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## Is the U.S. Auto Market Ready for Indian Vehicles?

The U.S. auto market will soon see competition from a new front: India. Through independent distributor Global Vehicles U.S.A., Indian manufacturer Mahindra & Mahindra Ltd. plans to sell a diesel-powered compact pickup in the country early next year<sup>1</sup>, several months later than its original launch date. The Indian OEM then plans to expand its presence in the U.S. market with the diesel-fueled Scorpio SUV in late 2010 or 2011<sup>2</sup>.

How will the U.S. market likely react to these two new market entries? Which vehicles will they compete against? How likely is the Mumbai-based OEM to meet its annual sales goal of 50,000 units for the pickup?

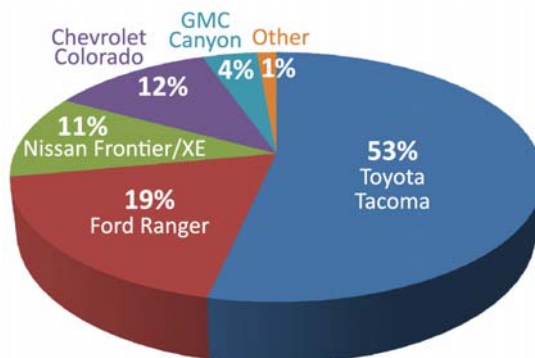
This Polk View answers these and other questions regarding the U.S. launch of the as-yet-unnamed pickup and the Scorpio SUV from Mahindra & Mahindra.

### TOUGH MARKET FOR LAUNCH OF NEW PICKUP

Mahindra & Mahindra is likely to face challenges in introducing its new model into the declining U.S. pickup market. Since 2004, the market share of pickups has been falling. For the first five months of 2009, pickups comprised just over 14 percent of U.S. light vehicle sales, down from 20.2 percent in 2004 and 2005.

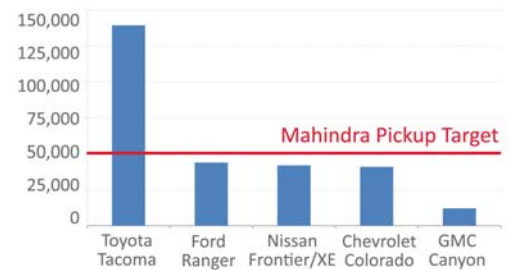
As a compact pickup, the Mahindra & Mahindra truck may be an even tougher sell. Americans traditionally prefer full-size pickups, which made up almost 80 percent of all pickups sold in 2008. With 80,171 units sold in the first five months of 2009, compact pickups, comprised just 17 percent of the entire pickup category. Within the compact pickup segment, the new truck will likely face the most competition from the Toyota Tacoma. This truck had 53 percent of the compact market share in the first five months of 2009, higher than its 2008 full-year market share of 49 percent -- putting it on track for another year of market share gains.

Figure 1  
Market Share by Model in Compact Pickup Truck Segment (January-May 2009)



Mahindra & Mahindra aims to sell 50,000 trucks<sup>2</sup> annually in the U.S., a lofty goal considering that no other compact pickup truck besides the Tacoma (which sold approximately 139,000) had sales above 45,000 in 2008. Furthermore, the compact pickup category includes just a few models, each with relatively low sales volumes.

Figure 2  
2008 Top 5 Compact Pickup Sales (with Mahindra Sales Target)



As a diesel-fueled vehicle, the Mahindra & Mahindra pickup will have a fuel efficiency advantage over the competition. According to information from manufacturer websites, the Indian pickup will achieve 30 miles per gallon on the highway, topping the Toyota Tacoma's 26 MPG. However, no compact pickup sold in today's U.S. market runs on diesel, so Mahindra & Mahindra may have to overcome consumer resistance to purchasing a diesel vehicle. But, if diesel prices remain competitive with gasoline prices as they are currently, some consumers may be willing to make the switch.

The Mahindra & Mahindra pickup is expected to be priced in the low \$20,000s<sup>3</sup>, which may scare off drivers accustomed to the \$15,000 - \$17,000 price tags of many competitive trucks. Another potential negative for the Indian automaker, especially with some consumers' "buy American" mindset, is that the first units to be sold in the U.S. will be manufactured in India, not in Ohio as originally planned.<sup>3</sup>

continued

“Mahindra & Mahindra will face challenges in introducing its new model in the U.S.”



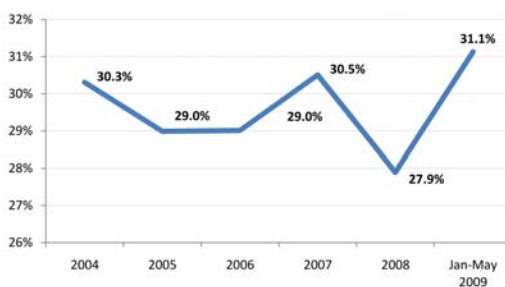
“Based on buying trends and behaviors, New York state may be the ideal launch market for both Mahindra & Mahindra vehicles.

### SCORPIO SUV COMING TO THE U.S.

The Scorpio SUV is expected to come to the U.S. market in late 2010 or in 2011<sup>2</sup>. First launched in India in 2002<sup>4</sup>, the Scorpio is also sold in France, Italy, Malaysia, Portugal, Russia, South Africa and Spain<sup>5</sup>. Built off the pickup platform, the SUV will also run on a diesel engine<sup>2</sup>.

After a drop-off in sales in 2008 when fuel prices were at their peak, the SUV market has recovered. For the first five months of this year, slightly more than 31 percent of all vehicles registered were SUVs. The SUV category includes midsize SUVs, mini SUVs, and full-size utility vehicles; the Scorpio will fit into the midsize category. During the first five months of this year, 538,104 midsize SUVs were sold.

**Figure 3**  
SUV Sales as Share of U.S. Light Vehicle Market



With market share of 6.2 percent from January to May of 2009, the Honda Pilot leads the midsize SUV market. The other top five SUVs in this segment – the Lexus RX, the Chevrolet Traverse, the Ford Edge and the Toyota Highlander – each have between 5.0 percent and 5.5 percent of the market. Mahindra & Mahindra is considering a seven-passenger model with a third row of seating, likely a wise move considering that three of the top five best-selling models in the U.S. have this feature.

### SUV LIKELY TO FARE BETTER THAN PICKUP

Based on market trends and competition, the Mahindra & Mahindra pickup is not expected to meet its aggressive annual sales goal of 50,000 units. The SUV, on the other hand, may do better because it's entering a market with no clear leader (unlike the compact pickup market where the Toyota Tacoma is the obvious market leader).

Mahindra & Mahindra will likely give careful consideration to where to launch its vehicles for greatest success. California and Texas are the largest markets for both compact pickups and midsize SUVs, which, at first glance might make one of those states the logical launch market. However, California's midsize SUV and compact pickup truck markets shrunk more than the national average from 2004 to 2008, so the opportunity may be limited. Texas could be problematic for an Indian import due to Texans' truck affinity for products made by the "Detroit 3."

Based on buying trends and behaviors in different areas of the country, the state of New York may be an ideal market for the launch of both vehicles. The market potential for both types of vehicles is fairly large, and consumers in the area are more open to imports. Compact pickup sales are trending upward in New York, and the Mahindra pickup has the opportunity to capture some of this growing market with its launch early next year. While market conditions could change before the Scorpio SUV comes to market in late 2010 or 2011, current indications point to New York (especially if the pickup launches there) as a good option. ♦

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<sup>1</sup> "Pickup Delayed Until February," Pickup Truck News, August 2009

<sup>2</sup> "First Indian Vehicle in the U.S.: A Pickup Coming this Year," Automotive News, July 13, 2009

<sup>3</sup> "First Mahindra Pickups will Be Assembled in India, not Ohio," AutoBlog, February 14, 2009

<sup>4</sup> "Mahindra Scorpio," ILoveIndia.com

<sup>5</sup> "2010 Mahindra Scorpio Review and Prices," ConsumerGuide Automotive

*This Polk View is based on U.S. light vehicle retail registration volumes.*