

Hyundai off to slow start in SUV race with Kona its first entrant

Hyundai Motor Co is counting on its first global compact SUV model to revive flagging sales after missing out on the popularity of sport utility vehicles in its major markets.



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Vice-chairman Chung Euisun unveiled the Kona SUV last week, with a starting price of 18.95-million won (\$16,700).

The model will begin sales in South Korea in June, followed by North America and Europe, and is expected to compete with the Honda HR-V, Toyota C-HR and Nissan Juke. The car maker plans to introduce several SUV models in various categories and power trains.

"The global SUV market is an important market that has shown seven consecutive years of growth," Chung said. "Rather than hastily entering the market, Hyundai released the Kona after thoroughly analysing consumers and the market, as well as the technology."

Playing catch up

Hyundai is playing catch up after being caught out by the shift in consumer preference away from sedans to larger and more expensive SUVs. The Kona is only the third global SUV model in the South Korean manufacturer's lineup. The mismatch between demand and supply led to the company registering in June its steepest decline in US retail sales since June 2009. Geopolitical tensions exacerbated the imbalance in China, its biggest market.

"That's certainly something they need," said Jessica Caldwell, an analyst with edmunds.com in Santa Monica, California. "They could really use not only something in this segment but just more SUVs. They're pretty light on SUVs."

The car maker is extending its driver-assist systems beyond its more expensive models, making the technology available on the Kona that includes features such as forward-collision avoidance and lane keeping. The SUV will also have a head-up display that will project a virtual image to enable the driver to keep his eyes on the road.

Only two crossover models

Hyundai has only two crossover models in the global market, the full-sized Santa Fe and mid-sized Tucson. It also offers a small SUV - called the Creta in India and ix25 in China - in some emerging markets.

The company has plans to expand its SUV lineup to eight models, including two under the premium Genesis brand, by 2020, according to Esther Yim, an analyst at Samsung Securities in Seoul. That should help Hyundai add 500,000 in annual vehicle sales and expand its share of the global SUV market to 6.8%, up from 5.7% currently.

The Kona, which comes in 2l and 1.6l engine options, will enter a competitive segment marked by increasing sweeteners in the US. Hyundai's sales in the world's second-biggest car market fell 15% in May, dragged down by waning demand for its mainstay sedans.

Its incentive spending in the US jumped 51% to \$3,166, according to researcher ALG.

In China, Hyundai and affiliate Kia are speeding up the introduction of more SUVs to stem declining sales.

The China-exclusive ix35 is due to go on sale later in 2017, while Kia is scheduled to begin sales of its K2 Cross in June.

Hyundai also recently hired Volkswagen China head designer Simon Loasby to lead its China design team.

Help Hyundai gain a share of the fast-growing vehicle segment

At home in South Korea, the Kona will help Hyundai gain a share of the fast-growing vehicle segment, where sales climbed 33% in the first four months compared with the 6.3% increase in mid- and full-sized sedan deliveries. Ssangyong Motor Co and Renault Samsung Motors Co lead compact SUV sales in the country with their Tivoli and QM3, respectively.

"Hyundai was late to catch up [with] a global SUV boom as it settled for its sedan sales," said Lee Sang-hyun, analyst at IBK Securities in Seoul.

Source: Business Day