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Compacts in Quebec - Small Cars with Big Popularity

The province of Quebec represents the second largest market for light vehicle sales in Canada. In Q1 2009, close to 28 percent of the 219,783 light vehicles sold in Canada were bought in Quebec. Those manufacturers hoping to succeed in this large market need to understand the Quebec buyer's unique vehicle preferences, demographics and overall buying habits.

This Polk View explores the unique Quebec light vehicle market with a focus on compact vehicles, a segment that sells particularly well in Quebec.

COMPACT VEHICLES REIGN IN QUEBEC

Across Canada, compact vehicles (sub-compact cars, compact cars and compact SUVs) comprise just over half (51.2 percent) of all vehicle sales. Ontario and British Columbia are fairly close to this national average, with compact vehicles making up 47.4 and 49.2 percent, respectively, of vehicles sold. In Quebec, however, compact vehicles are king, comprising 64 percent of all light vehicles sold in the province.

Figure 1
Comparison of Compact Vehicle Popularity by Province

	Total Light Vehicle Sales	Compact Vehicle Sales	Compact Vehicle Sales as % of Total
Quebec	61,412	39,295	64.0%
British Columbia	23,999	11,828	49.3%
Ontario	76,609	36,297	47.4%
All Other Provinces (combined)	57,763	25,155	43.5%
All Canada	219,783	112,575	51.2%

Based on new retail registrations from Q1 2009.

What accounts for the popularity of compact vehicles in Quebec? Several factors are likely at play. At \$65,664, the average household income in Quebec is well below the average Canadian income of \$78,689¹. Consumers in Quebec are also careful with their money. Seventy-six percent of Quebecers who recently purchased a home intend to pay off their mortgage as quickly as possible². Given that compact vehicles are less expensive to purchase and drive, economy may be a large part of the compact's appeal to drivers in the province. In fact, according to a 2008 study, drivers in Quebec have the most fuel-efficient vehicles in the country with an average 8.9 litres per 100 kilometres (26.4 miles to the gallon)³.

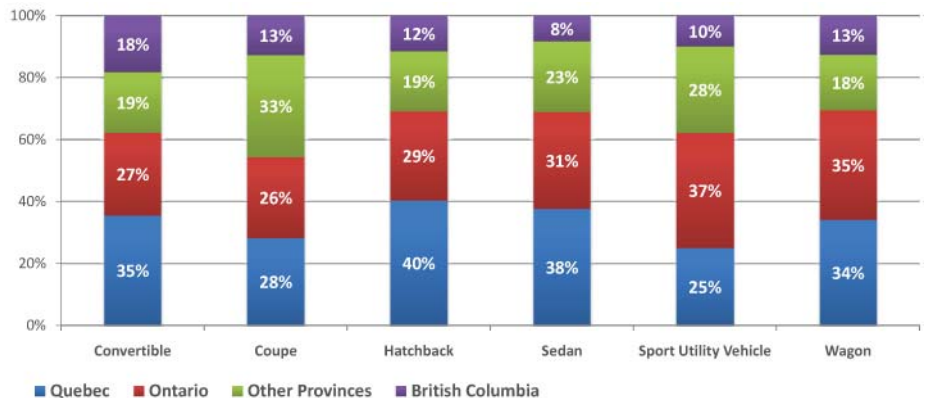
Another factor may be that residents of Quebec lead a more "urban" lifestyle – and therefore, don't require large vehicles. A Statistics Canada report found that just 29 percent of central Montrealers travelled everywhere by car, compared to 43 percent in Toronto, 56 percent in Vancouver and 66 percent in Calgary⁴. Yet another more subjective reason for the popularity of smaller vehicles in Quebec may be that Quebecers tend to have more of a European perspective when it comes to their attitudes about vehicles.

QUEBEC LEADS IN SALES OF COMPACT HATCHBACKS AND SEDANS

The compact vehicle market in Canada is primarily composed of hatchbacks, sedans and SUVs (94 percent of all compact vehicles sold). Quebec accounts for 40.4 percent of all Canadian compact hatchback sales and 37.6 percent of all compact sedans sold in the country.

Compact SUVs, however, are more popular in Ontario, where 37.3 percent of all compact SUVs sold in Canada are registered. Compact wagons are also slightly more popular in Ontario than in Quebec. Figure 2 shows how the total Canadian market for each compact sub-segment breaks down by province.

Figure 2
Compact Sub-Segments by Province



Based on new retail registrations from calendar year 2008.



“GM has traditionally not been as strong in Quebec as in other parts of Canada.”

TOYOTA TOPS IN QUEBEC COMPACT MARKET

With their strength in the compact vehicle offerings, the import OEMs control the market in Quebec. The Asian automakers have the strongest foothold, as shown in **Figure 3**. Toyota Canada, with 19 percent of compact vehicle sales in Q1 2009, has topped the Quebec compact market for the past four quarters (a trend mirrored throughout the country).

Quebec has always represented Hyundai's largest Canadian market, with 40 percent of all Hyundai retail sales in 2008. In Q1 2009, Hyundai Canada increased its share of the Quebec compact market to almost 14 percent, nearly four points above its nationwide compact market share. One reason for Hyundai's success may be its Quebec-specific advertising. In 2008, the Korean automaker used a local actor in a campaign specifically developed for the market⁵. And, in recognition of its success in the province on its 25th anniversary, Hyundai in early 2008 offered a savings of \$3,600 on a special edition of the Accent, a small car popular in Quebec⁶.

The only North American automaker in the top five is General Motors Canada, which held 9.1 percent of the Quebec compact market in Q1 2009, down from previous quarters before GM's well-publicized financial struggles. GM has traditionally not been as strong in Quebec as in other parts of Canada. For example, GM had almost 11 percent of the overall Canadian compact market (compared to 9.1 percent in Quebec) in Q1 2009. Ford of Canada and Chrysler Canada have not been successful in this market segment because they have few compact offerings, and no sub-compacts. Ford plans to bring the European-based Fiesta to Canada, and Chrysler may bring some Fiat models to the country. If that happens, it remains to be seen whether they'll be too late to capture market share from the entrenched Asian automakers.

SUCCESSFULLY REACHING THE QUEBEC MARKET

As compared to the rest of the country, Canadians in Quebec are known to have a more "European" mindset. And, of course, the language composition of the market is unique, with 91 percent of Canada's French-speaking population residing in the province¹. To successfully reach the Quebec market, OEMs, dealers and their agency partners should:

- **Create advertising in French:** Ads are far more effective when created in French than when English-language campaigns are dubbed or translated.
- **Advertise features that appeal to the market:** Consumers in Quebec want more than inexpensive transportation. They are looking for vehicles with style that are fun to drive⁷.
- **Know what the market wants:** Small vehicles truly reign in Quebec. Even when market leaders such as Hyundai and Kia come out with larger models, buyers in Quebec stick with the OEMs' compact offerings. ♦

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¹ "Statistics Canada 2006 Census," Pitney-Bowes Business Insight 2009 Estimates & Projections
² "Quebec Mortgage Consumers Intend to Pay off Debt Quickly," CMHC, March 20, 2008
³ "Windsor Drivers are the Most Gas-Guzzling in Canada," Windsor Star, July 28, 2008
⁴ "Dependence on Cars in Urban Neighbourhoods," Martin Turcotte, Canadian Social Trends, Statistics Canada – Catalogue No. 11-008
⁵ "Hyundai Launches its First Ever Quebec Only Ad Campaign," What Quebec Wants, March 31, 2008
⁶ "Hyundai Canada Introduces Quebec-only Accent," Hyundai press release, February 11, 2008
⁷ "The Automobile Protection Association Released its 2007 New Vehicle Ratings Today," March 21, 2007

Analysis in this Polk View is based on Polk's new retail registrations.

Figure 3
Share of Quebec Compact Market by OEM

