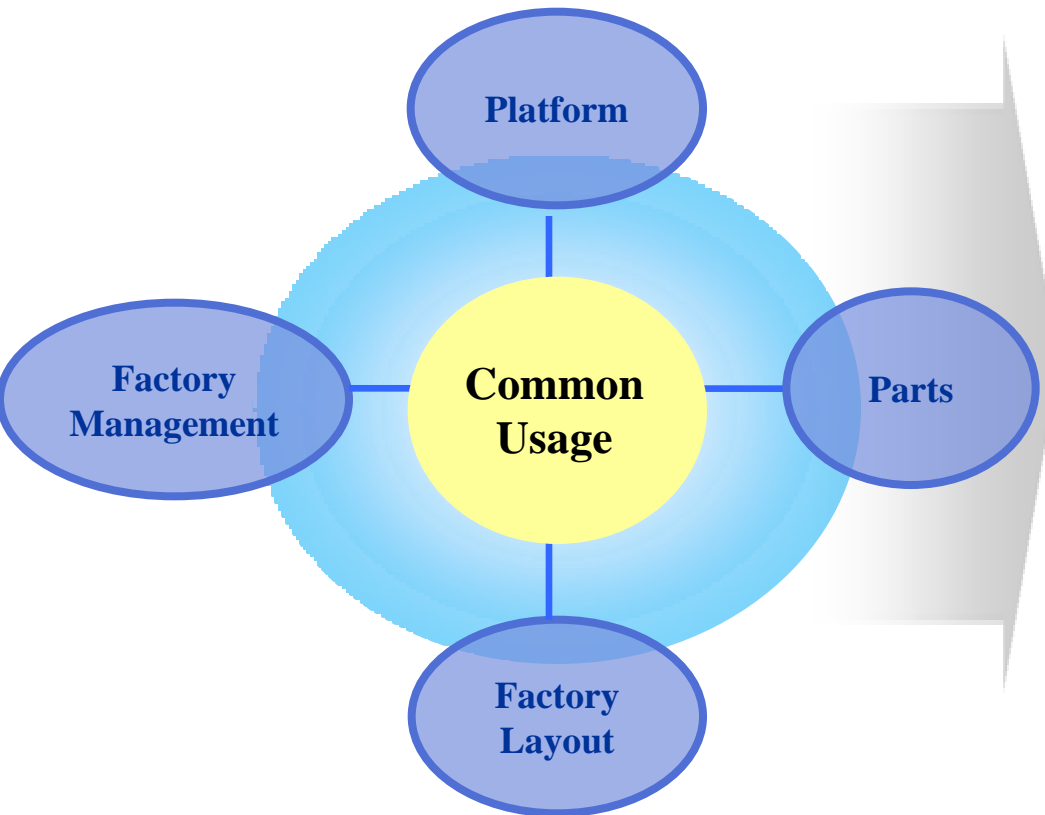


6 Sigma Expert Training



## 2-3B. Cost Competitiveness – Common Usage

- Platform integration and common usage of parts result in cost reduction in R & D, manufacturing, and management

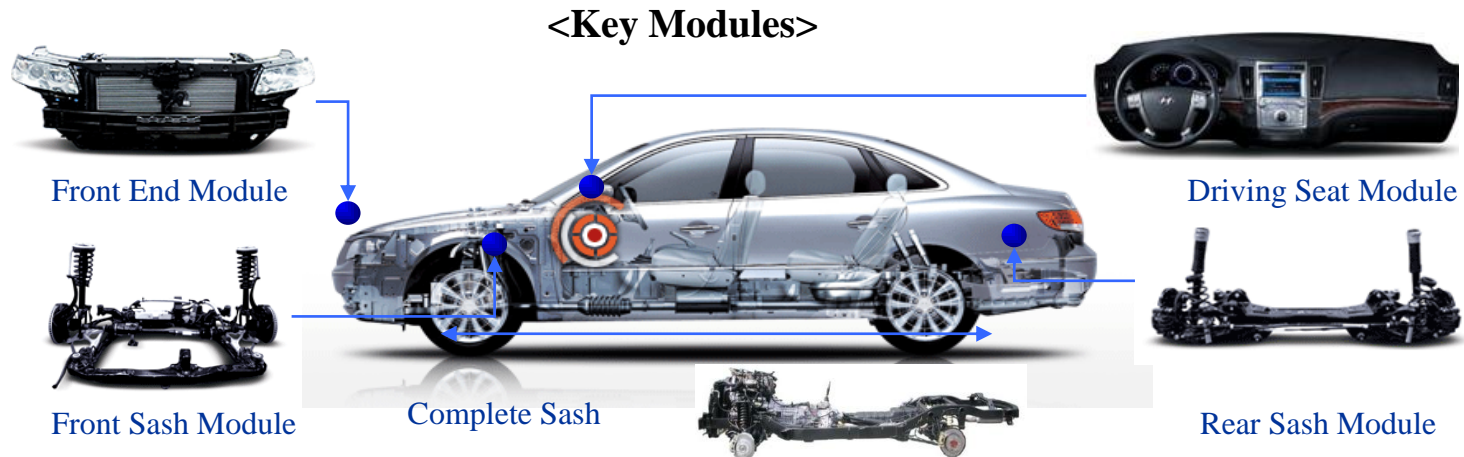
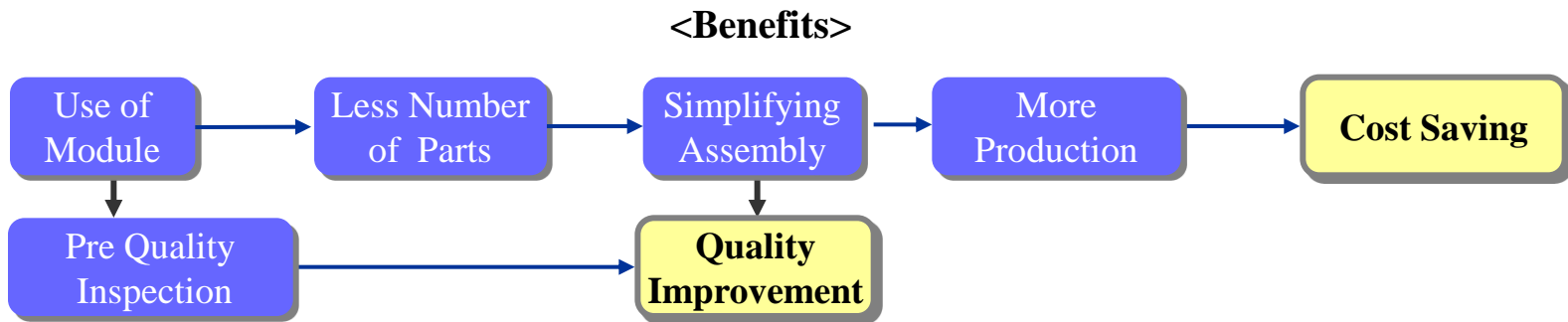


### <Benefits>

- **Shorter period for new car development**
- **Lower investment**
  - equipment/machinery
- **Lower procurement cost**
  - volume purchase
- **Part quality improvement**
- **Lower A/S cost**

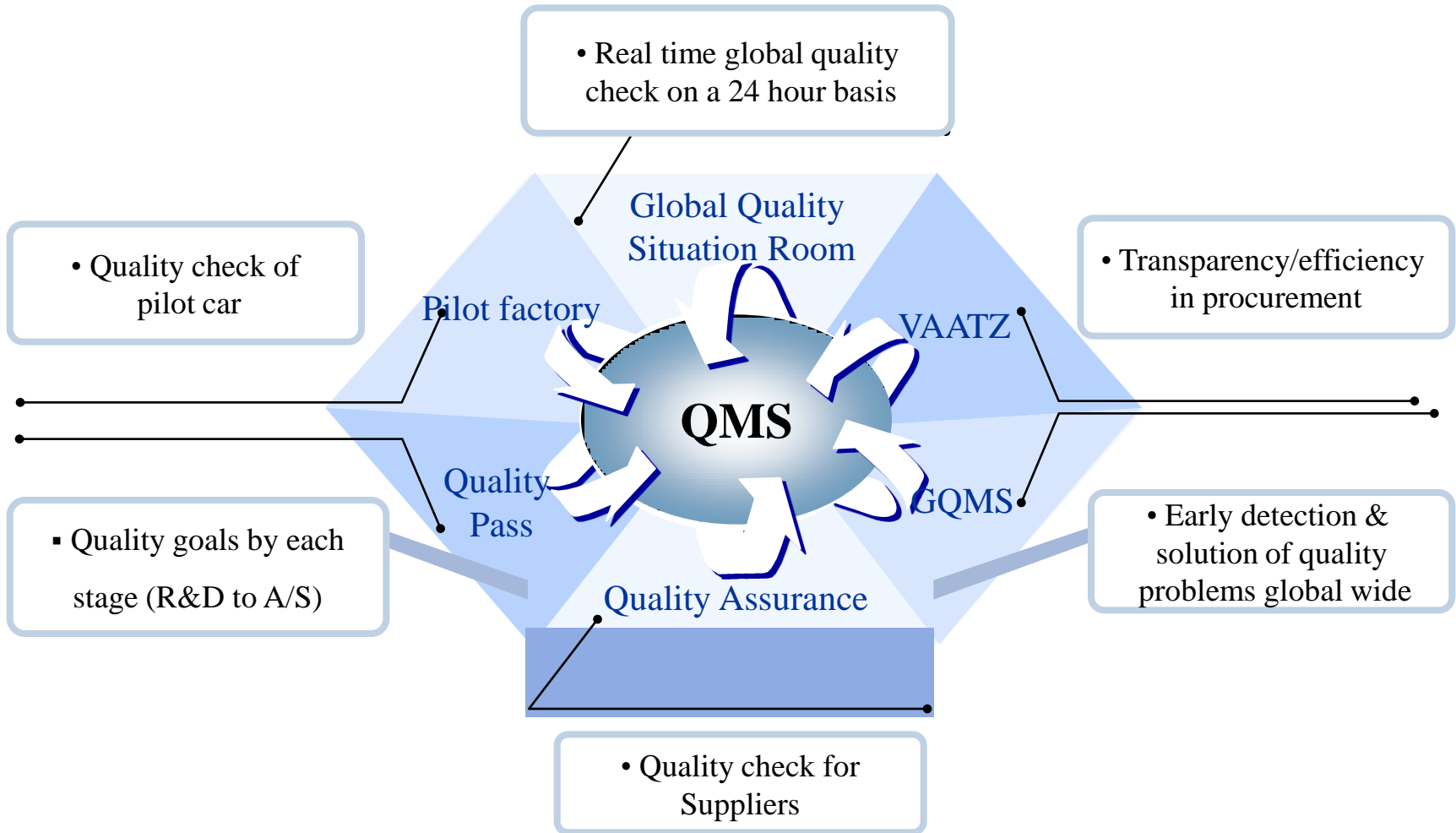
## 2-3C. Cost Competitiveness - Modulation

- Modulation of parts results in cost saving and quality improvement



# 2-3D. Quality Management System (QMS)– Speed/Transparency

- QMS from procurement, manufacturing, sales, and A/S



## 2-4. Technology – Independent Engine Full Lineup

- R & D in engine technology [small Kappa(1.25ℓ) to large Tau(5.0ℓ)]  
Independent engine full lineup → less period for new product development

	Major Engine Development
2000	Diesel engine for passenger car
2001	DOHC diesel engine
2002	Commercial diesel engine
2004	Export of Theta engine to Chrysler
2005	Lambda engine
2006	V6 diesel engine for passenger car
2007	Diesel engine full lineup
2008	Tau V8 engine
2009	Diesel R engine for next generation car

Tau Engine, named as  
'Global Top 10 Engines' (2009~2011)



## 2-5A. Marketing – 10 year 100,000 mile Warrantee

- Power train (engine & transmission)



	Basic	Power train
<b>HMC</b>	<b>60/60,000</b>	<b>120/100,000</b>
<b>GM</b>	36/36,000	36/36,000
<b>Toyota</b>	36/36,000	36/60,000
<b>Honda</b>	36/36,000	36/36,000

HMC Ad for 2010 Super Bowl

# 2-5B. Marketing – Assurance Program

- Hyundai Assurance Program: HMC guarantees rebuying the new car if the buyer gets unemployed in a year (up to \$7,500)

The screenshot shows the top of the Hyundai Assurance website. At the top left is the Hyundai logo and the word "Assurance". Below this is a navigation bar with links: HOME, PROGRAM OVERVIEW, COVERAGE, REQUEST BENEFITS, FAQ, CONTACT US, and FIND A DEALER. The main banner features a red Hyundai SUV on the left and the text "Hyundai Assurance WE'VE GOT YOUR BACK FOR ONE FULL YEAR" on the right. Below the banner is a navigation menu with four items: 1 HOW IT WORKS, 2 WHY YOU NEED IT, 3 WHAT'S COVERED, and 4 HOW TO GET. The main content area has a large heading "CERTAINTY IN UNCERTAIN TIMES." followed by a paragraph: "A decade ago Hyundai pioneered America's Best Warranty to show you the faith we have in our cars. Today, in addition to our warranty, we're introducing Hyundai Assurance, to show you the faith we have in you. Right now, buy any new Hyundai, and if in the next year you lose your income\*, we'll let you return it. That's the Hyundai Assurance." Below this text is a row of three silver Hyundai cars. On the right side of the page, there is a section titled "ONE FULL YEAR" with a "DOWNLOAD BROCHURE" button and a "NEED COVERAGE? Find a dealer nearby." button.

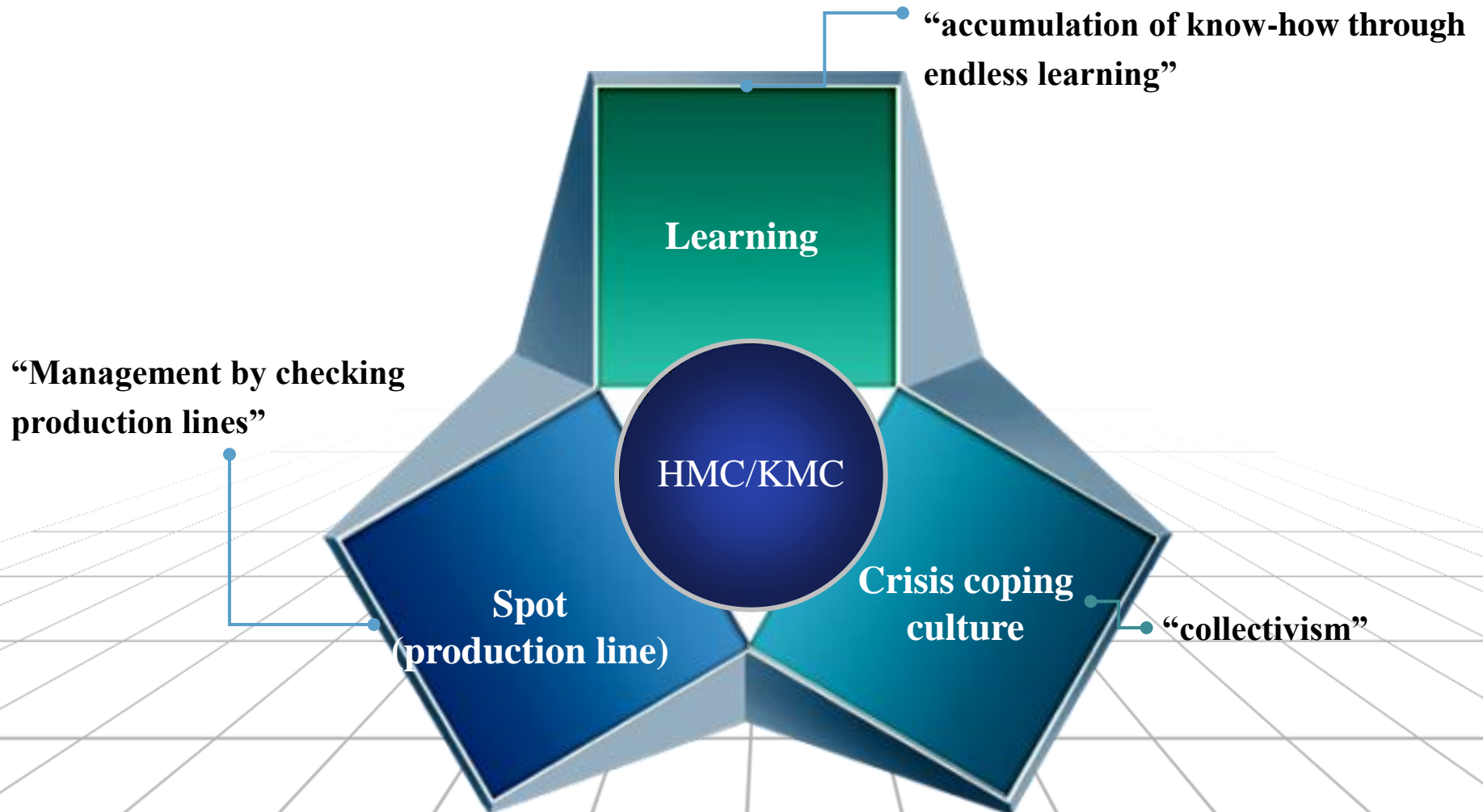
(WSJ, 2009.12)

Hyundai Assurance  
TV Commercial





## 2-6. Organization Culture



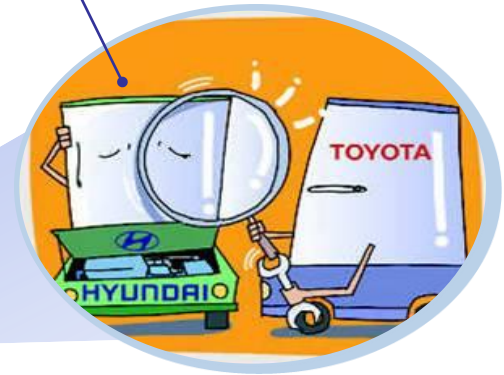
## 2-6A. Learning

- Growth through compressed learning and benchmarking with clear goals

### Quality Goals (10 year/100,000 mile)



### Toyota Benchmarking



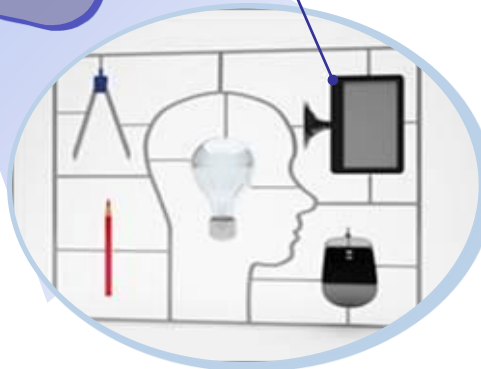
### Learning from Overseas Factory Establishment

- \* 11 factories for 10 years, 2 under construction



“Compressed  
Learning”

### Global IT infrastructure



# 2-7. CEO – Management by Wandering Around

## Frequent visits by CEO

### 정몽구회장 매달 해외로 나간다

인도·중국·미국·러시아·유럽 출장...글로벌경영 '울인'



1월 인도, 4월 중국, 6월 미국, 8월에는 러시아, 그리고 유럽, 브라질... 정몽구 현대-기아차 회장의 예상되는 올해 해외출장 스케줄이다. 어림잡아도 10여 차례는 된다. 매달 한 차례씩은 해외로 떠나는 일정이다.  
지난 한 해 동안 여수엑스포 유치에 '울인'했던 정몽구 회장이 올해는 글로벌 경영에 온 힘을 다할 예정이다. 정 회장은 글로벌 경영을

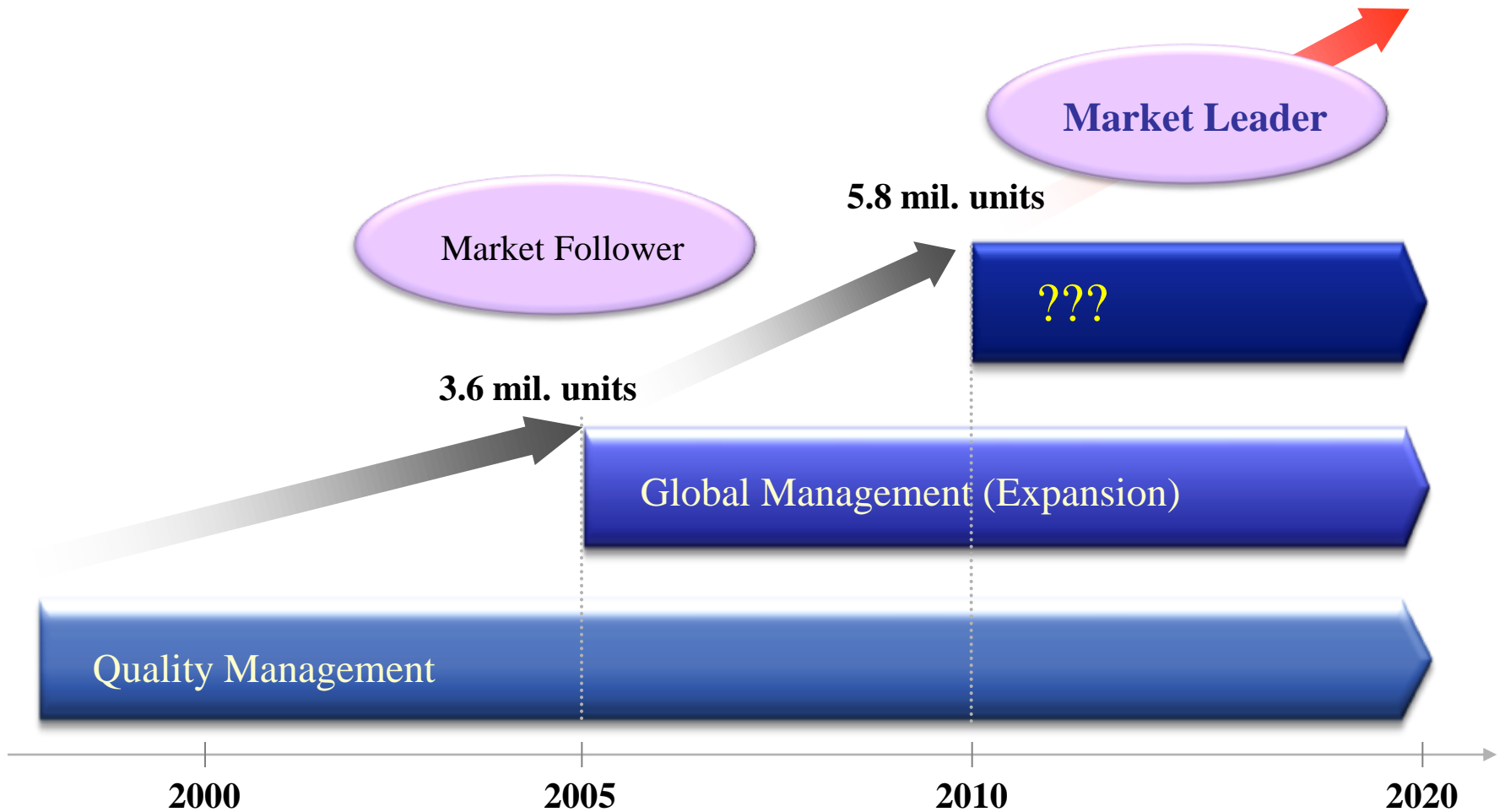
편지 달려들 걱려도 필요하다. 정 회장이 베이징 2공장이 완공되기 전에 중국을 먼저 방문할 수 있다는 여지다. 정 회장의 3, 4월 연속 중국 방문설이 나오는 이유이다.  
6반기에는 러시아 출장이 예정돼 있다. 8-10월 중이 될 전망이다. 현대차는 오일머니로 경제가 급성장하며 자동차 수요가 폭발적으로 늘고 있는 러시아 시장을 선점하기 위해 러시아 시장 진출을

놓고 볼색 중이다.  
또 현대차는 글로벌 시장을 겨냥해 내놓은 고급 세단 제네시스를 4월에는 중국, 6월에는 미국 시장에 진출시킬 계획을 갖고 있다.  
정 회장은 자동차 외에도 재벌 사업을 경계여 한다. 2010년 현대 재벌을 가동하기 위해서는 기술 도입과 철강 원석 등 원료 확보가 필요해 해외출장이 불가피하다. 출장하는 중엔 항상 차남인

## 2-3 visits (each week) to HSC



## 2-8. Future Strategic Focus



## IV. Future Challenges

- Market change (Emerging markets, Eco-friendly car, smart car, and energy efficient car)
- Technology change (IT, and electronics)
- New Competitors
- Value chain change (new battery)

KOREA



Q&A