How Hyundai Is Gaining Market Share

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Dave Zuchowski, Hyundai's head of U.S. sales

Still a small player in the U.S. auto market, Hyundai has big plans to gain market share during one of the toughest environments the industry has ever faced. Late last year the South Korean auto company launched an innovative plan that offers skittish car buyers a bailout. Under its Assurance plan, the company will buy back a customer's car if she loses her job or becomes disabled, paying up to $7,500 of the cost of depreciation. Hyundai owners also have the choice of letting the company make their payments for 90 days while they look for a new job — money Hyundai will not ask to have returned.

Hyundai's program has already had an impact on sales. In February 2009, with overall U.S. car sales down a staggering 41 percent over the year before, Hyundai turned in the best performance of any automaker, down a mere 1.5 percent. Meanwhile, sales of its Elantra model were up 33 percent. BNET talked to Dave Zuchowski, Hyundai's head of U.S. sales, about the Assurance plan, how the company is taking a different approach to marketing, and why he feels optimistic despite the downturn.

What was the inspiration for doing something as crazy as buying back people's cars?

In the fourth quarter of 2008, the market really started to collapse on us, and everyone was resorting to typical responses like rebates, cheap financing, and low lease payments. We sat there in mid October and thought, none of this is working, we need a different approach.

Our intent with Assurance is to provide certainty in uncertain times and give people a safety net. It's really struck a cord. We expected it would set us apart because it was something no one else was doing. But events have overcome us a bit. The sicker the economy gets, the more attractive this program becomes. It's driven people to our Web sites, and at the end of the day, it's sold cars to people who might have been on the fence. It gave them confidence to make a purchase decision.

How much market share do you think you can steal from competitors who aren't being as innovative?

Everybody is trying to figure out how to gain market share. At the end of the last year we had 3 percent market share, so we believe there's 97 percent out there that we can go after. (Laughs.) For the first two months of this year, our share has gone up 1.7 points, and that's in an industry that measures a tenth of a point as a pretty good increase.

How important is marketing these days, and have your ad budgets done up or down?

Our overall marketing spending in 2009 is down maybe 10 percent from 2008, but the way we're spending that money has changed dramatically. We're relying less on newspapers and magazines and more on the Internet and a big bang approach. We had a very strong presence this year at the Super Bowl, and we dominated the Academy Awards as the sole automotive sponsor. We jumped in on that after GM decided not to pursue it. We've also moved a lot of advertising support down to the regional and dealer level because they can be more laser-focused than we can on a national level. We tell our dealers who want to cut back on advertising that they need to maintain a competitive place in the market or else they'll not only lose volume but market share, and that's awfully tough to recover.

In February 2009 Hyundai did layoffs that cut 11 percent of its U.S. staff of 540. How did you decide which areas to trim?

It was mixed across regional offices and our corporate headquarters, mostly in sales and marketing. You've got to be careful not to cut revenue-generating people, like technicians who turn wrenches and sales people who generate sales. A lot of our reductions were a reflection of our staffing up for some fairly ambitious growth targets over the last three years, so we looked closely at the areas where we had added people.

Are there any sacred cows where you won't make cuts?

You've really got to be careful to make the cuts in the right places and not expense yourself out of business. In times like this, the largest budgets are advertising, incentives, and product development. Because they're the largest, they're often targets for cutbacks. Our mentality is that we'd rather sell the furniture before we'd cut back on product programs. One of the reasons we feel so upbeat about our immediate future is that we have not pulled back on product development and we have an onslaught of new products coming over the next 24 months. We think some of our key competitors have cut back in some of those areas, and that may provide us with the opportunity we’ve been waiting for.