

MARGARET ZEWATSKY
Global Market Analyst
margaret_zewatsky@polk.com

Minicar [min-i-car]: a very small automobile¹.

Figure 1
Chevrolet Spark will be based on the 2007 Chevrolet Beat Concept shown here.



Figure 2
Fiat Panda.



Will Super Small Cars Generate Super Big Sales?

Still street-legal and big enough to fit two or more passengers, vehicles positioned as “minicars” are getting further attention, especially in markets like the U.S. where they are not overly common. About half the size of a Ford F150 pickup truck, minicars offer an economical, fuel-efficient and fun mode of transportation. As this segment begins to attract more drivers, what will the market share be in the Chinese, U.S. and Western European regions? This Polk View addresses this question and more.

Redefining Small

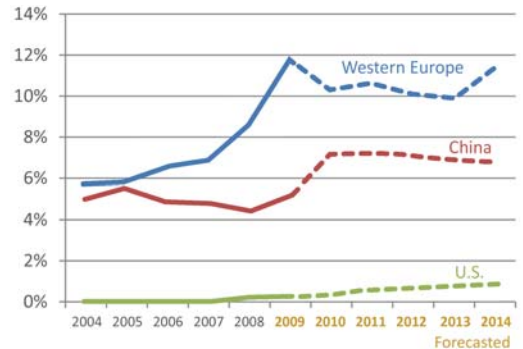
Small doesn’t have to mean cramped. The minicar segment has redefined small interior spaces. The soon-to-launch Scion iQ and Volkswagen Up! offer a “3+1” seating design, which essentially places the front passenger seat further forward allowing another seat behind it while leaving the rear driver side seat big enough for a small child. The 2010 Chevrolet Spark will have seating for four and features “clam shell” doors that provide easier access to the back seat. Storage is also redefined in certain models. For the Chevrolet Spark, the glove box will be replaced with a small tote. The two-seater coupe, Smart Fortwo, has a small storage compartment in the tailgate.

Minicar Segment – Regional Projections

As Western European scrappage programs evolved in 2009, demand for fuel-efficient vehicles rose. This fueled sales of minicars in Western Europe, led by the best selling minicar, the Fiat Panda. Currently, the Smart Fortwo is the only minicar reference point for most U.S. consumers; however, Scion and Hyundai plan on launching models in 2010 (Scion iQ and Hyundai i10). Chevrolet, Volkswagen, Fiat and BMW are planning launches by 2014. In China, much like Europe, the market is no stranger to minicars with popular selling models such as the Chery QQ3.

According to Polk’s global forecast, minicars in Western Europe will represent ten percent of all new vehicle sales in 2010 with a small lift (+ 1 point) in share expected by 2014. For China, it is expected this segment will maintain a steady share of seven percent over the next five years. For the U.S., a market not accustomed to minicars, the segment is unlikely to represent more than one percent of the U.S. sales base by 2014.

Figure 3
Minicar Market Share Trend (China, W. Europe and U.S.)
Percent of Light Vehicle Market



Big Motivation

For U.S. industry-watchers, many wonder if the demand for such small vehicles will actually benefit sales volume targets given the segment is less than one percent of the market. From a pure business perspective, the production of these models makes sense for several reasons. First, government involvement in many countries requires that manufacturers lower emissions and raise their fuel-economy ratings. Minicars and B-segment cars (e.g., Toyota Yaris and Ford Fiesta) offer a means to manage the expectations of government mandates without utilizing other alternative technologies such as those found in hybrids and electric vehicles. Furthermore, fixed costs for the development of all the models launching in the U.S., for example, are shared across multiple markets including Western Europe, China, and India. So while demand will vary in certain countries, there is no shortage of motivation to produce these vehicles.

Push vs. Pull?

There are two distinct minicar styles planned for the U.S. through 2014. The bold styling of the Chevrolet Spark and Scion iQ will most likely appeal to younger, urban drivers or first-time buyers. The styling of the Fiat 500 and Smart Fortwo may hold more appeal for drivers who already own a premium brand. For the latter group, an emphasis on premium interior amenities should be expected.

The minicar will undoubtedly have a place in the emerging urban mega cities of Shanghai, Mumbai, and Sao Paulo, where parking spaces are rare, pollution is a concern and a vehicle of any size is a luxury. But the minicar will also find a home in established mega cities of New York and Los Angeles where diverse buyer bases already exist. ♦

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¹ Merriam-Webster’s Collegiate Dictionary.

Note: Minicars have typically been defined as being less than 11.8 feet (3.6 meters) in total length. While dimensions vary, most auto industry classification schemes place these models below the sub-compact car segment.