

Hyundai, using a safety net, wins market share

Nick Bunkley

Twenty-three years after it started selling cars in the United States, and in the midst of an industrywide slump that has pushed some competitors to the brink of bankruptcy, the Korean automaker Hyundai spent \$3 million to tell Americans watching the Super Bowl how to say its name correctly.

"It's 'HUN-day,' like Sunday," said one of its two ads during the game.



Barbara P. Fernandez for *The New York Times*

In Fort Lauderdale, Fla., a shopper considered a Hyundai Elantra. Hyundai says it has a more compelling offer than its prices: buyers are allowed to return their cars if they lose their jobs.

Few carmakers have the luxury to be concerned about pronunciation these days. New-vehicle sales fell 37 percent last month, the industry's worst January since 1963.

Then again, more car shoppers are saying Hyundai's name. The company's market share nearly doubled last month as sales rose 14 percent, the largest year-over-year increase that any big automaker has posted in the United States since last May.

One reason for the jump in January, after a dismal December, appears to be Hyundai's new marketing strategy of promising to let buyers return their vehicles, at no cost in most cases and with no penalty to their credit rating, if they lose their job or income within a year.

"To their credit, they struck at the core of what's bothering people, and that's obviously uncertainty," said Jeremy Anwyl, the chief executive of Edmunds.com, a Web site that gives car-buying advice to consumers. "It's just the fear and the uncertainty that's holding people back."

Mr. Anwyl said the program, called Hyundai Assurance, would probably lead to similar deals from some rivals after they see that Hyundai's offer is resonating with consumers.

"It gives them a whole new audience — people for whom it would have never popped up on their shopping list," he said.

Sales of the Hyundai Sonata, a full-size sedan that costs less than \$20,000, surged 85 percent in January, making it one of the country's top-selling vehicles. And Hyundai sold more passenger cars last month than Chrysler, which has four times as many dealers.

"Hyundai is the right franchise for the times right now," said Rick Case, who in February 1986 opened the first two Hyundai dealerships in the country and now owns six Hyundai stores, in Florida, Georgia and Ohio. "With this economy, a lot of people don't want to be seen in Mercedeses and BMWs and Lexuses."

While 2009 has started well for Hyundai, the final months of 2008 were rather turbulent. The company named its fifth American chief executive in five years. And from September to December, sales at Hyundai and its Kia subsidiary plunged 37 percent, more than any other mass-market automaker except Chrysler.

The company lost many potential buyers when most banks stopped approving loans for customers with subprime credit.

"It really wasn't something that we had faced before, and I don't want to live through another fourth quarter like that again," said David L. Zuchowski, Hyundai's vice president for sales.

Last fall Hyundai began testing the idea of a return policy rather than simply piling more discounts onto its already low-price vehicles. The program covers every buyer of a leased or financed vehicle who involuntarily loses a job; becomes physically disabled; loses a driver's license for medical reasons; is transferred to another country; is self-employed and files for bankruptcy; or dies in an accident.

The guarantee covers the difference between the value of the car and the amount the buyer owes, or negative equity, up to a maximum of \$7,500.

"It doesn't matter how many zillion dollars you put in rebates, or what A.P.R. you give them," Mr. Zuchowski said. "If people are worried about their job, they don't really care and they're just not going to get off the fence. But we had to walk a really fine line. We wanted to make sure we didn't come off as panicked or distressed."

Mr. Zuchowski declined to reveal the cost of the program but said it was negligible, especially weighed against the expected increase in sales.

In mid-January, Hyundai had another boost when its first luxury sedan, the Genesis, which costs \$15,000 to \$20,000 less than many competing models, was named North American car of the year at the Detroit auto show.

Mr. Zuchowski said Hyundai can benefit from merely putting itself in front of American consumers, hence the Super Bowl ads and its sponsorship of the Academy Awards this month — after General Motors backed out.

The company has 7 percent of the market in the United States, where it has one plant, but last year it became the world's fifth-largest automaker, ahead of Honda, Nissan and Chrysler.

"A lot of people still think we're this little import that builds cars in corrugated tin shacks in South Korea," Mr. Zuchowski said.

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