



## Press Release

### **J.D. Power Asia Pacific Reports: Domestic Brands in China Narrow Initial Quality Gap with International Brands, As Industry-Wide Problem Rate Declines to Historic Low**

Lexus Ranks Highest in Initial Quality; Model-Level Rankings Show Considerable Global Diversity; Beijing Hyundai and Shanghai General Motors Each Receive Two Model-Level Awards

**SHANGHAI: 31 October 2012** — Automakers in China achieve significant improvements in initial quality this year, narrowing the gap between domestic and international brands and driving the overall industry average problem rate in that market to a record low, according to the J.D. Power Asia Pacific 2012 China Initial Quality Study<sup>SM</sup> (IQS) released today.

The study, now in its 13th year, examines problems experienced by new-vehicle owners within the first two to six months of ownership. The study examines problems experienced by owners in two distinct categories: design-related problems and defects and malfunctions. The overall initial quality score is determined by problems reported per 100 vehicles (PP100), with a lower rate of problem incidence indicating higher quality.

Initial quality of domestic brand models increases significantly in 2012, following a higher number of owner-reported problems experienced in 2011. Overall initial quality of domestic brands improves to 212 PP100 in 2012 from 232 PP100 in 2011, narrowing the gap with international brands to 95 PP100. Initial quality of international brands also improves year over year, to 117 PP100 in 2012 from 131 PP100 2011.

“Chinese domestic brands outpace the industry quality improvement in 2012,” said Dr. Mei Songlin, vice president and managing director of J.D. Power China Operations. “We are seeing remarkable improvements, particularly in the areas of ease in shifting gears with manual transmission, less incidence of brake dust and improved fuel efficiency. Yet despite this historic milestone for Chinese brands as a whole, no domestic nameplate exceeds the industry average in initial quality. This signals significant room for continued future improvement.”

Overall initial quality across the industry averages 146 PP100 in 2012, which represents the lowest number of problems since the inception of the study in 2000. Initial quality has improved by an average of 16 PP100 from 2011, largely driven by improvements among Korean and Chinese domestic brands.

The industry-wide improvement in initial quality is also due to the growing shift among vehicle owners from purchasing lower-end models to purchasing higher-end models, which consistently have fewer initial quality issues. The market share of vehicles in the SUV and luxury segments (including entry luxury, luxury and luxury SUV) have increased by 4 percent and 3 percent, respectively, from 2011, according to LMC Automotive, J.D. Power’s strategic partner in automotive intelligence and forecasting.<sup>1</sup> Average PP100 scores in the SUV and luxury segments are 136 PP100 and 73 PP100, respectively, which are significantly lower than scores in the compact (233 PP100) and mini van (191 PP100) segments, whose market shares have declined by 1 percent and 4 percent, respectively, from 2011.

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<sup>1</sup> Source: Sales data from LMC Automotive for 2011 (October 2010-June 2011) and 2012 (October 2011-June 2012)

Korean brands have the highest overall initial quality at 93 PP100, an improvement of 31 PP100 from 2011. In contrast, initial quality for Japanese brands—which follow Korean brands when examining quality by manufacturer origin—declines slightly year over year to 113 PP100 in 2012 from 108 PP100 in 2011.

Maintaining high initial quality is critical to both retaining existing customers, as well as attracting new customers. According to the J.D. Power Asia Pacific 2012 China Sales Satisfaction Index (SSI) Study<sup>SM</sup>, vehicle quality is among the top three drivers of purchase decisions made by new-vehicle buyers. The 2012 China IQS finds that among owners who have a problem-free experience with their vehicle, 36 percent indicate they “definitely will” recommend their brand to others, while 18 percent indicate they “definitely will” repurchase the brand. In contrast, among owners who experience more than one problem with their vehicle, the rates of those who say they “definitely will” recommend and repurchase decline to 27 percent and 13 percent, respectively.

“To further improve customer experiences with initial quality, focus should be placed on the most bothersome and most frequently reported problems experienced by vehicle owners,” said Tony Zhou, automotive research director at J.D. Power China Operations.

Excessive fuel consumption has remained the most frequently reported problem since 2007. However, engine power loss associated with the air conditioning ties with excessive fuel consumption as the most frequently reported problems in 2012. New-vehicle owners in China tend to be particularly sensitive to noise problems, with brake noise, wind noise, engine noise and fan/blower noise accounting for four of the top 10 most commonly reported problems.

“The automotive industry in China still has a lot of room for improvement, as it continues to lag behind such mature markets as the United States in initial quality,” said Zhou. “It is important for automakers to focus on defects and malfunctions, but improving design quality to make vehicles more user-friendly may also help reduce the number of problems owners experience.”

## **2012 China IQS Ranking Highlights**

Lexus is the highest-ranked nameplate in the study in initial quality, averaging 54 PP100. Lexus also ranks highest in the J.D. Power and Associates 2012 U.S. Initial Quality Study<sup>SM</sup> (IQS). Mercedes-Benz (72 PP100) ranks second highest, followed by BMW (74 PP100) and Audi (76 PP100). Dongfeng Honda (88 PP100) ranks fifth overall.

The model-level rankings show considerable global diversity. Among the 215 models examined in the study, two models from Beijing Hyundai (Hyundai Moinca; Hyundai Sonata) rank highest in two segments; and Dongfeng Yuedai Kia (Kia K2) ranks highest in a segment. Japanese brands FAW Toyota (RAV4), Dongfeng Honda (Civic) and Changan Suzuki (Alto) each garner one model-level award. U.S. brand Shanghai GM earns two awards (Chevrolet Sail and Buick GL8). German brand BMW (7 Series) receives one award. China domestic brand Wuling (Hongguang) receives one award.

In total, 10 vehicle segments are eligible for awards in the 2012 China IQS. Models ranking highest overall in their respective segments include:

- Compact: Suzuki Alto
- Premium Compact: Chevrolet Sail
- Entry Midsize: Kia K2
- Midsize: Honda Civic
- Lower Premium Midsize: Hyundai Moinca
- Upper Premium Midsize: Hyundai Sonata
- Luxury: BMW 7 Series
- SUV: Toyota RAV4
- MPV: Buick GL8
- Mini Van: Wuling Hongguang

The 2012 China Initial Quality Study (IQS) is based on evaluations from 20,639 owners of new vehicles purchased between October 2011 and June 2012. The study analyzes models in 12 vehicle segments and

includes 215 different passenger-vehicle models covering 68 different makes. The study was fielded from April 2012 to August 2012 in 43 major cities across China.

J.D. Power Voice-of-the-Customer benchmark studies evaluate products and services based on consumer feedback on their experiences to help businesses make informed decisions about product and service improvements. The research is conducted through an entirely independent process that is funded by J.D. Power, which is key to the company's independence and unbiased position. Typically, studies are derived from a random national sample of customers who use products and services across a number of industries. Study results are based solely on the opinions of customers. The opinion of J.D. Power is not included in the study results.

The China Initial Quality Study (IQS) is one of the consumer-based benchmark studies conducted by J.D. Power Asia Pacific in China. Other 2012 studies conducted by J.D. Power Asia Pacific include:

- ◆ The China New-Vehicle Intender Study (NVIS), which examines pre-purchase perceptions and considerations, was released in June.
- ◆ The China Customer Service Index (CSI) Study, which examines satisfaction with the after-sales service experience among vehicle owners between 12 and 24 months of ownership, was released in July.
- ◆ The China Sales Satisfaction Index (SSI) Study, which measures satisfaction with the new-vehicle sales process, was released in August.
- ◆ The China Automotive Performance, Execution and Layout (APEAL) Study, which measures what excites and delights owners about their new-vehicle's performance and design during the first two to six months of ownership, will be released in late November.
- ◆ The China Vehicle Dependability Study (VDS), which evaluates overall vehicle dependability during the first 25-36 months of ownership, will be released in mid December.

J.D. Power Asia Pacific today announced the launch its corporate weibo (a Chinese microblogging website). For more information about the China Initial Quality Study (IQS), please follow J.D. Power at <http://e.weibo.com/jdpowerchina>.

#### **About J.D. Power Asia Pacific**

J.D. Power Asia Pacific has offices in Tokyo, Singapore, Beijing, Shanghai and Bangkok that conduct customer satisfaction research and provide consulting services in the automotive, information technology and finance industries. Together, the five offices bring the language of customer satisfaction to consumers and businesses in China, Australia, India, Indonesia, Japan, Malaysia, Philippines, Taiwan, Thailand and Vietnam. Information regarding J.D. Power Asia Pacific and its products can be accessed through the Internet at [www.jdpower.com](http://www.jdpower.com). Media e-mail contact: [ellen\\_wang@jdpa.com](mailto:ellen_wang@jdpa.com). Please follow J.D. Power at <http://e.weibo.com/jdpowerchina>.

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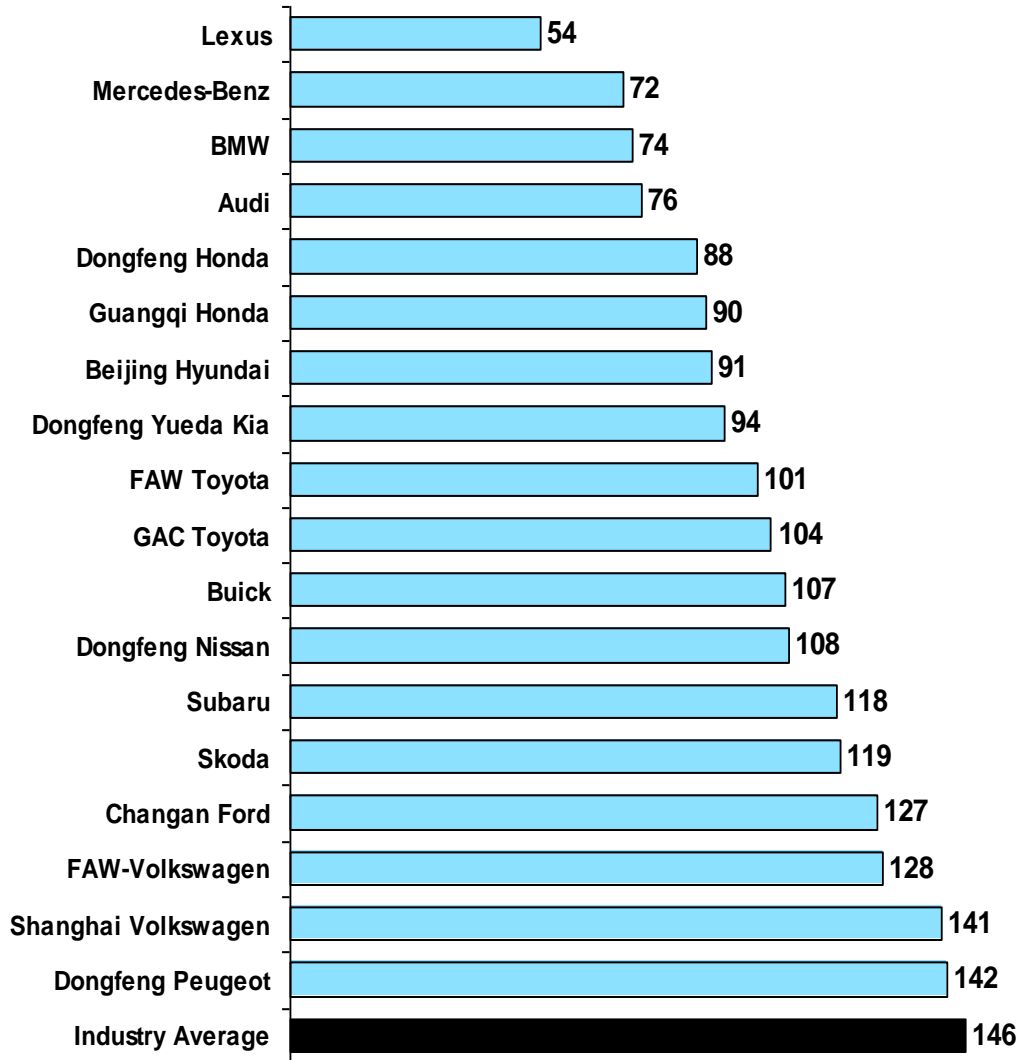
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# J.D. Power Asia Pacific 2012 China Initial Quality Study<sup>SM</sup> (IQS)

## 2012 Nameplate IQS Ranking

Problems per 100 (PP100) Vehicles\*



\* Each model's PP100 score is the average number of problems reported per 100 vehicles.

Source: J.D. Power Asia Pacific 2012 China Initial Quality Study<sup>SM</sup> (IQS)

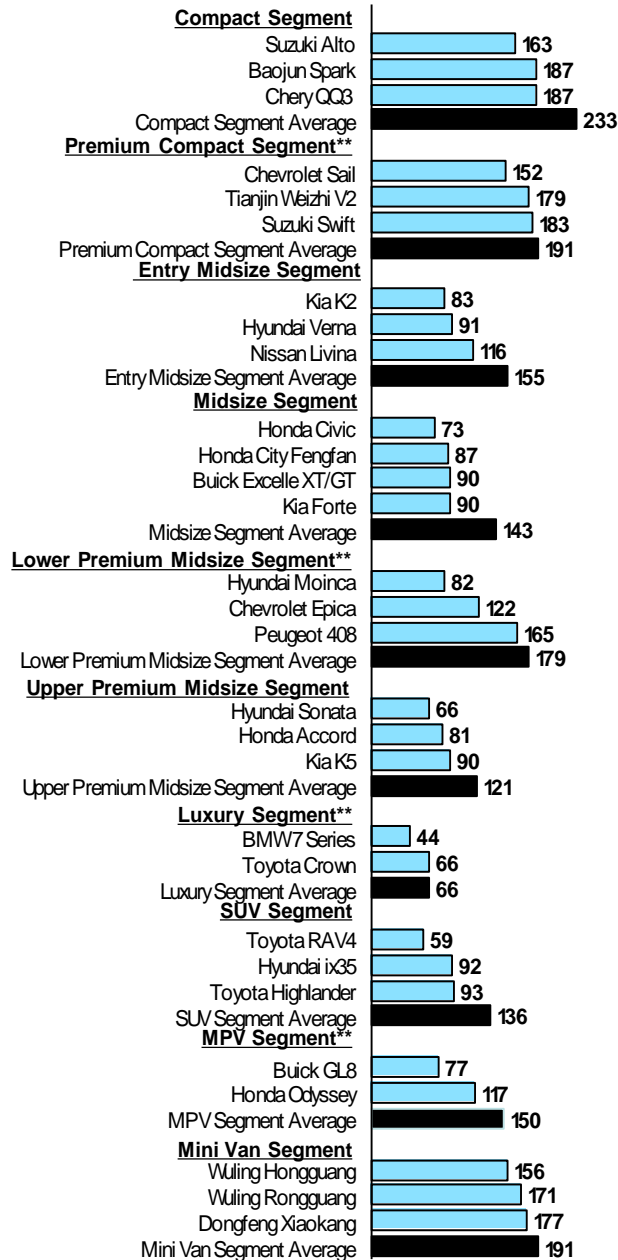
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# J.D. Power Asia Pacific 2012 China Initial Quality Study<sup>SM</sup> (IQS)

## Top Three Rankings per Segment in Initial Quality

(Lower scores reflect better quality performance)

Problems per 100 (PP100) Vehicles\*



\*Each model's PP100 score is the average number of problems reported per 100 vehicles.

\*\*No other model in this segment performs above the segment average.

No rankings are published for the Entry Luxury and Luxury SUV segment due to an insufficient number of award-eligible models.

Source: J.D. Power Asia Pacific 2012 China Initial Quality Study<sup>SM</sup> (IQS)

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