



Navigating the Shifting Landscape of the SUV Segment Challenges and Opportunities



I am reaching out to share insights on the dynamic changes unfolding in the automotive industry, particularly within the SUV segment, and the nuanced

challenges and opportunities that accompany these developments.

In the last decade, a discernible shift in consumer preferences towards SUVs has taken shape. The data from PAMA's website indicates a gradual increase in this segment, marked by the introduction of captivating models like the Toyota Fortuner, Hyundai Tucson, KIA Sportage, Honda HRV/BRV, MG, and ChanganOshan x7, which have resonated well with consumers.

Despite the economic challenges that have marked the past decade, the SUV segment has displayed remarkable resilience. Models like the Toyota Fortuner, Hyundai Tucson, KIA Sportage, Honda HRV/BRV, MG, and ChanganOshan x7 have played a vital role in supporting the automotive industry, especially in the aftermath of the COVID-19 pandemic.

However, the past 1.5 years have posed significant challenges for our economy, characterized by high inflation, rising interest rates, LC opening issues, and political instability. As we stand on the cusp of a new year, it becomes imperative to

reflect on the industry's performance and discern the emerging trends.

Looking forward, it's noteworthy that some OEMs such as IMC & SAZGAR have launched to introduce hybrid models in the SUV segment. This signals a strong positive growth. The current pricing of models in this segment, though has attraction for the elite class, poses challenges for affordability in the broader market.

A critical issue is the relatively localization content in this segment, a challenge that may intensify with a sustained increase in market share dynamics and introducing new trends like hybrid models necessitates a well-thought-out strategy to enhance localization of parts of the vehicle content. This is also encouraging to note that IMC has launched HEV- Toyota Cross with a sizable localization, as per company statement "Is 50% localized in terms of its value".

The SUV market in Pakistan, as per the last three years' data available on the PAMA website, has shown a consistent market size ranging from 20,000 to 25,000 units annually. This dynamic segment features a diverse mix of Japanese, Korean, and Chinese vehicles, providing consumers with a wide array of choices.

One notable trend within the SUV market is the emergence of Hybrid Electric Vehicles (HEVs) alongside traditional Non-HEV models. This

diversity allows customers to consider factors such as pricing, immediate availability, and attractive features when making their purchasing decisions.

Looking ahead, it is anticipated that the overall market size in the SUV segment will remain relatively stable, hovering around the aforementioned 20,000 to 25,000 units per year. However, the key differentiator will be the changing market share among brands. Brands offering enhanced features, innovative technologies, and superior value propositions are expected to gain a larger slice of the market.

In conclusion, the SUV segment in Pakistan presents a dynamic landscape where consumer choices and brand preferences are crucial drivers. As the market continues to evolve, brands that focus on delivering high-quality features and addressing customer needs are likely to experience an uptick in market share.

Addressing these challenges will be pivotal for ensuring the sustainable growth of the automotive industry. We believe that a collaborative effort from industry stakeholders, policymakers, and manufacturers will be instrumental in navigating this complex landscape.

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