

HYUNDAI i20 REPLACING GETZ

BY KIRILL LEBEDEV, IFS SENIOR ANALYST, February 9, 2008

Korea's Hyundai postponed the construction of an assembly plant in the St. Petersburg region because of the financial crisis. The concern also announced it would soon unveil a new model, i20, to replace the popular Getz hatch.

The i20 car will be available with 1.2-1.6 liters (76-126 hp) and 1.4-1.6 liters (70-128 hp) gasoline and diesel engines and come with 5- and 6-speed manual and 4-speed automatic transmission options. Designed to meet CO2 emissions requirements (the diesel i-blue concept consumes 3.75 liters per 100 kilometers), i20 got five stars in a crash test.

Hyundai hopes that the B (i20) and C (i30) concepts will enjoy high demand in the Russian market. The models are set to go on sale in March. As the crisis is not likely to end by early spring, Hyundai takes big risks unveiling a new car. With halted lending, toughened requirements to borrowers, growth of joblessness, falling incomes and negative expectations, the car market will hardly boom, especially in 2009. With this in mind, the new models' success is doubtful.

However, Hyundai has two reasons to take risks. On the one hand, the Getz model seems to have passed the peak of its popularity. It has been hurt by a wrong marketing policy (including long shipment terms and price increases). Now, despite users' positive reviews of Getz, its good practicality and functionality, it will not occupy a strong position in the highly competitive market. Perhaps, launching the i20 and refusing from the old name, the Korean carmaker hopes to revive demand for B-class cars. On the other hand, Hyundai may get a good return: as the producer who enters new market hit by the crisis, it will dominate it for some time.

If the crisis lasts not longer than a year, Hyundai, occupying the economy-class cars segment, may see a growth in demand for its models.

If the crisis will be long-lasting, prospects for Hyundai are not that bright because in a highly competitive market product range needs constant upgrading. Timely restyling might be a solution, but Hyundai's most popular cars, Getz and Accent, have not been restyled. Leading the same marketing policy with i20 would be a mistake. Getz and Accent were launched at the time of Russia's automotive market booming, but i20 sales will be held down by the crisis and tough competition. Thus, the new model might face a lack of demand and Hyundai might lose part of the Russian market.