

'Gangnam Style': increasingly a hit on our streets as well as the dance floor

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From upbeat pop numbers to ballads of angst and woe, the Top 40, in any age, has tended to offer a Kaleidoscope of musical experiences, from the gloomy to the cheerful, and everything in between. Similarly, when we look at the economy, the mood music amongst different sectors, businesses and people can be remarkably dissimilar. The music industry itself is one example, where we learned recently of HMV's demise shortly after the Korean pop song 'Gangnam Style' topped charts around the world and became the most viewed online video of all time. Try telling Psy and his record label that the music industry is in decline!

Indeed, Korean success features in another marked dichotomy within a sector that is a key barometer of consumer confidence and spending. Car sales – the most expensive discretionary expenditure item after buying a house – have been stuck in the doldrums. However, by examining the fortunes of the likes of Kia and Hyundai against those of less fortunate car manufacturers like Renault, gives an intriguing insight into what consumers have been up to and how behaviours have been changing. It soon becomes clear that our tastes in cars have gone a bit Gangnam Style, but that style is not the main driving factor. It also becomes apparent that the choices we have been making have been having a not insubstantial effect on other economies, some thousands of miles away.

Not surprisingly, Northern Ireland's new car sales boom coincided with the peak in house prices in 2007. Back then there were 68,700 new car sales including: 238 Porsches, 45 Aston Martins, 29 Bentleys, 18 Ferraris, 14 Maseratis and two Rolls Royces. Since then, new car sales have slumped by almost one third with 21,200 fewer sales last year relative to 2007. Northern Ireland's decline over this period was much steeper than the UK (-15%) but compared favourably with the sharper declines experienced in the Republic of Ireland (-58%). Furthermore, spare a thought for Greece & Romania. Both countries have seen new car sales fall by almost 80% since 2007. Meanwhile, Portugal, Italy, Spain and Greece are currently experiencing their lowest level of new car sales since at least 1990.

Whilst the total number of new cars sold in both the UK and Northern Ireland are lower last year relative to 2007, not all brands have suffered. Beneath the headline declines there have been significant winners and losers. Top of the charts for sales growth in Northern Ireland over the last 5 years are Kia & Hyundai. The former has seen sales more than treble whilst the latter has increased sales by close to 60%, all occurring within a shrinking market. As a result, the market share of Northern Ireland's new car sales for these South Korean manufacturers has increased almost threefold to 1 in 10. It's a similar story in the UK with Hyundai (+150%) and Kia (+127%) topping the charts for sales growth over the last 5-years too. In 2007 Kia & Hyundai accounted for just over 2% of the UK market. Now, that figure is closer to 8% and almost 11% for the Republic of Ireland.

The only other manufacturers to record sales growth in Northern Ireland over the last 5 years were Chevrolet, Nissan & Skoda. For all other brands it was a case of losers and big losers. Some brands, notably Saab and Proton have become almost obsolete. Meanwhile Aston Martin sales have plummeted 84% over the last 5 years. It is interesting to note that sales within the super luxury car market (*Aston Martin, Bentley, Ferrari, Lamborghini, Lotus, Maserati, Porsche & Rolls Royce*) have fallen by 55% since 2007 - the same decline as average Northern Ireland house prices. These brands benefited from the property boom, but have suffered in equal measure from its downturn. Another category that has suffered has been what can be described as the 'squeezed middle'. Renault (-71%), Honda (-61%), Toyota (-58%) and Mazda (-49%) have all experienced falling sales over the last 5 years that are well above the average fall (-31%).

After Hyundai & Kia; Nissan, Volkswagen, Audi & Skoda have all recorded significant increases in Northern Ireland's market share between 2007-2012. Conversely, Renault, Toyota, Honda and Mitsubishi have all experienced significant declines in market share over the last 5 years. Indeed, Renault's market share of Northern Ireland new car sales is now below that of both Hyundai and Kia. Furthermore, Hyundai accounts for as many sales as Toyota and Mazda combined.

The evolutionary concept of survival of the fittest is at work in all economies and in all sectors – not just the car industry or retail. Looking at the overall economy level, it is clear that Northern Ireland, the UK and the Republic of Ireland economies have yet to show any meaningful signs of a sustainable recovery. That said, it is important to remember that not all sectors or businesses are experiencing difficulties. As in evolution, some sectors and firms have been unaffected by the downturn. Others suffered initially but their competitive advantage, or fitness, relative to other firms has seen them prosper as they adapted to the new economic environment. Meanwhile, some firms have died out as their products or services have become either obsolete or uncompetitive.

In the car industry some brands have disappeared completely, others continue to struggle, while others have prospered. Consumers in Northern Ireland, the UK and the Republic of Ireland have not simply switched to lower cost brands – Hyundai, Kia & Skoda – because they are cheap. The quality, design and value for money of these brands have improved significantly relative to its more costly competitors. Innovation, a constant war on efficiency and knowing what a customer wants are key ingredients within successful firms. What is happening in the car industry is a microcosm of wider economic trends in other sectors and economies worldwide. Those that adapt will survive and thrive. If companies like Kia and Hyundai can continue to do so, they might follow Psy's success and become number one hits around the world.

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