4-30-2019

Genesis Standing Alone as a Luxury Sedan Brand in the U.S. Market

Hyerin Ryu

Sunkyu Jun

Follow this and additional works at: <https://amj.kma.re.kr/journal>

Part of the [Marketing Commons](#)

Recommended Citation

Ryu, Hyerin and Jun, Sunkyu (2019) "Genesis Standing Alone as a Luxury Sedan Brand in the U.S. Market," *Asia Marketing Journal*: Vol. 21 : Iss. 1 , Article 2.

Available at: <https://doi.org/10.15830/amj.2019.21.1.23>

This Article is brought to you for free and open access by Asia Marketing Journal. It has been accepted for inclusion in Asia Marketing Journal by an authorized editor of Asia Marketing Journal.

Genesis Standing Alone as a Luxury Sedan Brand in the U.S. Market: Barriers against the Market Performance

Hyerin Ryu*
Sunkyu Jun**

A decade has passed since the first generation of Genesis was launched in the U.S. with the plaque of Hyundai-Genesis. Genesis Motors was separated from Hyundai Motor in 2015, and has struggled to have the Genesis stand alone in the competitive U.S. luxury sedan market. The present case study aims to find challenges facing the Genesis, which Hyundai has positioned as a luxury sedan competing against conventional luxury brands such as BMW, Mercedes-Benz, and Lexus; evaluate Genesis Motors' strategic response to meet these challenges; and explore an alternative positioning strategy. Specifically, the present case study addresses barriers against the Genesis' market performance, by focusing on the obstacles rooted in the consumer perception as well as the obstacles that stem from the change in the U.S. automobile industry and the nascent network of the Genesis dealership. Genesis Motors' current strategies are evaluated, and an alternative strategy is explored that is largely based on the American consumers' perceptions of the Genesis vis-à-vis conventional luxury brands and outperforming midsize brands.

Key words: Genesis, Genesis Motors, Automobile market, Brand positioning, Standalone brand

I. Introduction

Hyundai Motor Company introduced the first-generation Genesis worldwide, including in the U.S., in August 2008. The Genesis was

Hyundai's first entry into the luxury market segment in the U.S. and was the largest, most powerful car that had ever been marketed by Hyundai prior to the launch of Equus. The first-generation Genesis was replaced with the debut of the second generation, G80, in the

* School of Business, Sungkyunkwan University (hyerin421@skku.edu)

** School of Business, Sungkyunkwan University (skjun@skku.edu), Corresponding Author

international motor show in 2015, and the G80 is currently sold as an anchor model in the U.S., together with G90 as a flagship model and G70 as a luxury sports sedan. Whereas the Genesis has been marketed as a brand name separate from Hyundai in the domestic market, it used to be associated with its parent brand in the U.S. until 2015 when it began to be marketed as a standalone brand.

The association of a new luxury brand with its parent brand that previously appealed to the segments of compact car and midsize family sedan was not the method adopted by other Japanese manufacturers introducing luxury sedans, such as Lexus and Infinity, which were separated from Toyota and Nissan, respectively. Hyundai Motor's rather extraordinary strategy to associate the Genesis with Hyundai could be justified by the strategic goal to enhance its brand equity by capitalizing on the success of the Genesis in the luxury car market. The association of Genesis with Hyundai was also inevitable due to the prohibitive cost of the construction of independent dealerships for the Genesis. However, controversial debates and criticisms continued over the strategic choices of Hyundai Motor in introducing Hyundai-Genesis as a new entry in the luxury car market.

Resolving this controversy and criticism, in November 4, 2015, Hyundai Motor officially announced the separation of Genesis from its parent brand by establishing Genesis Motors as a new luxury vehicle division. According to

Hyundai Motor, the decision to have the Genesis as a standalone brand was based on the asserted success of the Hyundai-Genesis in the U.S. since its introduction in 2008 and was propelled by consumer demand for a separate Genesis division. The new spinoff, Genesis Motors began to market G80 and G90 in late 2016 and G70 in late 2018. However, despite the line extension, the current sales figures of all models of the Genesis indicate that the market performance is at risk. In 2017, the monthly sales volume was steady around 1,700, and the annual sales volume did not fall short of the 20,000 figure that Hyundai Motor initially aimed to achieve in 2009, the first full year of sales in the U.S. The Genesis' monthly sales volume began to decline in 2018 from 1,948 in December 2017, which was the highest volume sold since the spinoff of Genesis Motors, and plunged to 372 in October 2018 followed by 417 in the next month.

In January 2018, Genesis Motors announced to distinguish 840 franchised dealers into Hyundai-only dealers, who are only permitted to sell Hyundai brands, and Genesis-selling dealers, who are qualified to sell Genesis brands as well as Hyundai brands in separate showrooms. The transition of the franchised dealership caused instability of supply, accounting for the decline in sale volumes in 2018. However, it appears that the decline in sales volume is not only attributed to the retailer-related factor but is exaggerated by the brand reputation associated

with the Genesis. It is widely accepted by industry experts that the Genesis is an impressive vehicle, such that a number of institutions ranked the Genesis at the top in their evaluations and surveys. However, industry experts also note that, although the Genesis as a vehicle is impressive, the Genesis as a brand is not seriously considered by consumers seeking to purchase a luxury sedan. The discrepancy between industry experts' appraisals for the Genesis as a vehicle and consumers' lack of proclivity towards the Genesis as a brand is clearly revealed by the analysis of consumer perception. Kelley Blue Book noticed that only three or four percent of consumers shopping on the Kelley Blue Book site are looking at Genesis. The number contrasts with BMW, attracting about 30 percent of Kelley Blue Book shoppers, as well as the Hyundai's and Kia's lower-priced brands, attracting about 20 percent and 15 percent of shoppers on the site, respectively (<https://www.cnbc.com/2018/07/18/korean-car-brand-genesis-is-praised-by-critics-but-unknown-to-buyers.html>). The Kelley Blue Book analysis also notes that only six percent of shoppers are aware of Genesis. Thus, although the Genesis is challenged by the transition of dealership network, a thornier challenge may stem from consumers who can afford to buy luxury vehicles but are not willing to include it in their consideration sets.

The goal of the present case study is to find the challenges facing Genesis Motors positioning

the Genesis as a luxury sedan in the U.S. market, to evaluate Genesis Motors' strategic response to meet these challenges, and to explore an alternative positioning strategy. The present case study does not aim to scrutinize marketing tactics that Genesis Motors may employ to enhance the consumer perception. Instead, the present case aims to examine Genesis Motors' positioning strategy to have the Genesis compete in the very competitive luxury sedan segment by forgoing a midsize sedan segment in which the Genesis may sustain its competitive advantage. For the aim, the present case study addresses the American consumers' current perceptions of Genesis vis-à-vis conventional luxury sedan brands such as BMW, Mercedes-Benz, and Lexus as well as some outperforming midsize sedan brands such as Honda Accord and Toyota Camry. Based on the analysis of consumer perceptions, Genesis Motors' strategic choice to position the Genesis as a luxury sedan is evaluated, and an alternative positioning strategy is explored.

II. Introduction of Hyundai-Genesis in the U.S. market

Hyundai Motor Company conceived the idea for the Hyundai-Genesis in 2003 as an executive four-door, five passenger, and rear-wheel-drive luxury sedan. The Hyundai-Genesis, which was

internally designated as the BH model, was officially introduced at the 2007 New York International Auto Show. Hyundai Motor Company was not reluctant to compare the Hyundai-Genesis to the BMW 5- and 7-series, Mercedes Benz E- and S-class, and Lexus GS. Hyundai Motor Company began marketing the Hyundai-Genesis in the U.S. in late 2008 and positioned it to compete against those German and Japanese luxury sedans by claiming that it would offer consumers far better value for their money. Specifically, the Hyundai-Genesis was marketed as offering the performance of a BMW 5-series and the interior packaging of a 7-series at the price of a 3-series, since Hyundai Motor developed the Hyundai-Genesis by benchmarking the BMW 5-series (<http://autoshow.autos.msn.com/autoshow/Detroit2008/Article.aspx?cp-documentid=5895813>).

The Hyundai-Genesis' debut provoked interest among industry experts who noted that Hyundai had improved its reputation incredibly far and fast in the U.S. although it was not taken seriously when its first car was launched in 1980. Hyundai Motor Company had every reason to claim that the Hyundai-Genesis rivaled conventional luxury sedans: it was named one of the top five luxury sedans in 2008 by the national Automobile Dealers Association, named as a Top-Rated Upscale Sedan by Consumer Reports in 2009, ranked No. 1 midsize premium car by JD Power in 2009, and won the 2009 North American Car of the Year, as chosen by

a panel of 50 U.S. and Canadian automotive journalists.

Prior to the introduction of the Hyundai-Genesis in 2008, there was a debate over its price. It appeared to be reasonable to price the Hyundai-Genesis above \$40,000 due to the capabilities and features comparable to other premium sedans priced at \$60,000. On the other hand, critics doubted its price competitiveness above \$40,000 by comparing the Hyundai-Genesis to non-luxury midsize family sedans such as Toyota's Avalon, Honda Accord, and Nissan Maxima, of which the most expensive models did not exceed \$35,000. Representatives of Hyundai's franchised dealership suggested a price range between \$32,000 and \$33,000. Ultimately, the starting price was determined to be \$33,000 for the Genesis V6 3.8 and \$38,000 for the Genesis V8 4.6. The manufacturer's suggested retail price (MSRP) of the BMW 5-series ranged between \$46,800 and \$58,800, while that of the Lexus GS ranged between \$44,550 and \$55,800.

In its first five months of sales in 2008, Hyundai-Genesis underperformed in the luxury sedan market by showing a sales volume of 6,167, falling behind the figure of 8,000 expected by Hyundai Motor. However, in the first full year of sales, 2009, the sales volume was 21,889, reaching Hyundai Motor Company's expected target (figure 1). Compared to other conventional luxury sedans, such as BMW 3- and 5-series, Lexus ES and GS, and Mercedes-Benz C-class

〈Figure 1〉 Sales volume of selected brands / models in 2009

Source: carsales.com

〈Figure 2〉 Sale volume of Hyundai-Genesis

Source: carsalesbase.com

and E-Class, which had all been well established in the luxury sedan market, the sales volume was not disappointing but rather successful. The sales volume increased up to 33,973 in

2012 and held steady between 29,992 in 2014 and 31,374 in 2015 (figure 2). However, the sales volume started to decline to 23,230 in 2016, which was the last full year of sales

under the marque of Hyundai-Genesis. In 2017, the Hyundai-Genesis was replaced with new models such as Genesis G80 and G90, and was not supplied to franchised dealers who had to exhaust their stocks.

III. Genesis Motors spun off as a luxury division

3.1 Separation of Genesis from Hyundai

On November 4, 2015, Hyundai Motor Company officially announced the separation of Genesis from its parent brand, Hyundai. Genesis Motors was spun off as a luxury vehicle division of Hyundai Motor. Genesis Motors was led by top management with experience working for other luxury car makers or divisions including BMW and Volkswagen Group subsidiaries Bentley, Lamborghini, and Audi.

Genesis Motors launched its first model, Genesis G80 as the second-generation Genesis, which was internally designated as the DH model and was unveiled in concept form at the 2014 North American International Auto Show. Genesis Motors began to market Genesis G80 in August 2016, with the starting price ranging between \$41,400 and \$54,550. The G80 went on sale with G90 which was introduced in September 2016 and was priced from \$68,100 for the 2017 model. Genesis Motors has a lineup

of three models: G90 as a flagship sedan, G80 as an anchor sedan, and G70 which went on sale in 2018 as a sport sedan. All Genesis models are prize-winning vehicles. Similar to the first model launched in the U.S. with the plaque of Hyundai-Genesis, the latest model G70 was ranked the top automotive brand by Consumer Reports in February, 2018 and topped JD Power's Initial Quality survey in June, 2018. When AutoPacific, which is an automotive marketing research and consulting firm, announced its 22nd annual Vehicle Satisfaction Awards (VSA), the Genesis won top luxury brand by achieving the highest brand satisfaction score to date. In addition, for the second year in a row, Genesis G90 won the VSA for Luxury Car.

The Genesis' sales volume increased to 5,510 in the fourth quarter of 2017 from the 4,240 recorded in the fourth quarter of 2016, which was the first full quarter in which both G80 and G90 were marketed in the U.S. (figure 3). Combining the figures for G80 and G90, the Genesis' sales volume in 2017 reached 20,612, which was slightly below the sales volume recorded in the previous year. However, the sales volume declined along the first three quarters in 2018 and plunged to 1,647, which was about 30 % of the highest sales volume recorded in the fourth quarter of 2017. The Genesis' shrinkage in sales volume in 2018 was not comparable to that of other luxury sedans such as BMW and Lexus, the sales figures of which were more or less stable over the same

〈Figure 3〉 Quarterly sales volume of Genesis, BMW, and Lexus

* G70 began to be marketed in September 2018

Source: Modified from data sourced at carsalesbase.com

period of time.

3.2 Causes of sales decline

3.2.1 Transition of dealership and instable supply

Genesis Motors planned to build out a network of about 100 Genesis retailers in around 48 mostly urban luxury markets. However, this plan met resistance from 840 Hyundai franchised dealers across the U.S., because many of the conventional dealers were worried that they might not be able to continue selling Genesis models. In the middle of 2018, Genesis Motors reversed the plan by allowing every dealer to apply to be licensed as Genesis dealers when they built a separate store dedicated for

the Genesis. That is, 840 franchised dealers would be separated into Hyundai-only dealers, who are only permitted to sell Hyundai brands, and Genesis-selling dealers, who are qualified to sell Genesis brands as well as Hyundai brands in separate showrooms. According to the revised plan, those who chose to remain as Hyundai-only dealers were not supplied with new Genesis models and were expected to revert to Hyundai-only dealers after exhausting their Genesis supply. Only those who signed an agreement to be a Genesis-selling dealer were supplied with the Genesis models. The revised plan allowed Genesis Motors to reach a solution to make a compromise between the traditional Hyundai-dealers' worries and the Genesis Motors' initial plan to have a standalone dealership. However, the number of dealers

selling the Genesis brand was about 850 in August 2018 but was expected to drop to about 400 in the early 2019 (<https://carbuzz.com/news/over-half-of-hyundai-s-us-dealerships-will-stop-selling-genesis-cars>).

The transition of dealership network was accompanied by instable supply of the Genesis brand in the U.S. market. For instance, under the revised plan, the 2019 (and later) models of Genesis are not sold in the showrooms of Hyundai brands but are allocated only to dealers who are licensed as Genesis dealers by building a separate showroom. Due to the limited place to sell the Genesis brand, Genesis Motors stopped importing its Korean-built vehicles into the U.S. for sales until it could secure places to sell the cars. The 2018 model year was discounted early in February to avoid burdening the slimmed down Genesis dealership network, causing a tight inventory that has stifled sales during the year of 2018 (<http://www.thedrive.com/news/22605/hyundais-july-2018-u-s-sales-genesis-sales-slow-in-transition>). It is hard to disentangle the causes of sales decline between the one stemming from the transition of dealership and another stemming from the instable supply, which was related to changes in the dealership network. However, an important thing is that the seemingly indecisive dealership policy confused both the traditional Hyundai dealers and newly franchised Genesis dealers and created the instability of supply, being counterproductive to the Genesis Motors endeavoring to establish

the Genesis brand in the U.S. market (<https://www.cnet.com/roadshow/news/hyundai-genesis-dealer-network-renegotiation>). The average sales volume of the Genesis brand per dealer was around 2.3 in December 2017 (monthly sales volume of 1,948) but was around 0.49 in September 2018 (monthly sales volume of 419) in the middle of the transition of dealership network, based on the estimated number of dealers of 850.

It appears that Genesis Motors had expected such a decline in sales volume during this transitional period. According to an interview by CNBC with a top management at Genesis Motors, they were not at all concerned with sales volume but considered the sales drop to be a necessary process for the Genesis to go through so as to build a stronger foundation (<https://www.cnbc.com/2018/07/18/korean-car-brand-genesis-is-praised-by-critics-but-unknown-to-buyers.html>). The same interviewee added that the sales drop in the first two quarters of the year was nearly in line with their business plan, or just 3% off of their targets (<https://www.tflcar.com/2018/07/genesis-sales-future-dealerships/>). Genesis Motors hope to see the sales volume bounce back upon the completion of the gradual transition of dealership by the aid of the newly franchised dealers rebooting Genesis sales. However, the decline in sales volume was too severe to be accounted for solely by the transition of dealership. The sales volume of the Genesis brand bounced

back in the early 2019 (1,224 in January and 1,528 in February), but it fell short of the monthly sales volume of 1,718 in 2017 despite the line extension including G70 in addition to G80 and G90 (<http://carsalesbase.com/us-car-sales-data/genesis/>). For the Genesis Motors to reverse its sales volume, there is a need to examine other causes that exacerbated the sales decline during the transition of dealership such as the shift toward SUVs in the premium vehicle market and the consumer's perception of luxury sedan brands.

3.2.2 Market Shift toward SUVs

Some analysts attend to the shift in the U.S. automobile market from sedans to SUVs and noted that the entry of Genesis in the U.S. market was a bit too late (<http://koreajoongangdaily.joins.com/news/article/article.aspx?aid=3049747>). The shift toward SUVs

was more rapid and dramatic in the U.S. automobile market than many experts had thought. Passenger car sales fell to a low of 5.4 million in 2009 before bouncing back to 7.6 million by 2014 (Figure 4). Car sales dropped back to 6.1 million in 2017 and were on pace in the following year to finish around 5.4 million, according to a projection based on year-to-date (YTD) data through June 2018. SUVs first supplanted cars in 2016 and were on track to reach a record 8.3 million in 2018. Through the end of November 2018, passenger cars tumbled to 30.5% of new vehicles sold in the U.S. The shift toward SUVs was rather radical in the sense that sedans, coupes, and other passenger cars accounted for more than half of the new vehicle market just a decade ago. The pendulum may swing to the opposite direction in the future. However, it is expected that the swinging

〈Figure 4〉 Sales volumes of cars, SUVs, and pickups

* 2018 figures are projections based on YTD data through June.

Source: Ford (<https://www.bloomberg.com/news/articles/2018-07-05/sick-of-sedans-u-s-car-sales-seen-falling-to-recession-levels>)

of the pendulum toward SUVs and crossover vehicles will continue for at least several more years (<https://www.cnbc.com/2018/12/04/foreign-carmakers-take-on-us-sedan-market-as-detroit-shifts-to-suvs.html>).

The shift toward SUVs is not an exception in the premium vehicle market, including the luxury sedan market. According to Kelley Blue Book, cars made up 56 percent of all premium vehicles sold in the U.S. in 2011, but the share shrunk to about 40 percent in 2017. During the same period, SUVs showed an exactly corresponding share increase, going from 40 percent in 2011 to 56 percent in 2017. It should be noted that, although the U.S. auto market is quickly turning toward SUVs, all current Genesis models are sedans. When Genesis Motors was launching G80 and G90 in 2016, Lexus was decreasing its emphasis on sedans and was focusing on hybrid SUVs. Genesis Motors has also announced that it would launch two SUVs such as GV80, a large size SUV, and GC80, a midsize SUV, by 2020 or after, but it has not released further details on these two models.

3.2.3 Separation of Genesis as a standalone brand

In the automotive industry, of most importance to a consumer's brand evaluation is the product excellence relative to the total ownership cost, which accounts for 91 percent of the difference in how consumers evaluate auto brands (strategy

+ business, Fall 2003, v. 32). The Genesis, which has been praised for its capabilities and features in addition to its relatively low price as a luxury sedan, appears to accommodate the consumer's brand evaluation. However, consumers' evaluations of brand reputation are also based on their perceptions which accumulate for a long time through direct and indirect experiences with all models that constitute the brand. Consumers' perceptions change through consistent and sustained transitions in the underlying brand portfolio and are relatively immune to manipulation by the auto manufacturer, including advertising.

Furthermore, the consumer's perception of an automobile brand is not necessarily constructed for an individual brand but is developed through comparison with similar brands such that brand reputation varies depending on the category to which the brand belongs. The consumer's perception of a brand and evaluation of the brand reputation through comparison with similar brands correspond to the consumer's general tendency of the category-based process for perceiving and evaluating an individual brand (Punji and Moon 2002; Sujan and Bettman 1989). When consumers are exposed to an obscure brand, they find similarities and dissimilarities with other familiar brands and then associate it with a category made up of those sharing similarities with the brand. Once consumers categorize a brand into a specific category, they associate the brand with value propositions and

reputations of other brands belonging to the same category with the brand. Consumers often ignore the actual (dis)similarities between those brands, resulting in the brand perception and evaluation biased toward what the category implies. Consumers' perceptions of value proposition and evaluations of brand reputation thus may exceed or fall short of the demonstrable capabilities and features of the brand, depending on how consumers categorize the brand.

Due to the category-based evaluation, when car makers that have been associated with low-priced economy brands introduce a luxury vehicle, they are resisted by consumers' long-lasting perceptions against the brand positioning toward the luxury vehicle category. Hyundai was not the first car maker once associated with low-priced cars to develop a luxury vehicle. Honda was the first Japanese car maker that introduced a luxury sedan, Acura, into the U.S., followed by Toyota with Lexus and Nissan with Infinity. However, the Genesis has a different track record from those Japanese brands. All of these Japanese car makers separated the luxury sedan brands from their parent brands by establishing new spinoffs and began marketing their luxury brands through separate dealership networks. On the other hand, the Genesis used to be marketed as Hyundai-Genesis through Hyundai's dealership network for ten years since its introduction. The Genesis was separated from its parent brand very recently, whereas about three decades

have passed since the Japanese carmakers established their spinoffs to market their luxury vehicles as standalone brands. Thus, sales volume of the Genesis (i.e., Hyundai-Genesis) was in part indebted to the traditional Hyundai dealers marketing the Genesis as an alternative to other Hyundai brands stocked in the showroom. Being separated from Hyundai, Genesis Motors are faced with a challenge to forgo aids of the traditional Hyundai dealers and persuade consumers, particularly who afford a luxury vehicle, to perceive the Genesis as a member of the luxury sedan category and as a serious alternative to conventional luxury brands including BMW, Mercedes-Benz, and Lexus. However, provided with the recent shrinkage in sales volume, the Genesis Motors needs to reevaluate the unyielding strategy that positions the Genesis as a member of luxury sedan category while referring to the current consumers' perceptions of Genesis vis-à-vis other competing brands.

IV. Evaluation of Genesis Motors' Positioning Strategy

4.1 Consumers' Perceptions against the Genesis' Position

While industry experts appraise Genesis as a vehicle with capabilities and features that

produce comfort, safety, and value which typify a luxury sedan, consumers are not much attracted by the vehicle as an alternative to conventional luxury sedans. It has been less than three years since the Genesis Motors was spun off as a luxury division of Hyundai and began to establish the Genesis as a standalone luxury brand. It may be too early for the Genesis Motors to build a strong position of Genesis as a luxury brand in the U.S. Thus, it would be no surprise to see a discrepancy between American consumers' perceptions of the Genesis as a luxury brand and Genesis Motors' expectancy for the consumer perception. However, a deeper understanding of consumers' perceptions of Genesis vis-à-vis other competing brands should help Genesis Motors reevaluate the current approach to positioning the Genesis as a member of luxury car category. Drawing on the current consumers' perceptions, the Genesis Motors may find an alternative approach to positioning the Genesis against other competing brands, achieving the goal of improving the reputation of the Hyundai brands in the global market by capitalizing on the Genesis' success in the North American market.

For examining consumers' perceptions of Genesis in the U.S. market, we conducted a survey by using 106 American adults (48 males and 58 females, with average age of 41.4), who belonged to the panel of Amazon MTurk and who reported that their household incomes were above \$25,000, in December 2018.

Corresponding to the previous discussion, the survey results show that Genesis Motors is demanded to have the Genesis brand familiar to American consumers without being aided by its association with the parent brand. About 27 percent reported that they knew that Genesis' parent company is Hyundai Motor, and less than seven percent reported that they were familiar with Genesis G80 which was the first model marketed by the Genesis Motors. Although the low familiarity with Genesis G80 does not indicate that American consumers are little aware of the Genesis brand, it reveals a challenge facing the Genesis Motors to establish the Genesis brand as a member of the luxury sedan category.

Of more relevance to the evaluation of the Genesis Motors' positioning strategy is the way that the survey participants perceived the Genesis brand vis-à-vis other competing sedan brands and models. The survey included 17 measures of brand associations (e.g., safety, fuel efficiency, performance, comfort, affordability, etc.), which were used by the survey participants to evaluate 15 sedans: 10 luxury sedans including Genesis G80 and five midsize family sedans. Among 15 sedans, Genesis G80 was compared to other luxury sedans such as BMW, Benz and Lexus that the Genesis Motors considers as competing brands. It was revealed that those competing brands were rated higher than G80 for most brand associations except fuel efficiency and affordable/accessible (Figure 5).

〈Figure 5〉 Comparison of brand association

Data created by authors through a survey

Based on the participants' ratings of the 15 sedans in terms of the 17 measures of brand associations, a cluster analysis was conducted to examine a category to which Genesis 80 belonged. The analysis showed that Genesis G80 belonged to a cluster including conventional luxury sedans such as Audi A4 and A6, Lexus IS and GS, Mercedes-Benz C- and E-Class, BMW 3- and 5-series, and Cadillac CTS (Figure 6). The cluster to which Genesis G80 as well as other luxury sedans belonged was clearly distinguished from the other cluster including midsize sedan brands such as Honda Accord, Toyota Camry, Ford Fusion, Nissan Altima, and Subaru Legacy. The findings of cluster analysis indicate that the consumer perception of Genesis vis-à-vis other sedan brands is likely to be consistent with what

Genesis Motors' has expected in the course of positioning the Genesis as a member of the luxury sedan category. These findings should allay the concerns of industry experts that consumers' perceptions of the Genesis brand may be at odds with Genesis Motors' expectancy. It has been well accepted that, once a brand is classified with other brands as members of the same category, consumers' perceptions of the brand approach their perceptions of the other brands belonging to the same category. That is, based on the findings of cluster analysis, an inference can be made that the Genesis' brand reputation is evaluated similarly with other conventional luxury sedan brands, increasing the feasibility for the Genesis to compete head-to-head with those brands.

〈Figure 6〉 Clusters of luxury and midsize sedan brands and models

Data created by authors through a survey

However, from a view of behavioral decision theory, consumers' evaluations in terms of ratings of brands are often inconsistent with their choice behaviors (Payne, Bettman, and Johnson 1983). This view implies that, while consumers' choices are influenced by their evaluations of alternative brands, their choices are also dependent on the choice context including the consideration set. That is, consumers construct a consideration set and then choose an alternative in the consideration set (Hauser 2014). Unless the Genesis brand is not included in the choice

set that consists of conventional luxury sedan brands, it may not be chosen by consumers who are about to purchase a luxury sedan, despite a similar evaluation with the conventional luxury sedan brands. It is worth noting again that only three or four percent of consumers shopping on Kelley Blue Book are looking at the brand, indicating that the perception of Genesis as a luxury brand may not extend to the construction of consideration set including conventional luxury brands when consumers are seeking to purchase a luxury sedan.

There is a need to further examine the possible inconsistency between consumer's perceptions of Genesis as a member of the luxury sedan category and the consideration sets constructed for purchasing a luxury sedan. For fulfilling the need, we conducted another survey for 100 American adults (48 males and 52 females, with average age of 39.3), who were recruited through the Amazon MTurk, in December 2018. The survey was aimed to examine consideration sets that could be constructed for purchasing Genesis G80 and other luxury sedans such as BMW 3- and 5-series. The survey participants were asked three questions related to the consideration set, such as questions about brands they would consider purchasing together with BMW 3-series, BMW 5-series, and Genesis G80, respectively.

In the first question, the participants were asked to suppose they were considering a purchase of BMW 3-series and select at least

three brands to be compared. It was revealed that Audi A4 was selected most frequently, followed by Audi A6, Lexus IS, and Mercedes-Benz C-Class (Figure 7). Only 3.3 percent selected the Genesis G80. It is interesting to note that several non-luxury midsize sedan brands (e.g., Honda Accord, Toyota Camry, Nissan Altima, etc.) were selected more frequently than the Genesis G80 as well as other luxury sedan brands including Jaguar XE and Cadillac ATS.

Next, when the survey participants were asked to suppose they were considering a purchase of BMW 5-series and select at least three brands to be compared, Audi A6 was selected most frequently, followed by Mercedes-Benz E-Class, Lexus GS, and Cadillac CTS

(Figure 8). However, similarly to the previous question, less than four percent selected the Genesis G80. The midsize sedan brands were less frequently selected than in the previous question, in which those were compared with BMW 3-series. The results correspond to the higher price of BMW 5-series than BMW 3-series. However, some outperforming midsize sedans such as Honda Accord and Toyota Camry were still selected more frequently than the Genesis G80.

On the other hand, when the survey participants were asked to suppose they were considering a purchase of Genesis G80 and select at least three brands to be compared, their selections differed substantially from the previous two questions. Honda Accord was selected most

<Figure 7> Frequencies of brands compared with BMW 3-series

Data created by authors through a survey

<Figure 8> Frequencies of brands compared with BMW 5-series

Data created by authors through a survey.

frequently, followed by other non-luxury midsize sedan brands including Toyota Camry, Ford Fusion, Nissan Altima, etc. (Figure 9). Together with the previous findings, the survey results indicate that, when consumers are about to purchase BMW 3- and 5-series, they are less likely to include Genesis G80 in their consideration sets than other luxury sedan brands as well as some outperforming midsize sedan brands including Honda Accord and Toyota Camry. Furthermore, the survey provided Genesis Motors with a thorny result in the sense that, when consumers who are about to purchase Genesis G80 construct their consideration sets, they are more likely to select non-luxury midsize sedan brands as alternatives to the Genesis G80 than conventional luxury sedan brands.

Coupled with the first survey, the results indicate that the construction of choice set was not consistent with the evaluation of brand associations. That is, whereas Genesis was evaluated similarly with other luxury sedan brands, it failed to belong to the same consideration set with conventional luxury brands. In the present survey, when the participants were provided with the MSRP of Genesis G80 and were asked about their likelihood to purchase it as an alternative to other car models priced similarly, only 14 percent answered that they would be likely, while about 60 percent answered that they would not. The inconsistency between the construction of choice set and the evaluation of brand associations appears to account for the lower rate of purchase intention for Genesis

〈Figure 9〉 Frequencies of brands compared with Genesis G80

Data created by authors through a survey

despite its value as a vehicle.

4.2 Alternative approach to Positioning Genesis

Genesis Motors maintains an unyielding approach to positioning the Genesis brand as a member of the luxury sedan category and pursues a goal to establish the Genesis as an alternative to German and Japanese luxury brands including BMW, Mercedes-Benz, and Lexus. Genesis Motors has focused on the vehicle's quality and safety while avoiding costs added by deploying advanced technologies for the sake of technology, with an aim to have the Genesis compete against the conventional luxury sedans (<https://www.autonews.com/>

[article/20160104/OEM03/301049922/the-book-of-genesis-how-hyundai-plans-to-do-luxury](https://www.autonews.com/article/20160104/OEM03/301049922/the-book-of-genesis-how-hyundai-plans-to-do-luxury)). The Genesis Motors' emphasis on the vehicle is praised well by industry experts who reach a consensus on the capability and features that Genesis brands are equipped. Echoing the appraisal of vehicle value, results of the first survey showed that Genesis G80 was rated to have similar with the conventional luxury sedans regarding attributes and features that typify the luxury sedan brand.

On the other hand, the second survey examined consumers' choice behavior in terms of the construction of choice set and showed that Genesis G80 failed to belong to the consideration set which the survey participants constructed for a purchase of BMW 3-series or 5-series.

Instead, the consideration set constructed for a purchase of Genesis G80 consisted of outperforming midsized sedans including Honda Accord and Toyota Camry. The Genesis G80's failure to belong to the same consideration set with BMW, Mercedes-Benz, and Lexus implies that its excellence of features and capabilities are not enough to qualify it to be a virtual competitor of those conventional luxury sedan brands. In other words, it may not be a matter of vehicle but a matter of brand with which consumers experience in the context of consumer culture that determines the membership of Genesis G80 as a luxury brand. The Genesis Motors needs to listen to the researcher of luxury brands, who reached an agreement that the selective and exclusive value of luxury brand is not only functional one but also symbolic and emotional ones, which accumulate through consumer experiences (Megehee and Spake 2012; Tynan, McKechnie, and Chhuon 2010). While the Genesis Motors has focused heavily on the vehicle value as a means to position the Genesis brand as a luxury sedan, it may opt for an alternative strategy to develop emotional and hedonic values that consumers can create in the course of purchasing, possessing, and using the Genesis brand.

From a different angle, despite similar evaluations of attributes and features typifying the luxury sedan between Genesis G80 and conventional luxury brands, the exclusion of Genesis G80 in the consideration set implies

that Genesis G80 may lack a unique feature to attract consumers as a luxury sedan brand. It has been well known that the success and failure of positioning a brand as a member of product category do not exclusively depend on the similarity between the brand and other category members, but also depend on its disparity from the existing members. When the brand's uniqueness is accompanied by defining features of the product category, consumers are more likely to consider the brand as an alternative for a purchase. BMW, Lexus, and Mercedes-Benz are equipped with defining features necessary to be categorized as a luxury sedan. Further, each brand is distinguished from competing brands due to its unique brand association. For instance, BMW is differentiated as the ultimate driving machine. Lexus is distinctive due to its brand association of comfort. Mercedes-Benz is unique with its image of fit and finish. In addition, all of these brands are associated with history and heritage to varying degrees. On the other hand, the Genesis brand is differentiated from other luxury brands with respect to the low price, which is rather associated with economy or value car, not to a unique brand association linked to luxury car. Genesis Motors thus needs to pursue an alternative approach to the positioning strategy in the direction to equip the Genesis brand with a unique feature associated with the brand beyond typical features linked to the luxury vehicle which is priced much

lower than conventional luxury brands.

Another alternative approach strategy is to appeal to a far broader segment of consumers who can afford but turn away from luxury sedans, instead of sticking to the narrow segment of consumers who purchase luxury sedans. Coupled with the shift toward SUVs, the luxury sedan is a very competitive segment in the U.S. automobile market. It appears that Genesis Motors also acknowledges that the luxury sedan segment is overcrowded. In the previously mentioned interview conducted by CNBC (<https://www.cnbc.com/2018/07/18/korean-car-brand-genesis-is-praised-by-critics-but-unknown-to-buyers.html>), the top management of Genesis Motors noted, “When

we look at customers who can afford to buy luxury vehicles, a full 83 percent of them do not buy luxury vehicles at all. So, there isn’t a need to fight over the 17 percent who do buy luxury vehicles.” Results of the present surveys also concur with the alternative approach such as appealing to consumers who turn away from luxury sedans to outperforming midsize sedans. The survey participants who categorized Genesis G80 into the category including conventional luxury sedans were not interested in the Genesis G80. It was the participants categorizing Genesis G80 with Honda Accord and Toyota Camry to the same category who wanted to learn more information about the Genesis 80 for the next purchase (Figure 10).

〈Figure 10〉 Comparison of clusters between the participants who liked further information about Genesis G80 and those who did not

Data created by authors through survey

In addition, for the participants who showed an interest in the Genesis G80 as an alternative to other cars priced at a similar level, the Genesis G80 also belonged to the same cluster as Honda Accord and Toyota Camry (Figure 11). The survey results suggest Genesis Motors pursue a new segment including consumers who are not attracted by the over-priced luxury brand and are not satisfied with the conventional midsize sedan falling short of premium features and capabilities. The segment lies between the luxury and the midsize segments. Instead of asserting that the Genesis is similar to members of the luxury sedan category, Genesis Motors may adopt an alternative strategy claiming that the Genesis differs in the economic value

from the conventional luxury brand and differs in the premium features and capabilities from the conventional midsize sedan.

V. Conclusion

It should be noted that the present case study has limitations such that it was based on records and reports available to the public; that its surveys were conducted for participants who did not represent the American consumer; and that it did not refer the Genesis Motors that may differ from the view adopted in the present case study in describing the current

〈Figure 11〉 Comparison of clusters between the participants who showed interest in the Genesis G80 as an alternative

Data created by authors through a survey

circumstance. Despite the limitations, the present case study helps reevaluate the Genesis Motors' positioning strategy to have the Genesis brand outperform in the luxury sedan market, calling for an alternative approach to the current positioning strategy. The present case study found barriers against Genesis performing in the luxury sedan market with respect to those related with transition of dealership, instability of supply, and market shift to SUVs. In addition, we addressed a barrier against the Genesis Motors' positioning strategy to have the Genesis brand compete in the luxury sedan segment, by focusing on the consumer perception of Genesis vis-à-vis competitors including conventional luxury sedan brands and some outperforming midsize sedan brands. The emphasis on the consumer perception afforded a deeper understanding about the discrepancy between the Genesis' vehicle value and its brand value, which corresponded to the well-known divergence between evaluation and choice. By understanding that American consumers' choice behaviors do not concur with their evaluations for luxury vehicles, the Genesis Motors may pursue an alternative strategy in positioning Genesis as a member of luxury sedan category.

While being less addressed in the present case study, the Genesis Motors deserves a reasonable expectancy for the future improvement in the market performance of the Genesis brand. The current transition of retail network is critical for the Genesis Motors to manage its

supply to be stable and have its franchised dealers play their roles in marketing Genesis. Consistency and predictability are also crucial to the retail strategy, and these are related to the frustration and confusion among existing Hyundai dealers as well as new Genesis dealers. In addition, the change in the retail environment toward digital retailing and online retailing may pose a threat to the Genesis Motors during the gradual transition to its own separate retail network. However, once the Genesis Motors completes its dealership transition and makes good use of the shift in the retail environment, it may compensate for its weakness in the nation-wide separate dealership by diversifying its retailing network.

When Hyundai began the Genesis project in 2003, they estimated that, while the U.S. car market would shrink by five percent in the following three years, its semi-luxury car market would increase by seven percent (Hyundai Motor's Internal Report). Upon the decision to separate the Genesis as a standalone luxury brand, Hyundai relied on the HIS Automotive forecast that the global market for premium-luxury cars would surge 29 percent to 6.77 million vehicles by 2020, from 5.27 million vehicles in 2014. However, premium-luxury car markets were rather rapidly occupied by luxury SUVs and crossovers, demanding a shift for luxury car makers toward SUVs and crossovers from sedans. Genesis Motors plans to introduce two SUVs by 2020 or later, which may enable the

Genesis to accommodate the changes demanded by the industry-wide environment and survive in the competitive luxury vehicle market in the U.S.

It is true that, for American consumers, Genesis is an obscure brand that has not been encountered within the luxury car market and that has been more or less related to a car maker associated with a low-priced value car. It is also true that Genesis Motors is struggling to have the brand successfully stand alone in a new segment that Hyundai has never been involved with in the U.S. automobile market. However, the Genesis is still young. It has been less than three years since Genesis Motors was spun off from Hyundai Motor and began standing alone as a brand. By pursuing its own way to meet American consumers' pragmatic needs for a better vehicle and their perceptions for the Genesis vis-à-vis other luxury vehicles and midsize vehicles, Genesis Motors may fulfill its goals to have a premium vehicle in the U.S. market and obtain benefits on the Hyundai brands from the Genesis.

〈Received January 8, 2019〉

〈Accepted April 26, 2019〉

References

- Hauser, John R. (2014), "Consideration-Set Heuristics," *Journal of Business Research*, 67(8), 1688-1699.
- Megehee, Carol M. and Deborah F. Spake (2012), "Consumer enactments of archetypes using luxury brands," *Journal of Business Research*, 65, 1434-1442.
- Payne, John, W., James R. Bettman, and Eric J. Johnson (1983), *The Adaptive Decision Maker*. New York: Cambridge University Press.
- Puju, Girish and Junyeon Moon (2002), "Positioning Options for Achieving Brand Association: A Psychological Categorization Framework," *Journal of Business Research*, 55, 275-283.
- Sujan, Mita and James R. Bettman (1989), "The Effects of Brand Positioning Strategies on Consumers' Brand and Category Perceptions: Some Insights from Schema Research," *Journal of Marketing Research*, 226(4), 454-467.
- Tynan, Caroline, Sally McKenchnie, and Celine Chhuon (2010), "Co-creating value for luxury brands," *Journal of Business Research*, 63, 1156-1163.