

# TRENDS AND PERSPECTIVES OF KOREA'S RV MARKET

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## Trends in Domestic RV Market

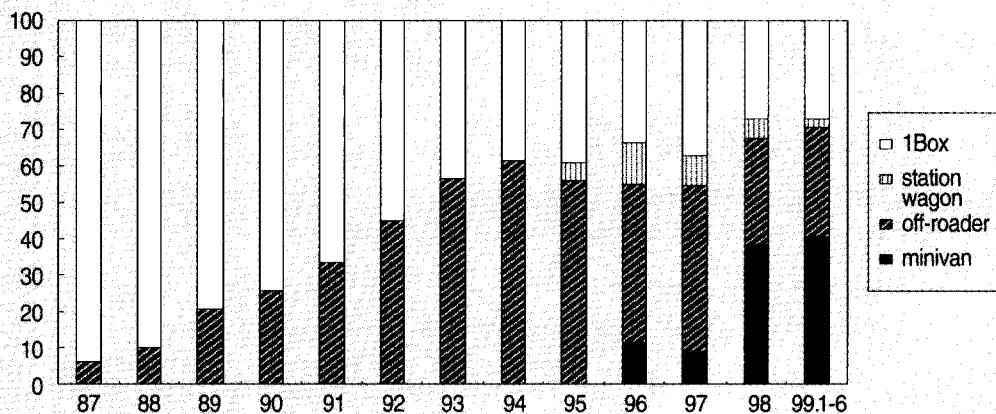
**K**orea's RV (Recreational Vehicle)<sup>1)</sup> market is booming heatedly nowadays. RV sales in the first half of this year reached 122,000 units, rising by 115% over the same period of the last year. Market share of RV in auto sales rose to 24.9% from 20.7% in the first half of 1998, and its market share in car sales jumped to 36.2% from 30.2% in the same period. With the quantitative expansion of the RV market, some noticeable phenomena are surfacing. First of all, the leading segment of RV market is changing: 1Box was the leading segment

before the mid-90s, but the minivan market, since its introduction in 1996<sup>2)</sup>, has grown into the largest market after 1998.

Also, sales volume of popular minivan models is comparable with that of popular car models. The Kia Motors' minivans—Carens and Carnival—ranked second and fifth, respectively, in sales record list by models in August this year<sup>3)</sup>. Monthly sales volume of some popular RV models exceed 5,000 units.

Thus, heated debates are rocking the nation on whether the Korean RV market will follow the development path of the Japanese RV market. Japan experienced a so-called "RV boom" from the early 90s with explosive sales of RV. The development path of Japan's RV

Figure 1. Market Shares by 4 Segments of Korean RV Market



1) Generally recreational vehicles are categorized into 4 segments, 1Box, station wagon, off-roader, and minivan.

Van-type 1Box, mini cars and imported cars are excluded in all statistics.

2) The first minivan model was introduced by Kia in 1996.

3) Sonata ranked first, Verna third and Matiz fourth.

market draws particular attention because of the following features occurring in the Korean market. First, the leading segment of RV market has been 1Box for a long period of time. Second, share of the late-comer minivan market rose sharply within a short period. Third, sellout RV models, whose sales volumes are comparable with those of popular car models, have emerged.

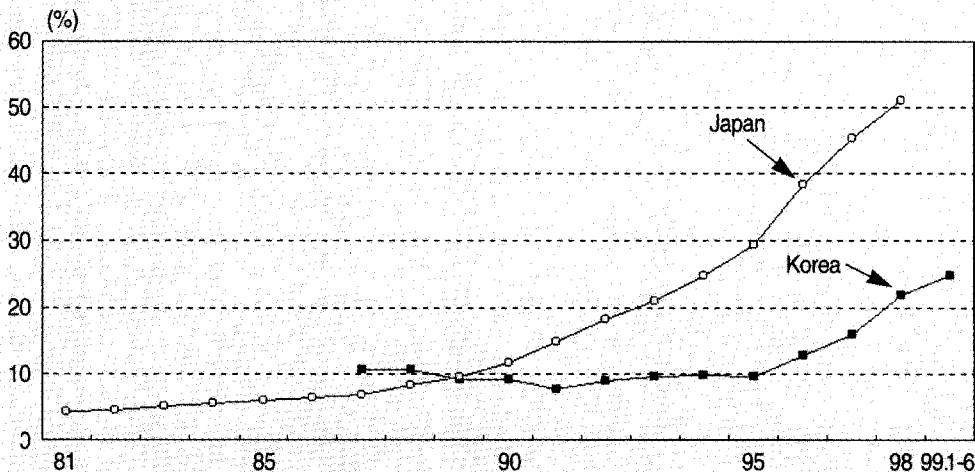
*Tips from Japanese “RV Boom”*

The RV boom in Japan can be characterized first by the change of leading segment in the RV market, with RV market’s breakaway from being a niche market with quantitative expansion. The growth rate of RV market year-on-year was 10% or so before the mid-80s, but after the late 80s the growth rate surged past 20%. From that point, the Japanese RV boom started. Next, the leading segments changed from 1Box and off-roader in the 80s to minivan since the early 90s. The RV market gradually changed into a mass market with several sellout models, whose sales volume approached those of popular car models.

What forces drove the Japanese RV boom? The most important force was the emergence

of various RV models in which the characteristics of passenger car and utilities of RV were integrated. Before that time, it has been difficult to embody properties of passenger cars such as comfort, driving stability and riding convenience in 1Box and off-roader. Until then, the RV market was merely a small niche market fulfilling consumers’ needs of RV-specific utilities (for example, wide interior space) and capabilities (easy running on rough roads). However, several new minivan models called “car-derived RV” were introduced to the market in the early 90s. The characteristics of passenger car could be fully embodied into those models, because generally they were developed from car platforms. Ever since, the RV market started to grow into a mass sales market substituting the car market; it was no longer a niche market supplementing the whole automobile market. In that very period of time, major automakers have rushed competitively into the RV market with various new models, which were based on car platforms. They succeeded in integrating the characteristics of cars and utilities of RV in new RV models and in reducing cost, thanks to platform sharing with cars. This was one of the critical forces that led the RV boom.

**Figure 2. Market Shares of RVs in Domestic Markets of Korea and Japan**



### *Evaluation of Korean RV market*

The RV share in the Korean auto market for the first half of 1999 (24.9%) reaches that of Japan in 1994 (24.8%). A few characteristics of the Korean RV market, e.g., the change of leading segment in the RV market and the emergence of mass-selling RV models, bear resemblance to the Japanese counterpart.

Some differences between the RV markets of both countries are hard to be totally disregarded, however. Above all, the recent expansion of the Korean RV market is mainly

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driven by tax favors and low fuel price of diesel and LPG.<sup>4)</sup> Tax burden of RV is much lower than that of passenger car; and price of diesel and LPG is, without further explanation, much lower than that

of gasoline. Taking maintenance cost into consideration, the majority of recently sold recreational vehicles are diesel and LPG models. Moreover, other socio-economic contexts differ between the two national markets in terms of the national income, possession of multiple automobiles and so on. As properties of the two RV markets are somewhat different, it is rather too hasty to draw a conclusion based on certain trends in the Korean RV market that a Japanese-style RV boom will likewise occur in Korea.

### *Perspectives of Korean RV Market*

Considering such situation of the Korean RV market, it seems more proper to say that its development stage is on the threshold of an "RV boom".

Whether this trend can surpass the general growth pattern and make great strides will depend on the product strategy of major automakers. That is to say, various minivan models, which fully integrate the merits of passenger car and the utilities of RV, may kick-start an RV boom, the seeds of which are contained in the market trends including the rapid growth of the minivan market.

In relation to the possibilities of an RV boom, the launching of new RV models by Hyundai Motors and Daewoo Motors, the first and second largest automakers in Korea, is expected to serve as a turning point in the history of Korea's RV market. They are the first RV models built by Hyundai Motors and Daewoo Motors. Hyundai Motors will introduce a new minivan this month and a new off-roader in early 2000. Daewoo Motors plans to debut a new minivan model within this year. These models are said to have fully integrated the merits of passenger car and the utilities of RV, developed on the basis of car platforms.

In particular, developing car-derived recreational vehicles can deduce costs significantly by sharing the platform with another car model. Therefore, it may allow automakers to lower the price of RV models. RV sales expansion by lower pricing is highly expected to contribute to broadening the market base.

What should be kept in mind is that impact of imported RV models from Japan are now attracting considerable attention. Since past July, imports of Japanese-made vehicles have been liberalized, including Japanese automobiles. With a comparatively longer history of RV market, Japanese automakers have a rich line-up of RV models which stirred a proliferating RV boom in their own domestic market. It is likely that Japanese automakers will penetrate the Korean auto market with recreational vehicles rather than passenger cars, which are disadvantaged in price competitiveness. **VIP**

4) Recently, KAMA (Korea Automobile Manufacturers Association) released a survey result that the most important factor affecting vehicle sales is tax burden and fuel price (KAMA, "Survey on Consumer Perception of Automobiles", July 1999).