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Analysis of Competition and Dominance Level on the Passenger Car Market of Republic of Korea

O.V. Kudryavtseva, P.S. Abramova, N.I. Markov
Lomonosov Moscow State University, Moscow, Russia

ABSTRACT

The article is devoted to the analysis of statistical data provided by the Committee of Automakers of the Association of European Businesses (AEB) on the volume of sales of passenger cars of various brands on the market of the Republic of Korea from 2010 to 2021. The article describes the history and current trends of the market in question. Moreover, the authors summarize previously conducted research on this topic, providing a list of relevant studies. By using the competitive analysis tool – SV matrix, the study aims to provide information of scientific importance on the subject of competitive environment within the market under consideration, as well as to identify leading companies. An interpretation based on the results of the study is presented as well. It includes an explanation of the dynamics in the market, including changes in the market share of companies within the selected time period, a description of the specificities of the modern market leaders development and the reasons for the existing competitive environment. The conclusion is made about the relative stability of the South Korean automobile market, which has a national manufacturer and retailer as a market leader throughout the analyzed period. Moreover, quite a reasonable assumption is made about the relevance of the development pattern of the South Korean automobile market for the corresponding market of the Russian Federation.

Keywords: automobile market; automotive industry; competitive analysis; economic dominance; South Korea; SV matrix; manufacturers; theory of economic dominance

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INTRODUCTION

An analysis of the automotive market in the Republic of Korea (South Korea) is of considerable academic interest due to its fairly stable growth. The dynamics of car sales in the current stage (from 2010 to 2021) within the market in question are shown in *Fig. 1*.

Given the ongoing tensions with the Democratic People's Republic of Korea (which are also affecting the Republic of Korea's foreign and domestic policy in the 21st century.¹), it can be seen in Figure 1 that sales volumes in the South Korean car market rose between 2010 and 2015 and remained fairly steady between 2016 and 2021, despite minor downturns (most notable of which happened in 2021). At the same time, by the middle of the period, sales of foreign brands in South Korea had increased significantly compared to the beginning of the period and, as of 2021, accounted for 19.3% of the total market in absolute terms. Thus, some geopolitical uncertainties as well as domestic challenges such as COVID-19,² do not make the country less attractive for foreign investments and foreign brands.

Although the South Korean automotive market differs significantly from the Russian market (due to the volatility of the latter amid the current geopolitical instability in the region, sanctions, and disruption to logistics links), company strategies in the South Korean automotive market could provide a good base for further building the domestic market. This is due to the fact that the national leader in automotive manufacturing and automotive retail is the Hyundai Motor Group (HMG) conglomerate,

which, as of 2021, had a 73.9% market share (when Hyundai, Kia and Genesis brands are combined). Within the current Russian automotive market, only JSC "AvtoVAZ" could take on such a role because of the withdrawal of many foreign manufacturers from the Russian market and the institutional advantages already in place [1].

There have been many studies of the South Korean automotive market. For instance, D. Truett and L. Truett in their study proved that South Korean car companies achieved the minimum efficient scale of production from the period 1977 to 2006. D. S. Lee conducted a competitive analysis of the Republic of Korea and French car markets from 2000 to 2016 using the revealed comparative advantage index (RCA),³ the trade specialisation index (TSI)⁴ and the international market share index. The analysis revealed that in terms of import-export relationships, the Korean automobile market is more competitive than the French market, with a significantly higher predominance of exports in its structure [2–5].

The emergence of the South Korean automotive industry was a direct result of the government's industrial policy since 1962. [6, 7]. The government took the following measures: a ban on imports of foreign components and/or cars (at different times), preferential loans, export subsidies and tax breaks for domestic manufacturers and retailers, as well as end consumers [4, 6]. An important part of the development of the South Korean economy from the 1960s onwards were the chaebol, — family-run conglomerates which aimed to increase Korea's GDP, develop innovations, and create stable, well-paid jobs, as there was a great

¹ URL: <https://www.bbc.com/news/world-asia-pacific-15292674> (accessed on 24.10.2022).

² Paul Dyer Policy and institutional responses to COVID-19: South Korea. URL: <https://www.brookings.edu/research/policy-and-institutional-responses-to-covid-19-south-korea/> (accessed on 24.10.2022).

³ Calculated as the ratio of the share of exports of a particular product type in a country's total exports to the share of the same product type in world exports. The index was proposed by the Hungarian economist B. Balázsá.

⁴ The index is used to analyse the competitive position and stage of development of a product, helping to determine whether a country may be an exporter or importer of a product.

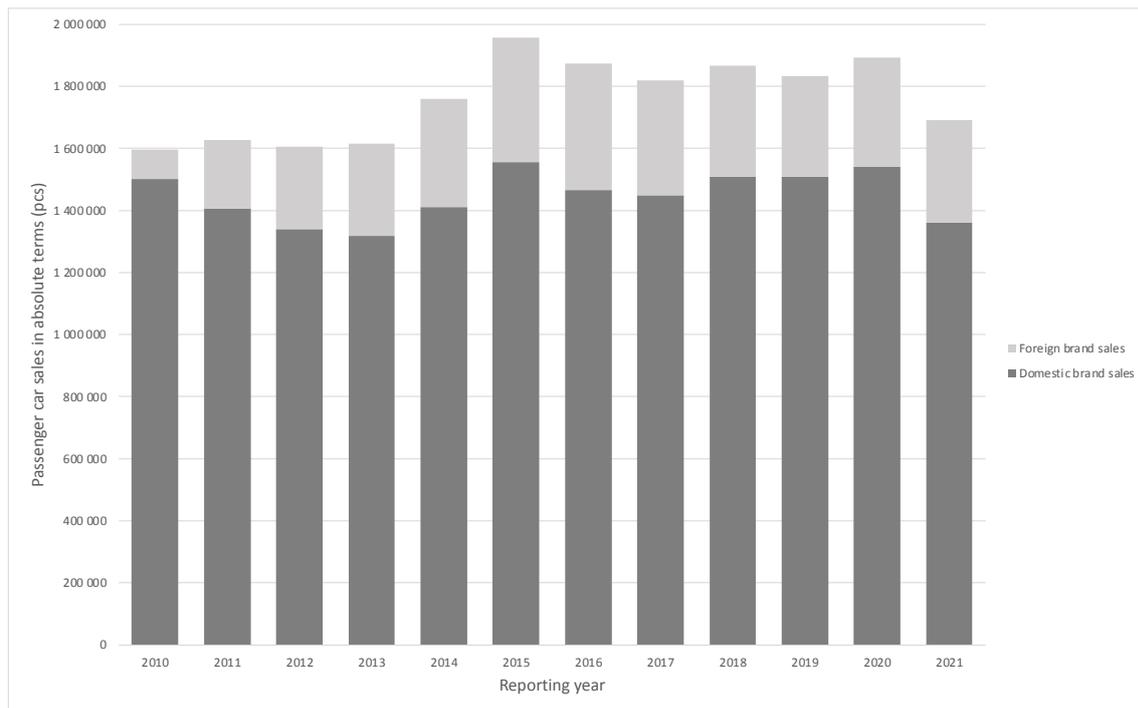


Fig. 1. Passenger car sales dynamics in South Korea from 2010 to 2021 in thousand units

Source: compiled by the authors per the URL: https://auto.vercity.ru/statistics/sales/asia/2021/south_korea/01-12/

shortage of them at the time [8]. Therefore, until the 1990s the chaebol received the bulk of public financing, often in the form of soft/beneficial loans (9). In the early 1990s, the state effectively lost its institutional leverage and influence over these companies, and their aggregate GDP was higher than the national GDP [10], but after the Asian financial crisis, some conglomerates went bankrupt because of the lack of flexibility of large companies, which led to a change in government policy and a focus on SME development [11]. At the moment, the largest representatives of “chaebol” include, among others, Hyundai Motor Company, Kia, Samsung, etc. [9, 12].

With the support of the chaebol in the early 1960s, Kia Industrial and Shinjin Motors began to expand their production based on technological cooperation with Japanese companies [13]. It was not until 1968, the Hyundai Motor Company (HMC) entered the market with the opening (with the help of Ford’s technological developments) of

its plant. In the same year, the Asian Auto Company started commercial production of four-wheelers with the help of Fiat and FFSA technologies [7]. Thus, a competitive environment was formed in the automobile market of South Korea in 1968 due to the four listed dominant pioneer companies. It is also an important fact that each of them used foreign technological advances to enter the domestic market and win a significant share of it [14].

The next stage in the establishment of competition in the market in question began in the 1990s, when there were 9 competing companies with a consolidated production of 1.5 million units per year [7, 15]. However, from 1997 to 2001, against the background of the Asian financial crisis, the number of key companies was reduced to 5 manufacturers as a result of market restructuring. For example, Daewoo Automotive completed a merger with Ssangyong Motor Company, becoming Ssangyong Motors. HMC absorbed ASIA Motors. In 2000, Renault bought out

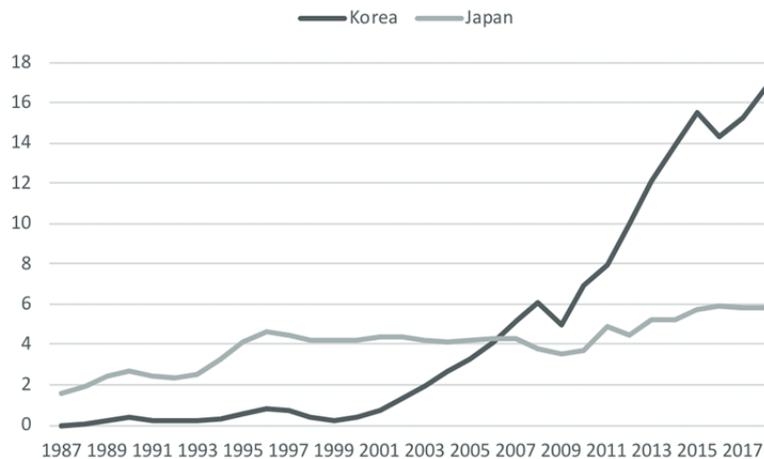


Fig. 2. Market share of the imported cars in Korea and Japan from 1987 to 2018, %

Source: [16].

Samsung Motors and Daewoo Motors was sold to General Motors. As a result, Hyundai, Kia (HMG conglomerate), GM Daewoo, Ssangyong and Renault-Samsung became the leading companies [7]. It is important to note that, as of October 2022, these 5 companies are the key members of the Korea Automobile Manufacturers Association (KAMA), but GM Daewoo is now called GM Korea and Renault-Samsung has been renamed Renault Korea.⁵ Hyundai and Kia began to dramatically increase production volumes and expand deliveries to emerging markets starting from 2001 [7]. This trend led to HMG gaining a share of about 70% of the domestic automotive market in 2001 and continued to maintain its position at about this level until 2013. [3, 6, 7].

Also specific to the South Korean automotive market is the historical dominance of domestic car manufacturers over imported ones. Up until 2007, the share of foreign cars did not exceed 4% of the total market [16] (Figure 2). This was justified by rigid barriers and tariff restrictions on the supply of imported cars (up to 50%), as well as by the overall structure of the market, which was dominated by “chaebol”

companies, which enjoyed state subsidies and made it difficult for new players to enter the domestic market [16, 17]. However, later on, unlike the Japanese automotive market, the Korean market became more open to foreign manufacturers primarily due to the above-mentioned mergers.

The basis for the current development of the South Korean automotive market has been government reforms and company strategies to increase the innovation component of the industrial sector [18]. Currently, the Republic of Korea is one of the key producers and suppliers of innovative technologies that, among other things, originate from the automotive industry. This trend is also reflected in scientific literature [19–22]. At the current stage, special emphasis is placed on “green” technologies and the production of electric vehicles. It is assumed that within the framework of the concept of transition to the “Euro-7” emission standard, the purchase of cars with internal combustion engines will be banned by 2035. In the first half of 2022 alone, 70,000 electric cars were sold, an increase of 73.5% compared to the same period last year.⁶

⁵ Korea Automobile Manufacturers Association. URL: <https://www.kama.or.kr/MainController?cmd=eng> (accessed on 24.10.2022).

⁶ URL: <https://www.koreaherald.com/view.php?ud=20220731000133> (accessed on 24.10.2022).

The analysis of competition and company shares within the South Korean automotive market has been presented in Korean-language academic articles, selected English-language articles [7], as well as industry and regional association reports [23]. Nevertheless, to date, no in-depth research has been conducted on the specifics of competition and dominance in the market in question, but rather on specific aspects of its functioning (including SWOT analysis) [24], government influence and initiatives [6, 15], the general development vector and the history of emergence of the national leader — Hyundai Motor Company [7, 13, 25] and the impact of foreign direct investment (FDI) on the host country market [26].

Thus, after reviewing the academic literature on the Korean automotive market, it can be concluded that there is a lack of research on the topic of competition within the market. Consequently, a more in-depth analysis would help to determine the specifics of the interaction of companies in the market, identify leaders and the sustainability of their positions, and confirm the assumption of relative market stability with the predominance of domestic manufacturers in the sales structure.

THE METHOD USED

The key method used for research is the SV (Strength/Variety) matrix, which is a modernized tool for studying the interaction of companies, countries, or other economic units within a particular market [27]. The matrix makes it possible to understand whether there is a dominant group in the analyzed market, to determine its structure and specifics of internal links.

Economic dominance theory (EDT) plays an important role in understanding and interpreting the SV matrix results [28]. According to this theory, companies are divided into three types: 1) alpha companies;

2) beta companies and 3) gamma companies. An important distinguishing feature of alpha-companies is the opportunity to take advantage of the institutional advantages that are available to them due to close cooperation with the government. These can include: preferential loans, debt financing, business subsidies, etc. In the South Korean market, these are the “chaebol” companies mentioned above.

The following tools are used to construct the matrix: the Linde coefficient and the Herfindahl-Hirschman index, as well as the slightly modified CR market concentration and Hall-Teidman HT coefficient (CRSV and HTSV) indices. This approach makes it possible to structure the statistical data collected for the market in question and to identify the type of competition within it together with the specific relationships within the companies of the dominant group [27].

The SV matrix is a graph consisting of four quadrants — areas within which the market in question can be located in a given time period. Here is a description of each of the quadrants and an indication of their significance for understanding the competitive situation in the market:

1. Quadrant G — is the dominant group, which holds over 65% of the market. However, there are significant differences between its members, for example, the dominant group has two players, but one of them has a much larger share and actually regulates the market.

2. Quadrant B 4 — in which the leaders also have a market share of more than 65%, but companies tend to be quite similar to each other in terms of their indicators.

3. RO (Red Ocean) quadrant, where the market share held by the alpha companies is less than 65% (typically 30 to 65%); nevertheless, the companies are similar to each other.

4. Quadrant I, where market players are highly differentiated amongst themselves,

Table 1

New cars sales in the Republic of Korea from 2010 to 2021, units

Year, brand	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	Total	Share per period, %
Hyundai	659 570	684 157	667 777	638 995	685 191	713 591	610 508	632 323	660 645	685 041	679 471	588 082	7 905 351	38.6
Kia	484 512	493 003	482 060	458 000	465 200	527 500	535 000	521 550	531 700	521 145	552 400	535 018	6 107 088	29.8
Samsung	155 697	109 221	59 926	60 027	80 003	80 017	111 087	99 846	84 954	79 081	90 300	57 480	1 067 639	5.2
Chevrolet		104 216	124 794	118 393	131 723	130 139	154 910	107 246	72 645	56 938	68 621	50 816	1 120 441	5.5
Daewoo	128 094	25 686	10 304	14 386	6 967	9 246	8 785	6 691	5 901	5 349	4 439	1 989	227 837	1.1
SsangYong	32 459	38 651	47 700	63 972	69 036	99 664	103 554	106 677	109 140	107 829	87 889	56 363	922 934	4.5
BMW	16 798	23 293	28 152	33 066	40 174	47 877	48 459	59 624	50 524	44 191	58 593	65 669	516 220	2.5
Mercedes-Benz	16 115	19 534	20 389	24 780	35 213	46 994	56 343	68 861	70 798	78 133	76 879	76 152	590 191	2.9
Volkswagen	10 154	12 436	18 395	25 649	30 719	35 778	13 178		15 390	8 510	17 615	14 364	202 188	1.0
Audi	7 920	10 345	15 126	20 044	27 647	32 538	16 718	962	12 450	11 930	25 513	25 615	206 808	1.0
Toyota	6 629	5 020	10 795	7 438	6 840	7 825	9 265	11 698	16 774	10 611	6 154	6 441	105 490	0.5
Mini	2 220	4 282	5 927	6 301	6 572	7 501	8 632	9 562	9 191	10 222	11 245	11 148	92 803	0.5
Volvo	1 638	1 480	1 768	1 960	2 976	4 238	5 206	6 604	8 524	10 570	12 798	15 053	72 815	0.4
Genesis						530	48 134	56 616	61 345	56 801	108 384	138 756	470 566	2.3
Others	34 187	48 350	48 610	64 976	71 991	89 855	95 654	105 030	103 070	94 975	73 663	65 013	895 374	4.4
Overall sales	1 555 993	1 579 674	1 541 723	1 537 987	1 660 252	1 833 293	1 825 433	1 793 290	1 813 051	1 781 326	1 873 764	1 707 959	20 503 745	

Source: compiled by the authors per the URL: https://auto.vercity.ru/statistics/sales/asia/2021/south_korea/01-12/

but collectively have a share of less than 65%. They have the characteristics of either a natural monopoly or, conversely, a market with no barriers to entry.

Similar studies to the one presented in this paper were conducted on the basis of the automotive markets of Russia, Brazil and South Africa, where the sales figures of the leading brands were analyzed [1; pp. 29–31]. The authors study the structure of the domestic market of the listed countries, determine the type of competition and dominant groups of companies in specific periods of time. Also by means of the SV matrix the competition between companies within the group is analyzed and the results are visualized. However, the SV matrix has been successfully applied not only to the analysis of automotive markets, but also, for example, to the market of agricultural organizations [32], which determines its universality. Due to the fact that similar studies have not been conducted for the automotive market of the Republic of Korea, it can be stated that this analysis is scientifically new.

DESCRIPTION OF THE DATA AND RESULTS

The authors have collected statistical data on new car sales in South Korea. The measure is the number of cars sold per year in units, and the time period considered in the paper is limited to the period from 2010 to 2021, which is a total of 12 years. The data used in the study is based on Auto Vercity service, which provides both monthly and annual statistics for new car sales in the Republic of Korea, depending on the brand of the car.⁷ The data on the website is provided by the Automobile Manufacturers Committee of the Association of European

⁷ General statistics on new car sales in South Korea. URL: https://auto.vercity.ru/statistics/sales/asia/2021/south_korea/01-12/ (accessed on 26.10.2022).

Businesses (AEB). The primary data are compiled in *Table 1*.

Table 1 shows that Hyundai and Kia have been the key market players over the period under review, even despite periodic declines. The average share of these companies over the period was 38.6% and 29.8% respectively, totalling 68.4%, i.e., more than half of the South Korean car market. The following brands accounted for 1% of the market or more: Chevrolet, Samsung, SsangYong, Mercedes-Benz, BMW, Genesis, Daewoo, Volkswagen, and Audi. Together, this accounted for 26% of the market during the period. Consequently, the remaining smaller entrants were allocated an overall market share of 5.6% within the period under review. For most of the brands listed above, the sales dynamics can be considered somewhat fluctuating, with periods of losing market share and regaining it. However, the dynamics of the Daewoo and Genesis brands should be examined in more detail. As the fourth-largest company by sales in 2010 with a market share of 8.2%, Daewoo began to lose ground rapidly and steadily (an overall negative growth rate of 98.4% for the period). In contrast, following the launch of mass production of Genesis in 2015, based on a separate premium Hyundai sub-brand (Hyundai had previously launched GENESIS in 2008⁸), sales of this brand started to show year-on-year growth (an overall growth rate of 188.3% for the period). Thus, as of 2021, Genesis has a market share of 8.1% and is in third place in terms of sales.

The authors ranked the collected data by the size of the company's market share and selected key players for each year. The shares of the top ten brands separately for each year and the results of calculating the indices required to build the matrix are shown in the *Table 2* below.

⁸ Hyundai Experiences, Vehicle History 2000. URL: <https://www.hyundai.com/worldwide/en/footer/hyundai-experiences/vehicle-history/2000/genesis> (accessed on 30.10.2022).

Table 2

Shares of key companies in the South Korean automotive market from 2010 to 2021, %*

Year, brand	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Hyundai	42.4	43.3	43.3	41.5	41.3	38.9	33.4	35.3	36.4	38.5	36.3	34.4
Kia	31.1	31.2	31.3	29.8	28.0	28.8	29.3	29.1	29.3	29.3	29.5	31.3
Genesis							2.6	3.2	3.4	3.2	5.8	8.1
Mercedes-Benz	1.0	1.2	1.3	1.6	2.1	2.6	3.1	3.8	3.9	4.4	4.1	4.5
BMW	1.1	1.5	1.8	2.1	2.4	2.6	2.7	3.3	2.8	2.5	3.1	3.8
Samsung	10.0	6.9	3.9	3.9	4.8	4.4	6.1	5.6	4.7	4.4	4.8	3.4
SsangYong	2.1	2.4	3.1	4.2	4.2	5.4	5.7	5.9	6.0	6.1	4.7	3.3
Chevrolet		6.6	8.1	7.7	7.9	7.1	8.5	6.0	4.0	3.2	3.7	3.0
Audi	0.5	0.7	1.0	1.3	1.7	1.8	0.9				1.4	1.5
Volvo												0.9
Daewoo	8.2	1.6		0.9								
Volkswagen	0.7	0.8	1.2	1.7	1.9	2.0			0.8		0.9	
Toyota	0.4		0.7						0.9			
Opel					0.6	0.7	0.8	0.9		0.7		
Lexus								0.7		0.7		
Linde =>	2	2	2	2	2	2	2	2	2	2	2	2
CRSV	73.5	74.5	74.6	71.3	69.3	67.7	62.8	64.3	65.8	67.7	65.7	65.8
HTSV	0.08	0.09	0.09	0.09	0.11	0.08	0.03	0.05	0.06	0.07	0.05	0.02
Quadrant	B4	B4	B4	B4	G	B4	RO	RO	B4	B4	B4	B4

Source: compiled and calculated by the authors $\text{зк URL: } \text{https://auto.vercity.ru/statistics/sales/asia/2021/south_korea/01-12/}$

* Note: The cells of those brands that were not in the top 10 in terms of sales share in a particular year are in grey.

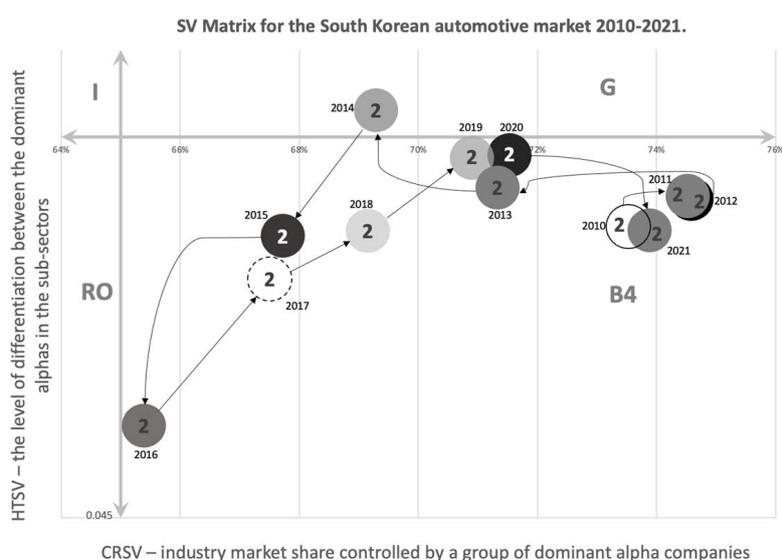


Fig. 3. SV matrix of the dominance level for the South Korean cars market from 2010 to 2021

Source: compiled and calculated by the authors per URL: https://auto.vercity.ru/statistics/sales/asia/2021/south_korea/01-12/

Table 3

Shares of the key companies in the South Korean automotive market from 2010 to 2021, total shares of Hyundai and Genesis are taken into account, %*

Year, brand	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Hyundai + Genesis	42.4	43.3	43.3	41.5	41.3	39.0	36.1	38.4	39.8	41.6	42.0	42.6
Kia	31.1	31.2	31.3	29.8	28.0	28.8	29.3	29.1	29.3	29.3	29.5	31.3
Mercedes-Benz	1.0	1.2	1.3	1.6	2.1	2.6	3.1	3.8	3.9	4.4	4.1	4.5
BMW	1.1	1.5	1.8	2.1	2.4	2.6	2.7	3.3	2.8	2.5	3.1	3.8
Samsung	10.0	6.9	3.9	3.9	4.8	4.4	6.1	5.6	4.7	4.4	4.8	3.4
SsangYong	2.1	2.4	3.1	4.2	4.2	5.4	5.7	5.9	6.0	6.1	4.7	3.3
Chevrolet		6.6	8.1	7.7	7.9	7.1	8.5	6.0	4.0	3.2	3.7	3.0
Audi	0.5	0.7	1.0	1.3	1.7	1.8	0.9			0.7	1.4	1.5
Volvo											0.7	0.9
Volkswagen	0.7	0.8	1.2	1.7	1.9	2.0	0.7		0.8		0.9	0.8
Daewoo	8.2	1.6		0.9								
Toyota	0.4		0.7					0.7	0.9			
Opel					0.6	0.7	0.8	0.9		0.7		
Lexus								0.7	0.7	0.7		
Linde =>	2	2	2	2	2	2	2	2	2	2	2	2
CRSV	73.9	71.5	70.9	69.1	67.5	65.4	67.7	69.3	71.3	74.6	74.5	73.5
HTSV	0.082	0.096	0.096	0.082	0.074	0.055	0.081	0.106	0.090	0.088	0.088	0.083
Quadrant	B4	G	B4	B4	B4	B4						

Source: compiled and calculated by the authors per URL: https://auto.vercity.ru/statistics/sales/asia/2021/south_korea/01-12/

* Note: The cells of those brands that were not in the top 10 in terms of sales share in a particular year are in grey.

Based on the calculations in this table, the two undisputed leaders of the South Korean car market are Hyundai and Kia, which in fact represent the dominant nucleus. There are also five brands that have been consistently in the ranking in terms of sales: Samsung, Chevrolet, SsangYong, BMW, and Mercedes-Benz. That said, Genesis' share has been rising since 2015, with the brand ranking unchallenged third in sales in 2020 and 2022. The other companies mostly do not hold a share of more than 2% of the market.

Fig. 3 shows the SV matrix for the South Korean automotive market.

During the period under review — from 2010 to 2021 — the South Korean automotive market moved between the three quadrants B 4 (oligopoly), RO (red ocean) and even G (single player leadership). However, for 9 out of 12 years the market has been in the B 4

quadrant (from 2010 to 2013, in 2015 and from 2018 to 2021), then it had two similar leaders — Hyundai and Kia. And it was in 2021 that these brands had the closest market shares to each other — 34.4% and 31.3%, respectively. In 2014, the market moved into quadrant G, driven by Hyundai's (41.3% of the market) larger lead over Kia (28.0% of the market), as, compared to 2013, the former company's share declined by just 0.2%, while the latter company's share fell by 1.8%. 2015 was a watershed year, with the market then in the B 4 area, but Hyundai began to lose ground, effectively giving up its share to smaller players. This dynamic led to the market being in the RO quadrant in 2016 and 2017, with the dominant group having a consolidated market share of less than 65% and brands such as Chevrolet, SsangYong, BMW, Mercedes-Benz, and Genesis 'taking

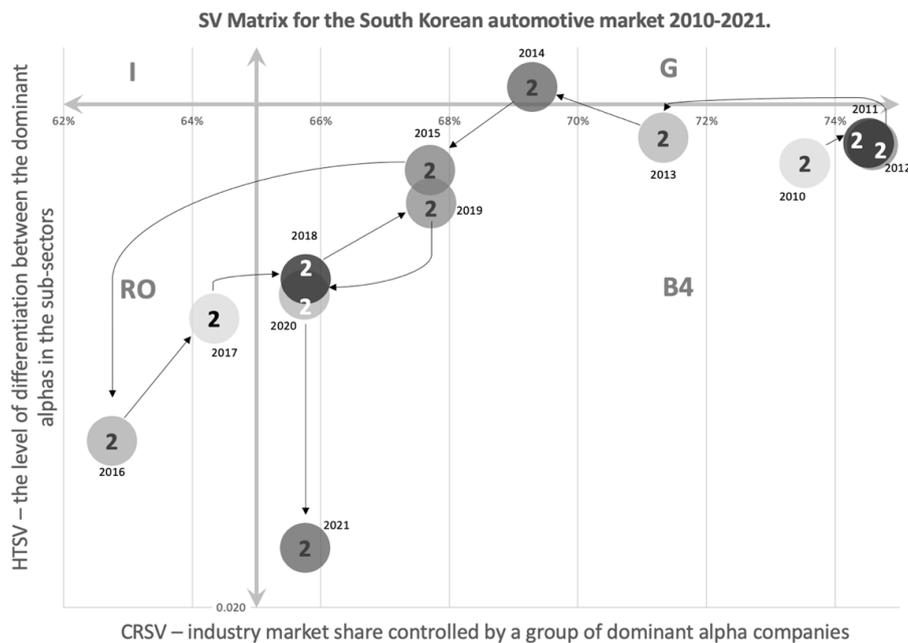


Fig. 4. SV matrix for assessing the dominance level for the automotive market of South Korea in the period from 2010 to 2021, total shares of Hyundai and Genesis are taken into account

Source: compiled and calculated by the authors per the URL: https://auto.vercity.ru/statistics/sales/asia/2021/south_korea/01-12/

over' some of the consumers. It could be said that this period was the beginning of the successful growth of the Genesis brand. In line with this, it is also of academic interest to construct an SV matrix for the South Korean automotive market, but on the condition that the shares of Hyundai and Genesis are considered together, as both brands are part of Hyundai Motor, and further growth in the Genesis share could lead to another breakaway of Hyundai from Kia and a move into quadrant G in the future. The estimates for the second variant of the SV matrix are shown in *Table 3*.

Based on the above data, a matrix is compiled (*Fig. 4*).

When analysing the second SV matrix, where Hyundai and Genesis shares are taken together, it can be seen that the market has been predominantly in quadrant B 4 over the period under review. It is worth noting that in the case of the Hyundai and Genesis combined share calculation, the market does not move into the RO quadrant in either

year, effectively indicating that under the previous scenario in 2016 and 2017, it was Genesis that played a key role in some market differentiation and shift to the RO area. When considering the second variant of the SV matrix, the market can be considered even more resilient. It mainly changes position within quadrant B 4, i.e., by reducing or increasing the aggregate share of companies in the dominant group.

INTERPRETATION OF THE RESULTS OBTAINED

In line with the data presented within the SV matrix, it can be noted that the South Korean automotive market has a stable dominant group both in terms of its size – 2 key players from 2010 to 2021 – and in terms of the brands that comprise it throughout the time period in question – Hyundai and Kia. Their combined market share did not fall below 62% over the entire study period.

What are the reasons for their dominance? First of all, these companies,

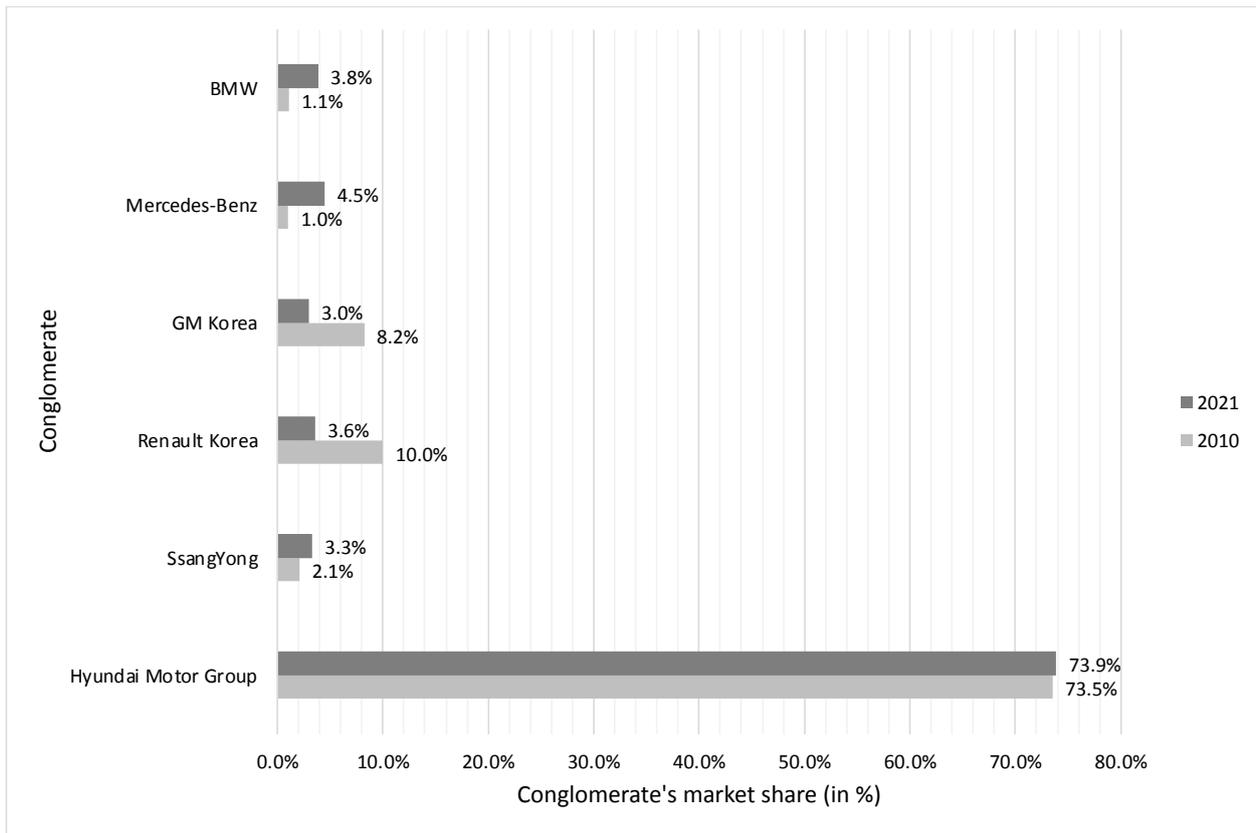


Fig. 5. Distribution of brand shares within alliances in 2010 and 2021, %

Source: compiled and calculated by the authors per the URL: https://auto.vercity.ru/statistics/sales/asia/2021/south_korea/01-12/

along with Genesis, are part of South Korea’s largest industrial conglomerate, the Hyundai Motor Group.⁹ HMG is able to control the supply chain by owning subsidiaries in different industries. For example, Hyundai Mobis, Hyundai Transys, etc. are engaged in auto parts production, Hyundai Glovis is a transport company, and Hyundai Steel is one of the largest steel companies. There are divisions that deal with finance (Hyundai Capital, Hyundai Card, etc.).¹⁰ Secondly, HMG brands are indigenous South Korean companies that are part of the “chaebol” category and benefit from government preferences. In addition, an important characteristic is

the variability of the model range, which includes lower-priced models (under USD 20,000),¹¹ electric cars and hydrogen-powered models being tested (Hyundai IONIQ, Nexo, Kia Niro, etc.),¹² as well as premium cars under the Genesis brand,¹³ which makes it possible to meet the needs of different target audiences. Thirdly, South Korean consumers are committed to the domestic car industry. Up until the early 2000s, for example, car service workers were arrogant towards drivers of foreign cars because it was believed that foreign brands were buying up the country’s assets,

⁹ Hyundai Motor Group Affiliates. URL: <https://www.hyundaimotorgroup.com/main/mainRecommend> (accessed on 12.11.2022).

¹⁰ Ibidem.

¹¹ Hyundai Models. URL: <https://www.hyundai.com/au/en/cars> (accessed on 12.11.2022), Kia Vehicles; URL: <https://www.kia.com/us/en/vehicles> (accessed on 12.11.2022).

¹² Ibidem.

¹³ Genesis Models. URL: <https://www.genesis.com/worldwide/en/main.html> (accessed on 12.11.2022).

thereby diluting the ownership structure and shifting the centre of control.¹⁴

Further interpretation requires consideration of key companies according to economic dominance theory (EDT) [28]. A comparison of brand shares in 2010 and 2021 within alliances is shown in *Fig. 5*, where it is also possible to determine the brand affiliation to one or another conglomerate.

According to the economic dominance theory (EDT), the HMG conglomerate (Hyundai, Kia, Genesis) can be described as an alpha company. Excluding the premium sub-brand Genesis, Hyundai and Kia had a combined share of 73.5% in 2020. Accordingly, HMG's strategy aims to retain market share. While in 2010 this was only possible at the expense of the two similar brands, in today's environment the company is betting heavily on Genesis, which as a standalone brand has an 8.1% share in 2021.

SsangYong is also a national car brand, but unlike Hyundai, it was taken over by Indian carmaker Mahindra & Mahindra in 2011, which mainly specialised in agricultural machinery and several SUV models.¹⁵ From then on, South Korea's market share began to improve and grew until 2019, when a downturn began, leading to the company declaring bankruptcy at the end of 2020.¹⁶ Reasons for the less-than-successful partnership between SsangYong and Mahindra & Mahindra include low brand awareness compared to Hyundai, and the promotion and sale of models as a direct Mahindra sub-brand rather than as part of a premium strategy and other sales channels.¹⁷ As of summer 2022, the nation's

largest chemical and steel conglomerate KG Group has been mandated to buy the assets of SsangYong, once again targeting the domestic market.¹⁸ Within the economic dominance theory (EDT), SsangYong can be described as a gamma-company.

The Renault Korea and GM Korea conglomerates have similar market share dynamics from 2010 to 2021 (falling from 10 to 3.6% and from 8.2% to 3% respectively). The history of GM Korea began in 2002 when General Motors, in the face of declining market share in the US, decided to implement its plans to expand the international market for the Chevrolet.¹⁹ However, after Daewoo's former CEO was sentenced to 10 years in prison for embezzlement and fraud in 2006, Daewoo lost its popularity with consumers.²⁰ In fact, within the period under review, GM Korea became the R&D and production location for Chevrolet's small cars for export to China, the US and India.²¹ In 2022 it was announced that an additional Chevrolet production plant would be opened in Korea, increasing production volumes by around 500,000 units per year.²² A small number of Daewoo cars are still in demand in Korea, but this does not affect the market much.

Unlike GM Korea, Samsung's merger with Renault for the domestic market emphasised the production of Samsung-branded cars.²³

¹⁸ Ibidem.

¹⁹ In Daewoo, GM finds gold in overall gloom. URL: <https://www.nytimes.com/2006/05/23/business/worldbusiness/23iht-daewoo.html> (accessed on 13.11.2022).

²⁰ Daewoo founder sentenced to 10 years in prison. URL: <https://www.nbcnews.com/id/wbna13043919> (accessed on 13.11.2022).

²¹ Daewoo's Epic Flop Wasn't the End for Its Cars. URL: <https://www.motortrend.com/features/daewoo-cars-history-chevrolet-gm-korea/> (accessed on 13.11.2022).

²² GM's New Korea Plant to Boost Capacity to 500,000 Cars in Nation. URL: <https://www.bloomberg.com/news/articles/2022-10-19/gm-s-new-korea-plant-to-boost-capacity-to-500-000-cars-in-nation?leadSource=uverify%20wall> (accessed on 13.11.2022).

²³ South Korea: Renault Samsung Motors. URL: <https://www.renaultgroup.com/en/news-on-air/news/south-korea-renault-samsung-motors/> (accessed on 13.11.2022).

¹⁴ In Daewoo, GM finds gold in overall gloom. URL: <https://www.nytimes.com/2006/05/23/business/worldbusiness/23iht-daewoo.html> (accessed on 13.11.2022).

¹⁵ SsangYong: The history of a brand with an uncertain future. URL: <https://www.carexpert.com.au/car-news/ssangyong-the-history-of-a-brand-with-an-uncertain-future> (accessed on 13.11.2022).

¹⁶ Court allows KG Group to buy carmaker SsangYong Motor. URL: <https://www.interfax.ru/business/849290> (accessed on 13.11.2022).

¹⁷ Ibidem.

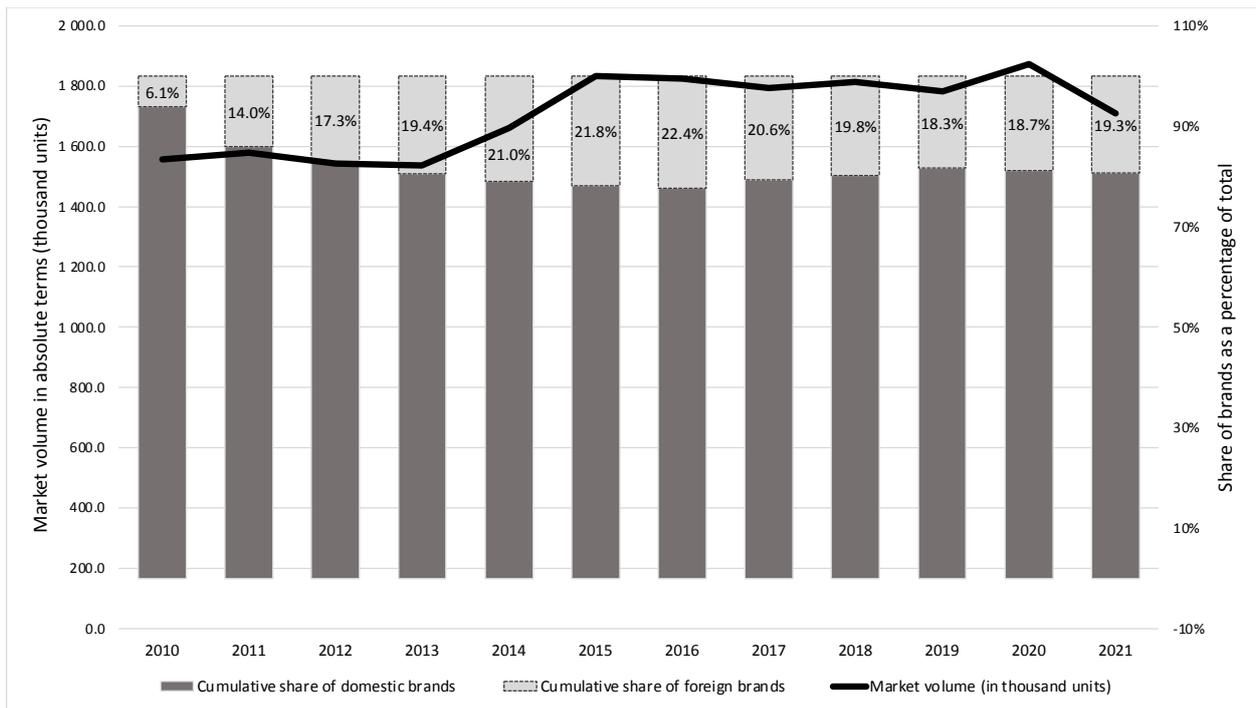


Fig. 6. Dynamics of the combined shares of domestic and foreign companies in the cars market of South Korea in the period from 2010 to 2021 (in %) in comparison with the change in the market volume (in thousand units)

Source: compiled and calculated by the authors per the URL: https://auto.vercity.ru/statistics/sales/asia/2021/south_korea/01-12/

This trend is reflected in Renault’s low brand share, but Samsung’s stable presence in the structure of the top 10 companies over the period under review. In March 2022, the conglomerate changed its name from Renault Samsung Motors to Renault Korea, reflecting the expiry of Samsung’s contract²⁴ and the sale of Renault’s remaining 19.9% stake to Samsung Motors.²⁵ The final decision to pull out of the deal came after an epidemiologically difficult 2020, when domestic sales fell to 2004 levels and exports fell by 78%.²⁶ From 2022, cars made by Renault in Korea will be sold under the French brand name, leading to the disappearance

of the Samsung brand as it existed before.²⁷ Consequently, after a more point-by-point analysis of GM Korea and Renault Korea, it can be concluded that they are also gamma companies in the South Korean passenger car market.

Within a separate group we should also consider the Mercedes-Benz and BMW brands which, in addition to their German origins, have a similar development scenario from 2010 to 2021. In 2010 the companies had market shares of 1 and 1.1% respectively. In 2021, the growth of Mercedes-Benz’s share became more significant and reached a market share of 4.5%. BMW was able to increase its share to 3.8% of the market. An important factor when interpreting in the context of the economic dominance theory (EDT) is that both companies are foreign ones and they produce premium passenger cars.

²⁴ Korea’s Renault Samsung has changed its name: it is now simply Renault Korea. URL: <https://motor.ru/news/renault-samsung-18-03-2022.htm> (accessed on 13.11.2022).

²⁵ How will exit from auto manufacturing help Samsung? URL: <https://www.just-auto.com/analysis/how-will-exit-from-auto-manufacturing-help-samsung/> (accessed on 13.11.2022).

²⁶ Ibidem.

²⁷ Ibidem.

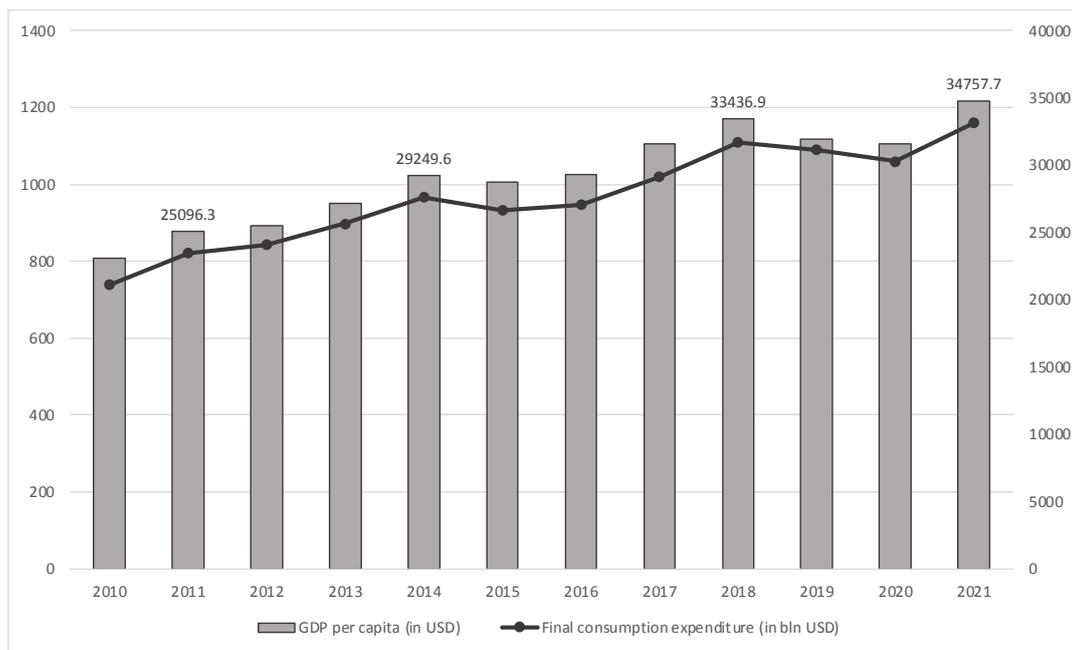


Fig. 7. Progress in the well-being of the population of South Korea between 2010 and 2021, expressed in terms of GDP per capita (in USD) and final consumption expenditure (in billion USD)

Source: compiled by the authors per the URL: <https://data.worldbank.org/indicator/NE.CON.TOTL.CD?locations=KR>, <https://data.worldbank.org/indicator/NY.GDP.PCAP.CD?locations=KR>

Therefore, it can be said that Mercedes-Benz and BMW are gamma companies in the South Korean passenger car market, which is highly nationally oriented.

For a more in-depth analysis, it was decided to divide the study period into three segments according to changes in market volume in absolute terms, as well as the distribution of market shares between domestic and foreign companies (Fig. 6).

The first period, — from 2010 to 2012 inclusive, — can be characterised as a time of continued leadership by domestic producers. In the second period, from 2013 to 2015 — the market grew by 19.2%, and the shares of foreign brands began to grow significantly, exceeding those of the leaders (Hyundai and Kia), as shown in Fig. 7. In the third and longest period — from 2016 to 2021 — the domestic premium brand Genesis was launched into mass production and sale, and HMG regained its cherished (since 2019) 70% of the market.

From 2010 to 2012, the South Korean passenger car market showed a fairly stable sales trend, at around 1.56 million units per year. However, the brand structure has begun to diversify more and more, as evidenced by the increase in the combined market share of foreign brands from 6.1% in 2010 to 17.3% in 2012 (Fig. 6). Often, the increase in consumption of imported cars indicates an increase in the well-being of the population, which is willing to pay for foreign quality and cover additional costs in the form of logistics costs. Fig. 7 shows statistics on GDP per capita and total final consumption expenditure from 2010 to 2021.²⁸ Fig. 7 shows that 2011 and 2012 were marked by growth in GDP per capita (+10.3%), as well as a mirror trend of growth in final consumption expenditure. It was from this time that the gradual increase

²⁸ Final consumption expenditure — Korea, Rep. URL: <https://data.worldbank.org/indicator/NE.CON.TOTL.CD?locations=KR>; GDP per capita — Korea, Rep. URL: <https://data.worldbank.org/indicator/NY.GDP.PCAP.CD?locations=KR> (accessed on 13.11.2022).

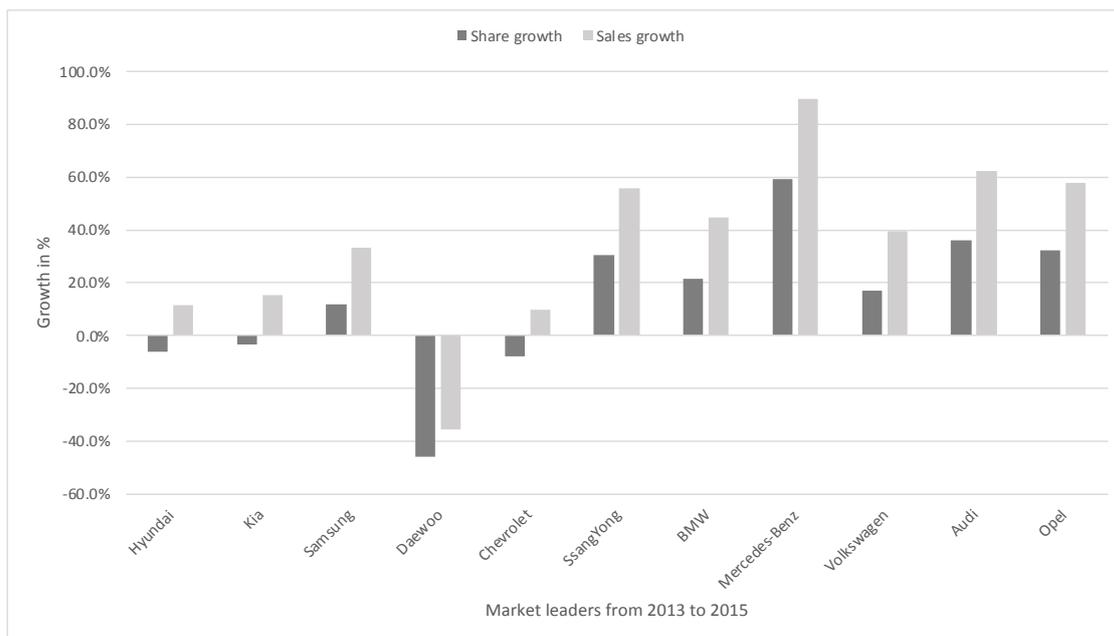


Fig. 8. Comparison of absolute (sales volume) and relative (market share by sales volume) growth of leading companies in the period from 2013 to 2015

Source: compiled and calculated by the authors per the URL: https://auto.vercity.ru/statistics/sales/asia/2021/south_korea/01-12/

in the share of foreign brands began, which confirms the assumption made.

The second reason for the rise in the share of foreign brands is the foreign trade policy chosen by the South Korean state since the beginning of 2011. At that time, the trade agreement between South Korea and the EU resulted in the elimination of customs duties on 98.7% of goods. It also removed non-tariff barriers to imports of the key EU products into the country: automotive, chemicals, pharmaceuticals, and electronics. In the first five years of the agreement, i.e., up to 2016, EU exports to Korea increased by 55% — to a record \$ 90 billion.²⁹

The next highlighted period is a logical continuation of the chosen foreign trade policy. During this period, it was the German brands that began to gain market share (Fig. 8) and accounted for approximately 71% of all

imported cars.³⁰ This period is also marked by a sharp increase in sales volumes in absolute terms, indicating an increase in consumption of automotive products in general. This trend is also related to the growth in the welfare of the population (Fig. 7). GDP per capita reached \$ 29,249.6 in 2014 and, despite a slight decline in 2015 and a stabilisation in 2016, was a record year. A comparison of the absolute and relative growth of market-leading companies from 2013 to 2015 is shown in Fig. 8.

The horizontal axis of the graph shows the names of the leading companies and the vertical axis shows the percentage scale of change in the level of growth. It can be seen that, in percentage terms, the sales growth of the companies in the dominant group, as well as the Korean brand Samsung, was lower than that of the smaller market players that sell imported cars (Mercedes-Benz, Audi, etc.) and

²⁹ EU-South Korea Free Trade Agreement. URL: <https://trade.ec.europa.eu/access-to-markets/en/content/eu-south-korea-free-trade-agreement> (accessed on 13.11.2022).

³⁰ Fortress Korea car market cracks under German luxury barrage. URL: <https://www.reuters.com/article/autos-southkorea-idCNL3N OT013920141116> (accessed on 13.11.2022).

the South Korean carmaker SsangYong. Thus, Hyundai and Kia had an increase in sales of 12% and 15% respectively, while Mercedes-Benz and Audi had 90% and 62%. The average market share gains of the dominant group were negative: -6.3% for Hyundai and -3.4% for Kia. In contrast, foreign companies showed a positive trend. The position of the German carmaker Mercedes-Benz improved most markedly: +59.1%. Audi, Opel and SsangYong also had similar growth rates (at least 30%), while BMW and Volkswagen had 21.5% and 17% respectively, which is markedly better than the dominant group. Negative performance was seen for Daewoo and Chevrolet, both of which are part of the same conglomerate, — GM Daewoo.

Thus, the period 2013–2015 was marked by an increase in the share and volume of imported car sales. In fact, Hyundai and Kia gave up some of their market share to smaller foreign players. At that time, HMG did not yet have a full-fledged premium brand,⁵¹ which for the more affluent consumer segment was the reason for choosing brands such as Mercedes-Benz and BMW. It is important to mention the fact that this period marked the beginning of a review process of HMG's strategy. At that time the company took steps to launch its own premium brand, which determined the need to involve foreign experts in the strategy and promotion process.⁵² This is where the third highlighted period begins, — from 2016 to 2021, when Hyundai, by diversifying its model range and entering a new segment, was once again able to stabilise its position and start competing with foreign brands already in the premium car market.

⁵¹ Hyundai Motor launches new global luxury brand, «Genesis». URL: <https://www.hyundai.news/eu/articles/press-releases/hyundai-motor-launches-new-global-luxury-brand-genesis.html> (accessed on 13.11.2022).

⁵² Hyundai Announces Manfred Fitzgerald to lead Genesis Brand Strategy. URL: <https://www.hyundai.news/eu/articles/press-releases/hyundai-motor-announces-manfred-fitzgerald-to-lead-genesis-brand-strategy.html> (accessed on 13.11.2022).

This period is characterised by the growth in prosperity and wellbeing of the population and the achievement of the highest GDP per capita as well as the highest share of final consumption expenditure (in 2021). HMG brands also started to grow again (primarily due to Genesis), but the combined share of foreign brands also stabilised and averaged 19.9% of the market. This timeframe is not particularly turbulent, apart from an increase in sales in 2020 due to industry support measures due to COVID-19 and a subsequent decline in market volume in absolute terms in 2021, driven by frequent supply chain disruptions due to second-wave pandemics in many countries.⁵³ However, the decline was exclusively in car sales, while their total value was a record — \$ 62.9 billion (an increase of 1.8% compared to 2020).

CONCLUSIONS

South Korea is one of the few nations to have a stable automotive market based on the dominance of the domestic manufacturer. Whereas in the 1960s Hyundai was intended to be one of the first national car manufacturers to assemble domestic cars, though not the best in functionality, as of today HMG has become a high-tech company with a presence in all segments of the automotive market. Even with preferential foreign trade with the EU, HMG alpha with its Hyundai, Kia and Genesis brands respectively holds the top 3 market shares. However, the South Korean passenger car market is not a closed market and there has been an increase in the cumulative share of foreign companies within the period boundary. The SV Matrix also shows that the market in question in 2021 has effectively returned to where it was in 2010 (quadrant B 4 with a high market

⁵³ Auto sales by value hit record in 2021, while unit sales fall. URL: <https://koreajoongangdaily.joins.com/2022/04/06/business/industry/korea-korean-auto-market-car-market/20220406171522791.html> (accessed on 13.11.2022).

share for the two key brands), i. e., Hyundai has been able to maintain its leading position through its strategic actions.

However, the South Korean market is interesting not only in itself, but also as a relevant development case for the Russian automotive market. As Russia is now becoming a country more oriented towards domestic producers and an import substitution strategy, Hyundai's story could serve as an example for

a major domestic company, JSC "AvtoVAZ". Given that the state aid is provided in the early stages, this company has the prerequisites to develop quality products based on proven technologies and sell them at reasonable prices, which will help it to take a significant share of the market. Therefore, studying the specifics of the South Korean market in general and Hyundai in particular is relevant and justified.

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ABOUT THE AUTHORS



Olga V. Kudryavtseva — Dr. Sci. (Econ.), Professor of the Department of Economics and Environmental Management, Lomonosov Moscow State University, Moscow, Russia

<https://orcid.org/0000-0003-1517-0398>

Corresponding author

olgakud@mail.ru



Polina S. Abramova — Master's student, Lomonosov Moscow State University, Moscow, Russia

<https://orcid.org/0000-0001-9694-0125>

abramovap19@gmail.com



Nikolay I. Markov — Master's student, Lomonosov Moscow State University, Moscow, Russia

<https://orcid.org/0000-0002-4341-0611>

marnickil@mail.ru

Authors' declared contribution:

O. V. Kudryavtseva — development of the general concept of the article, verification and correction of the selected material, control of the research.

P. S. Abramova — study of the historical development of the South Korean automobile market, preparation of justifications for the interpretation of the results obtained with the help of the matrix SV, collection of statistical data.

N. I. Markov — check for the adequacy of statistical data, collection of scientific materials on the topic, preparation of visualizations for the ongoing research.

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