



FOCUS ON ITALY: **HYBRID VEHICLES** **FY2015 MARKET OVERVIEW**

Analysis completed: January 2016

INTRODUCTION

The progression of the Italian market for hybrid vehicles is interesting on a number of levels. As well as being an important area of focus for the automotive sector, the success of hybrids also offers insight into the economic and social circumstances of particular countries and regions. The demand for these kind of vehicles is growing rapidly around the world, as a consequence of the increasing interest in greener technologies. Despite this trend, there is often still a gap between growing awareness of alternative fuel types and the customer's final decision.

Nevertheless, in a few years from now it will not be surprising to see manufacturers offer an "alternative" version (electric, hybrid, plug-in hybrid) of each car they have on the market. The data suggests that many car makers are heading towards more diversified powertrain types in order to offer more options to the final consumer.

This report provides an overview of the hybrid market in Italy in terms of volume, distribution and price. It takes into account registrations data for the last five years to show how different makes and models have been performing.

METHODOLOGY

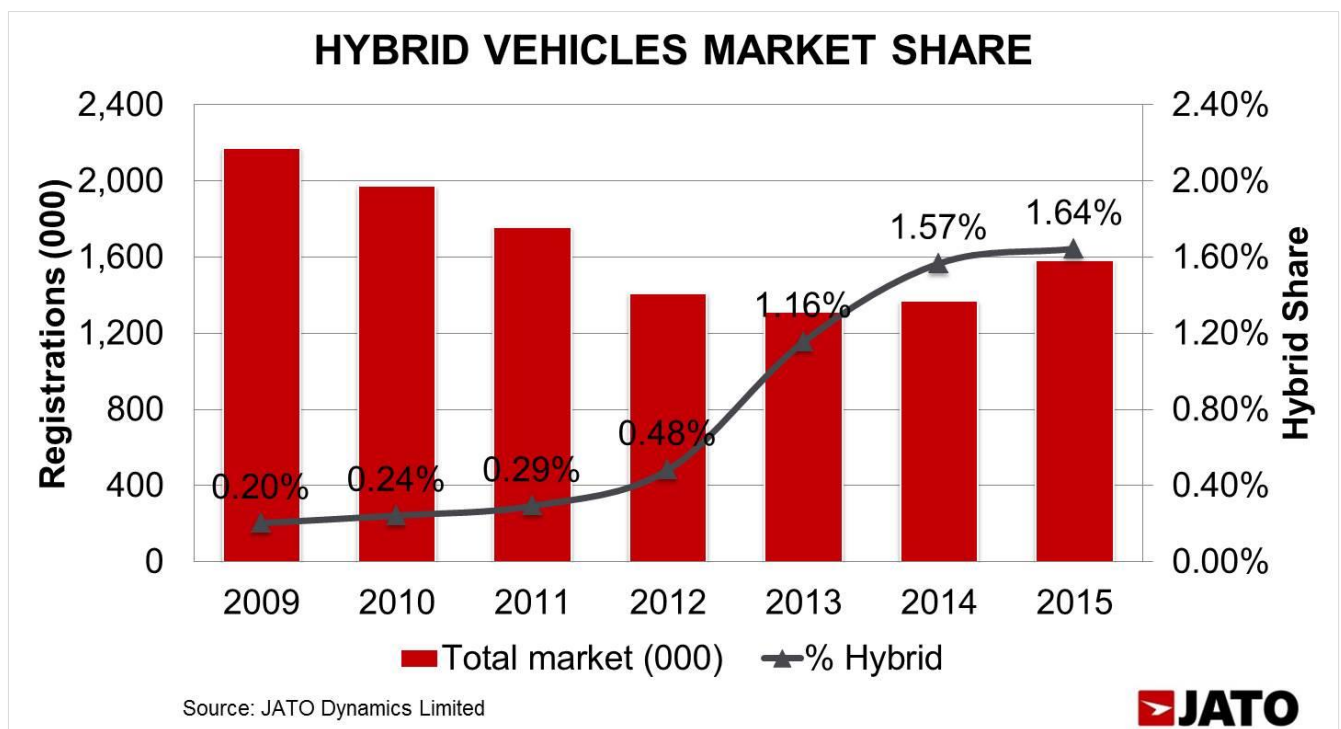
JATO defines hybrids as vehicles with two different powertrain types: a normal combustion engine and an electric motor.

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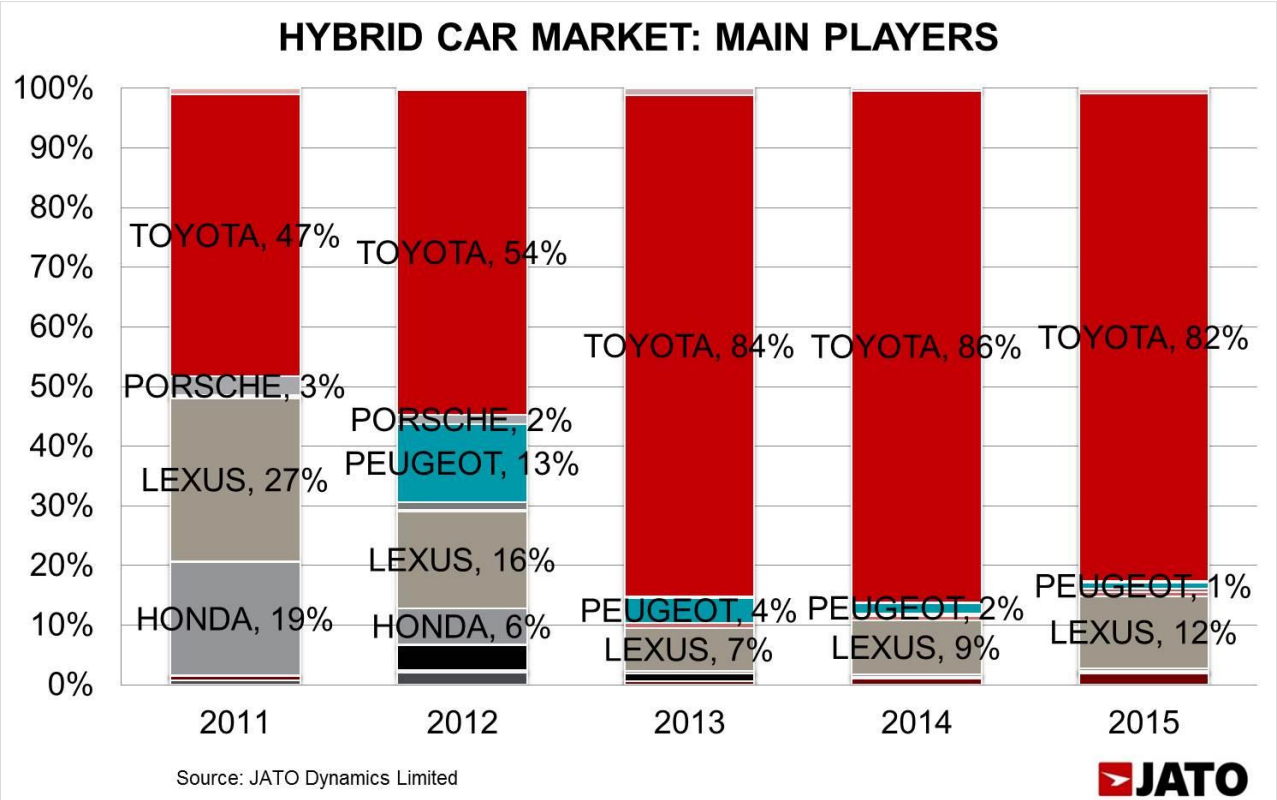
HYBRID VEHICLES

TREND AND SHARE

Hybrids' market share has grown over the last five years, thanks to the introduction of new vehicles, incentives and improving market conditions. Looking at the total market, hybrid volumes and market share more than doubled from 2012 to 2013. There was also significant growth in 2014 which resulted in further increases in market share by 33% compared to the previous year. Full-Year 2015 data shows that sales increased once again, but at a slower rate than previous years. All in all, hybrids still only make up around 1.6% of all new vehicle registrations so there is clearly still a lot of potential for these numbers to improve in the future.

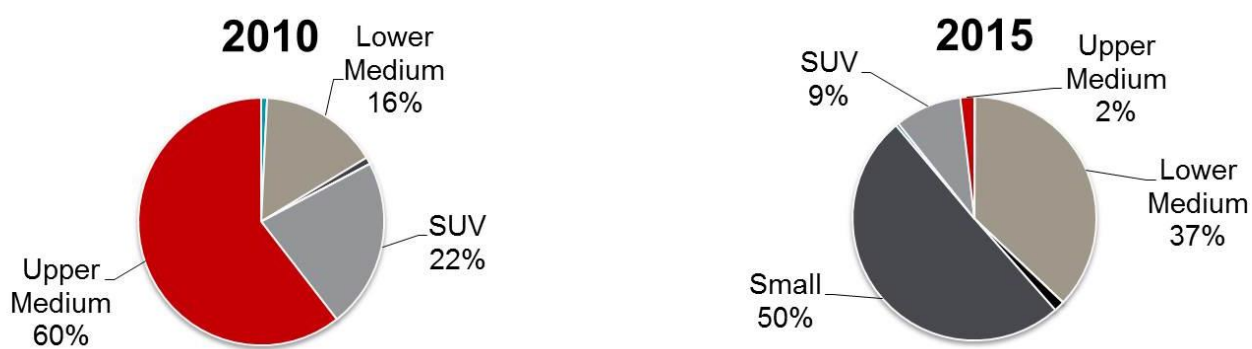


Toyota is reinforcing its dominant position in the hybrid sector, showing progressive increases in both volumes and market share. From 2011 to 2013 the Japanese brand almost doubled its share and significantly outsold its closest competitors. Lexus leads the way when it comes to premium brands. The brand showed a dip in its market share in 2013, but it has recovered since then due to the introduction of a number of new models. On the other hand, both Honda and Peugeot had good results in 2011 and 2012 but have declined since. So far in Italy this year, four out of every five new hybrid cars are Toyota and more than 90% are from either Toyota or Lexus.



Based on the segmentation, there has been a notable shift from big to small cars. The Small and Lower Medium segments now account for 87% of new hybrids. Five years ago, 82% were either Upper Medium or SUV. This reflects on broader market trends and also follows the increase in the number of new hybrid models in key segments (up from four in 2010 to 13 in 2015). In that time, Upper Medium's market share has decreased from 60% to 2% and the SUV segment has reduced from 22% to 9%. On the other hand, the Small segment now accounts for half of new hybrids and Lower Medium has moved from 16% in 2010 to 37% in 2015.

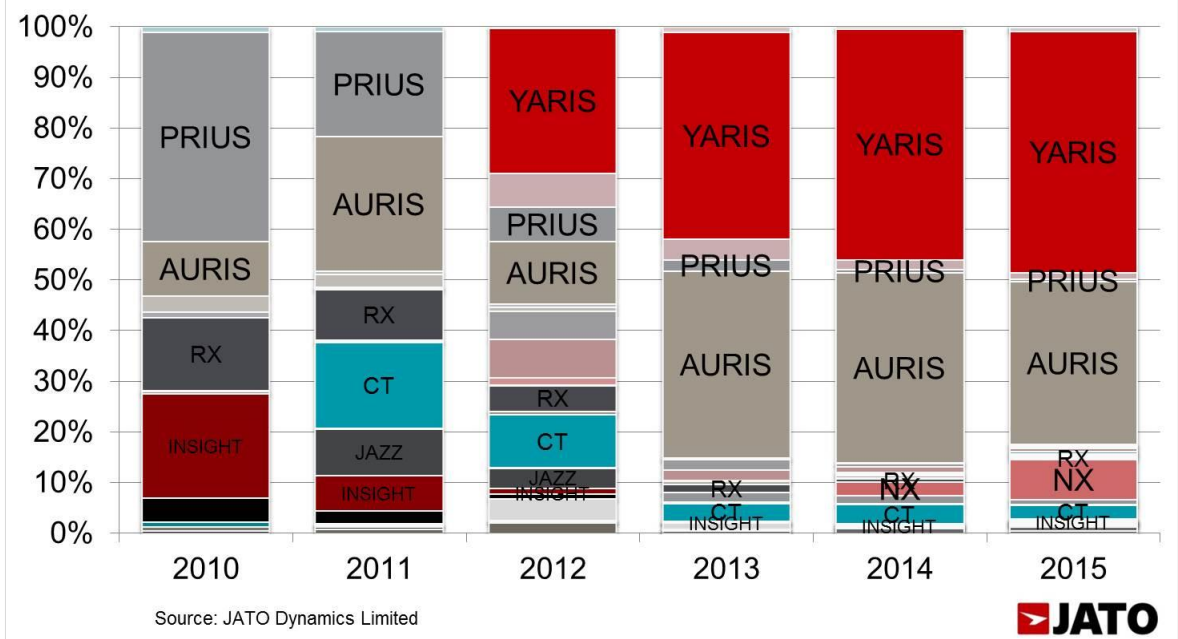
HYBRID CAR MARKET BY SEGMENTS



Source: JATO Dynamics Limited



HYBRID CAR MARKET. MAIN MODELS



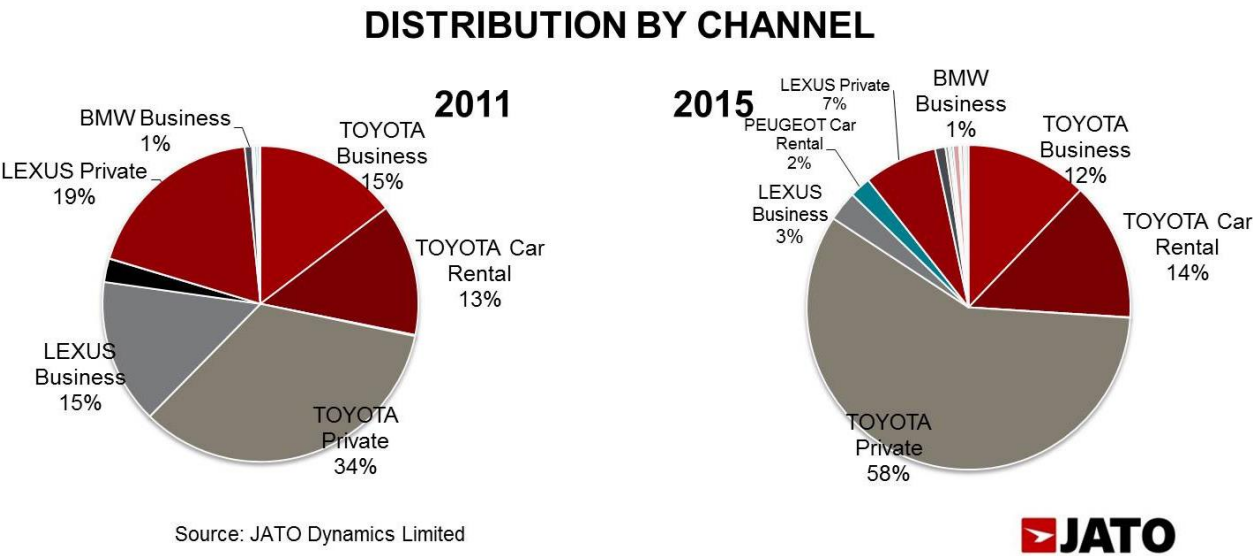
Source: JATO Dynamics Limited



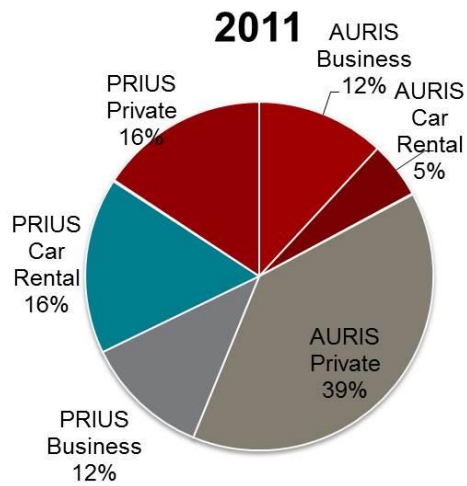
At model level, the Toyota Prius, Lexus RX and CT progressively reduced their market share from 2010 to 2013, with both the Auris and Yaris gaining over that period and beyond to strengthen Toyota's dominant position. In the market share by model graph illustrated above, the impact of the Yaris in 2012 is very prominent. Moreover, the Lexus NX is growing its share as the CT maintains its position. Away from the top two brands, Honda's market share however, has reduced having seen good initial results for its Insight and Jazz models.

DISTRIBUTION BY CHANNEL

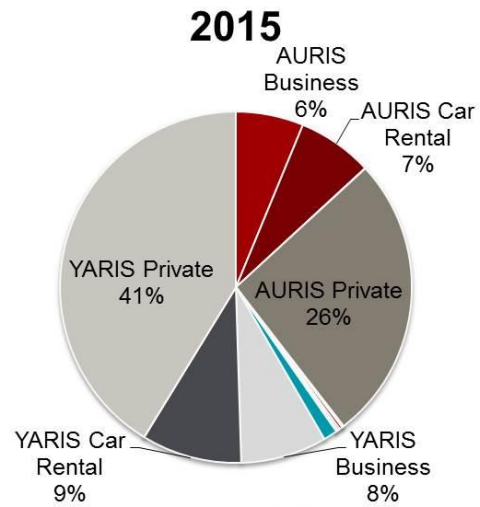
Distribution by channel is another important consideration, and this too has changed over the period studied. Private purchases has seen an important growth while rental and business has lost ground.



DISTRIBUTION BY CHANNEL: TOP SELLERS

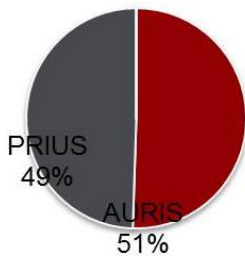


Source: JATO Dynamics Limited

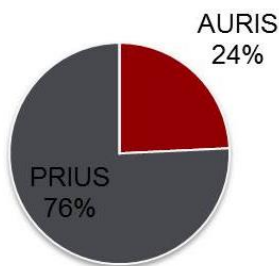


REGISTRATIONS TYPE: TOP SELLERS

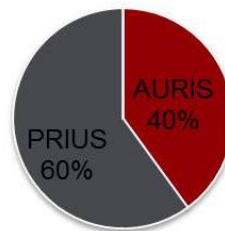
Business 2011



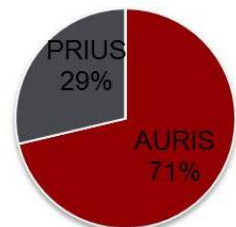
Car Rental 2011



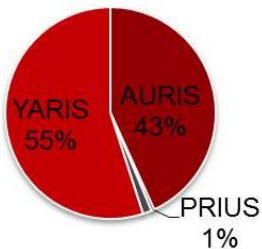
Government 2011



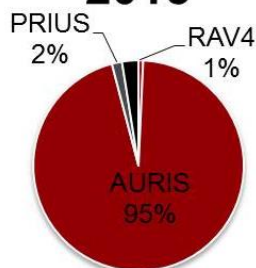
Private 2011



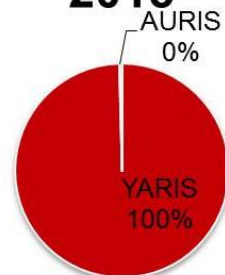
Business 2015



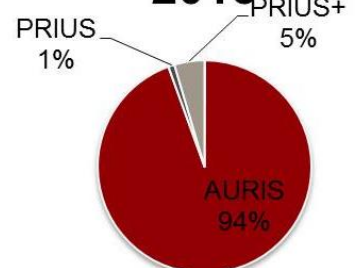
Car Rental 2015



Government 2015



Private 2015

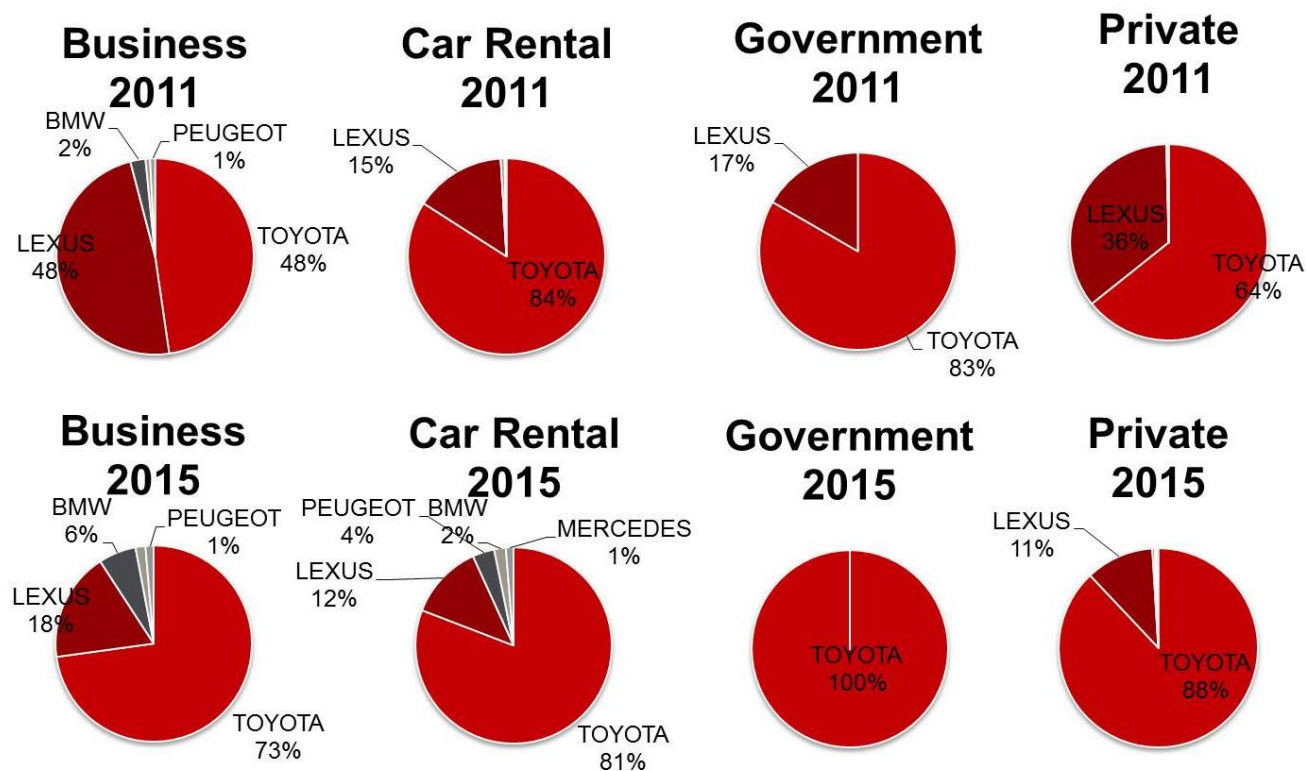


Source: JATO Dynamics Limited



Overall, trends during the last five years indicate that private purchases have been the fastest growing channel in terms of sales and market share. Specifically, within the Toyota brand, the Yaris and Auris taking most of the registrations types. Five years ago, the Prius covered around 40%, with 76% of Car Rental and 29% of Private. Amongst the Lexus models, the NX is clearly the brand's leading model in all channels. In 2015, around 39% of Lexus hybrid sales corresponded to the NX sold to privates, while 17% were sold to the business channel, and 9% to the car rental market.

REGISTRATIONS TYPE BY BRANDS

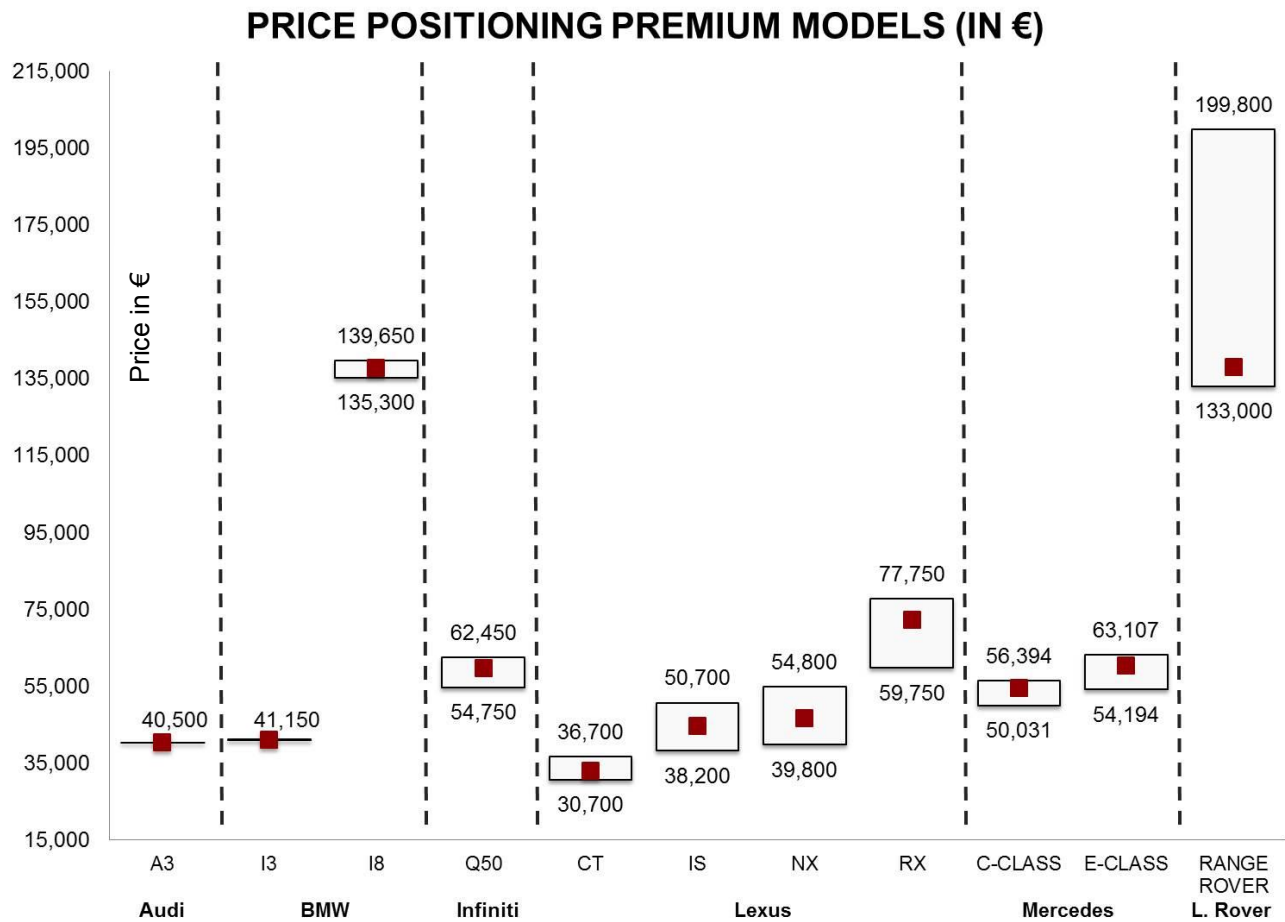


Source: JATO Dynamics Limited



PRICE POSITIONING

Amongst the premium brands, Lexus' offer covers a fairly wide price range, from €30.700 to €77.750. The IS and NX cover the same price band - from €38.200 to €54.800 (Sports and SUV) - while the CT and RX entry models go from €30.700 to €36.700, with the luxury crossovers ranging from €59.750 to €77.750. Lexus' main competitors offer fewer versions per model (for example, only one version for the Audi A3 and BMW I3) or are aiming at a totally different target customer (both Land Rover's Range Rover and BMW's I8 are above €130.000). Infiniti and Mercedes are more aligned to Lexus' pricing, at least as pricing with their Q50, C-Class and E Class respectively.

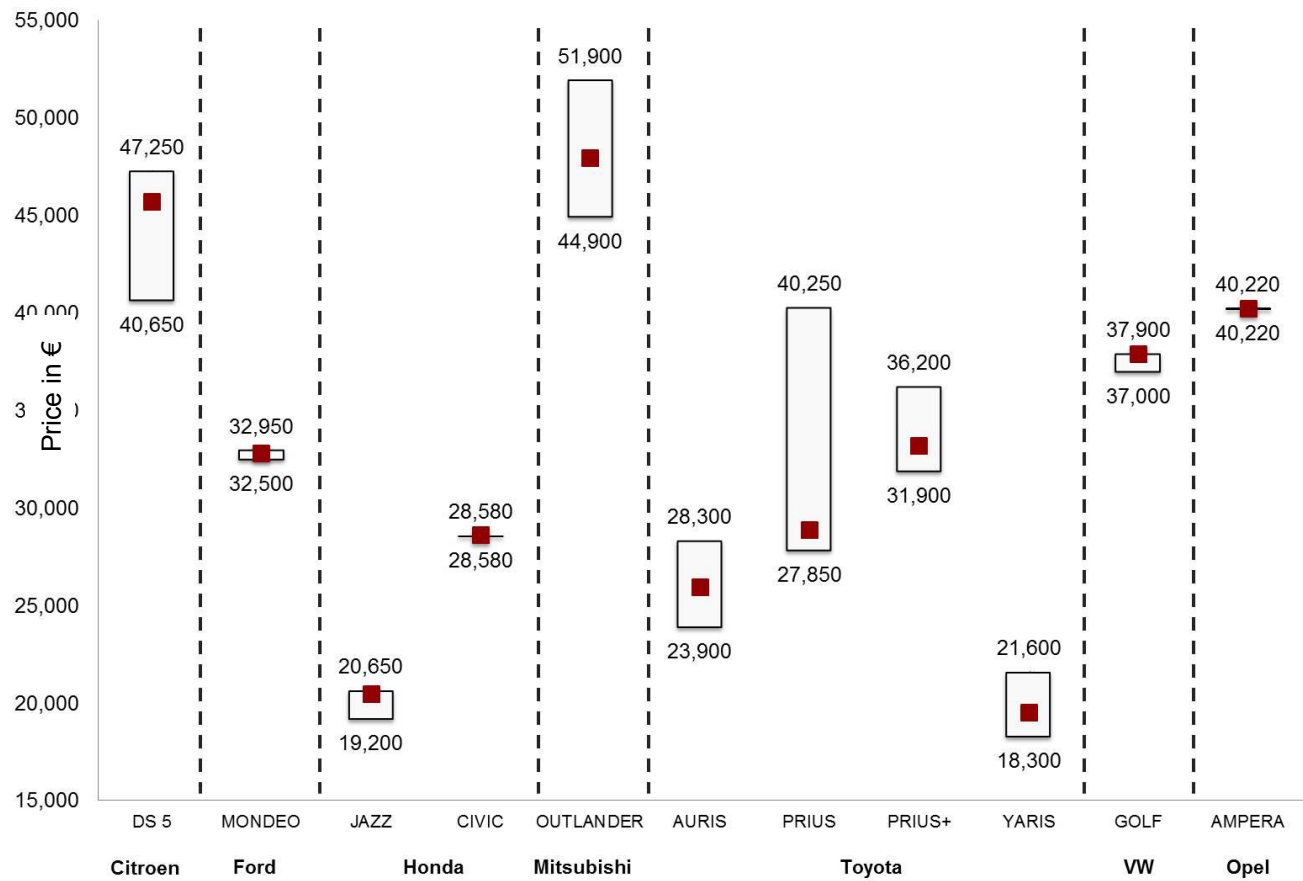


Source: JATO Dynamics Limited



When it comes to the mainstream brands, Toyota's price range runs between €18.300 and €40.250. Toyota's stratified pricing structure means the Yaris, Auris and Prius+ barely overlap, while the Prius weighted average price is set at around €30.000.

PRICE POSITIONING MAINSTREAM MODELS (IN €)



Source: JATO Dynamics Limited



CONCLUSION

The market for hybrid vehicles in Italy is changing fast but also under-explored. Clearly, there are numerous external factors that will continue to play their part in the evolution of this market, such as alternative modes of transportation (both private and public) in the main cities, as well as key economic factors including taxation and fuel costs. At 1.6% market share, it is clear that there are still many opportunities to be considered.

Although an Italian economic recovery has taken a long time, it is nonetheless sustaining a car market that shows signs of an upturn. Specific actions at the private and public level could encourage more interest in hybrids and other vehicles with alternative drivetrains. However it is not enough to encourage growth. These kinds of vehicles can find their piece of the market if the car makers keep innovating by launching new models, features and solutions to the consumers. At the end the consumers are aware of low emission and environmentally friendly technologies, show interest in such products, and are concerned about climate and health issues, but still do not commit to purchasing them in large numbers.

There are already good examples of how alternative drivetrains such as hybrids can succeed in the Italian market. Brands like Toyota and Lexus have proven to be committed to exploring this potential thanks to a large range of products that target several types of clients. Fortunately for Italian consumers the Japanese car maker's strategy has started to be followed by other brands that have been expanding not only the options that a potential client can have, but also the range of new technologies and solutions.



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