

AutoData

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Weekly Brazilian automotive industry news | 1.30 to 2.4.2017 Year XII

**Honda: Brazilian
R&D leads the
development of a
global compact SUV**



Honda Automóveis will launch in March the first vehicle built from studies conducted by the company's center for global research and development in Brazil. The compact sport-utility WR-V will expand the Japanese automaker's family of SUVs produced and marketed in the country...

[More on pg. 5](#)

**Consortium plays important
role in fleet renewal**

[More on pg. 3](#)

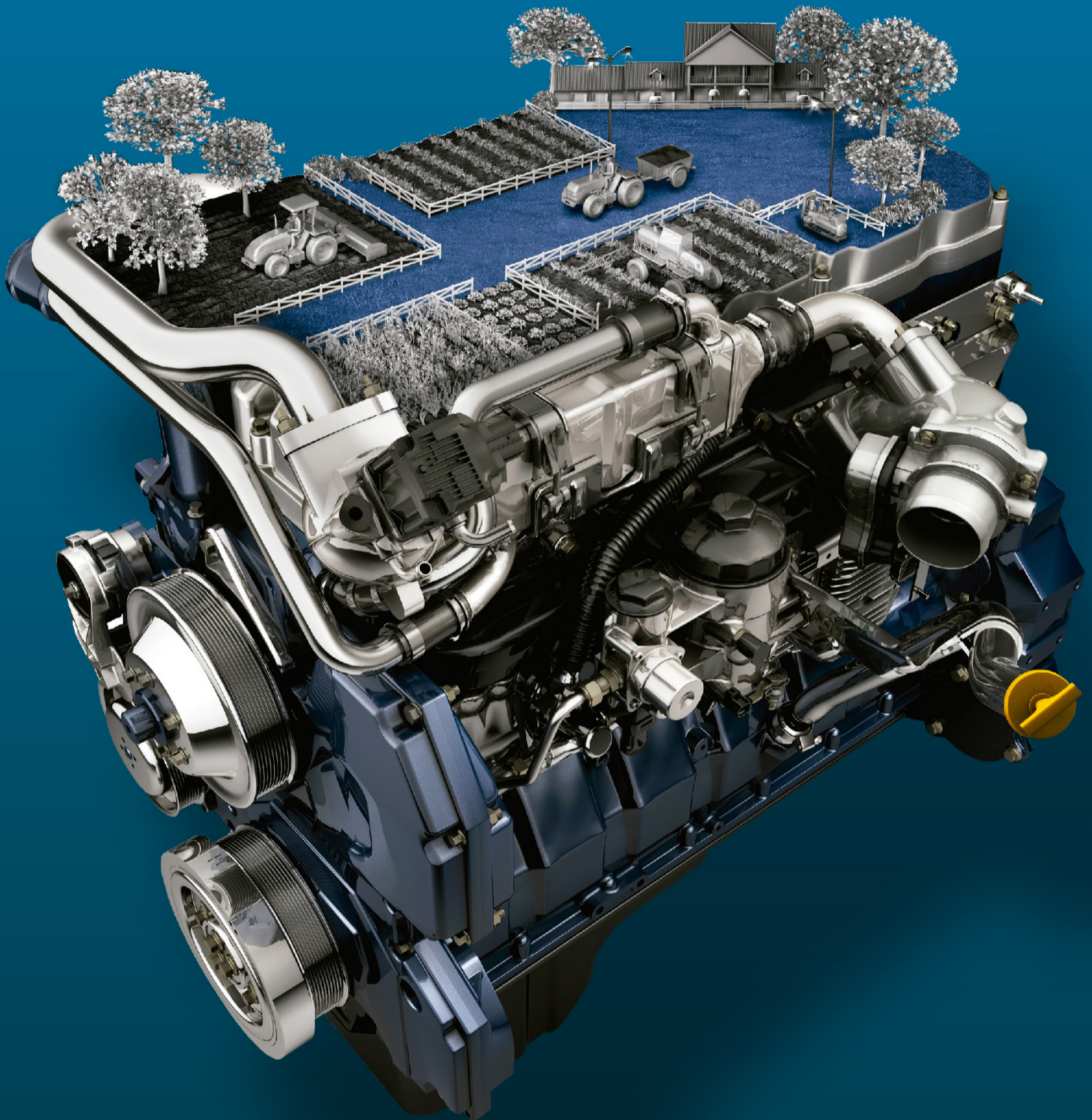
**Ford exceeds Inovar-Auto
program efficiency targets**

[More on pg. 7](#)

**Executives believe business
model will change, KPMG
study says**

[More on pg. 9](#)

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Consortium plays important role in fleet renewal

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Credit difficulties that emerged in the last two years as a result of the intense economic downturn caused the consortium mode to play an important role in the renewal of the fleet of trucks. In addition, there is a growing habit on the part of the transporters to plan the purchase, which goes in favor of this payment mode.

According to Paulo Roberto Rossi, president of ABAC, the Brazilian Association of Administrators of Consortia, "in 2016, the consortium for the heavy vehicles segment also felt the impact of the crisis, but this amalgamation of elements caused the number of active participants not to shrink in December 2016 compared to the same month of 2015. We have maintained stability, with a timid growth."

In December last year there were 280,500 active participants in this segment, against 278,000 in

December 2015. ABAC registered a 6.8% drop in the volume of new quotas, which, according to the president, is considered low. There were 51,100 new quotas in 2016, compared to 54,800 in 2015.

ABAC estimates that, in 2017, this type of financing should perform similarly to 2016:

“The drop of the Selic rate to 13%, controlled inflation and the increase in consumer confidence are starting to draw a more positive scenario,” believes the president of the Association. There is also the forecast of a record crop of more than 200 million tons of grain, which will drive new businesses.

The director-general of Consórcio Scania, Suzana Soncin Gazola, also believes that a clearer economic scenario of course is important for the outlook of increased demand.

“In the case of Consórcio Scania, we work on innovation and customer loyalty, which increases our growth expectations.”

Suzana hopes that in 2017 there should be an increase of 10% in the volume of active quotas and an increase of 8% in the average ticket at Consórcio Scania: “In 2016, we had no increase in the volume of quotas, but the average ticket value increased from R\$ 378,000 in 2015 to R\$ 427,000 last year.”

According to her, this reflects changing consumer profiles:

“In the old days, there were independent transporters, but when large fleet owners realized that the PSI Finame could end, they began to analyze the consortium as an ally for the renewal of the fleet.”

Another perceived movement by Scania is the use of the letter of credit to pay off loans.

In addition to the economic scenario, “actions to meet tailored to customer needs have ensured the loyalty and increased the demand for Consórcio Scania,” which is celebrating its 35th



Paulo Roberto Rossi

anniversary in 2017: “At the end of last year, we began to conduct meetings inside the factory to get closer to our customers, and this has provided the desired effect.”

Another example that the consortium is on the radars of the transporters is MAN Latin America’s recent announcement of a 110% growth in 2016 in the volume of quotas sold by its largest consortium administrators, BR Qualy and Maggi. A total of 2,178 quotas were sold in the period.

Carlos Rocca, manager of commercial operations and special requests of MAN trucks, says the consortium should continue growing in the coming years: “This is a reflection of the mature state of the market, which began viewing the product as an important way of planning for

expansion and the renovation of the fleet.”

With the mode in evidence, brands that don’t offer this payment option are joining the trend. This is the case of Abrafor, the Brazilian Association of Ford truck distributors, which just signed a contract with Consórcio Nacional Unifisa for the launch of a new consortium of trucks in the country. The Redefor Consórcio de Caminhões will have as its objective of enabling the member companies to meet the needs of customers and the market with a mechanism aimed at independent owners and companies from the road transport sector.

Paulo Matias, president of Abrafor, says that “we decided to create the consortium after the analysis and observation of the behavior and needs of carriers in the face of the economic difficulties that the country is experiencing.”

According to him, this creates good sales prospects to Ford distributors and the customer will now have additional alternatives for the purchase of a truck.

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Honda: Brazilian R&D leads the development of a global compact SUV

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Honda Automóveis will launch in March the first vehicle built from studies conducted by the company's center for global research and development in Brazil. The compact sport-utility WR-V will expand the Japanese automaker's family of SUVs produced and marketed in the country.

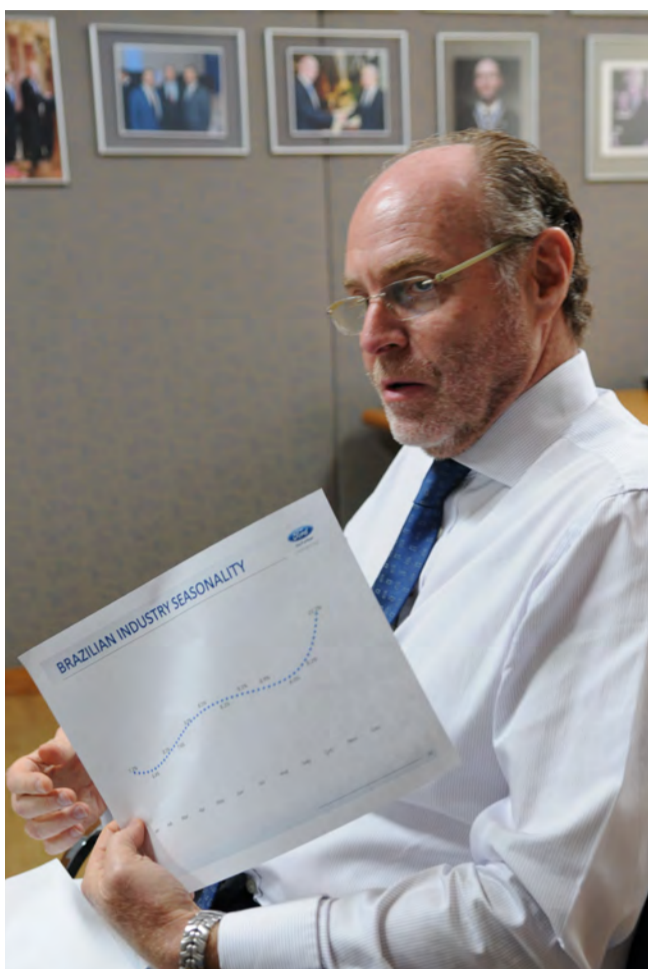
The leadership of the Brazilian research center has an important reason. For the creation of a new global vehicle, Honda took into account the different studies conducted in different and major markets. In practice, the company mapped consumer preferences and characteristics, translating these aspirations into design, performance, interior space and cost-benefit of the new project.

The WR-V uses a body of compact models, but its inner space is ample. The company ensures that the vehicle stands out for its low fuel consumption and that it should be an option for consumers who seek to drive comfortably in urban and road settings.

The model will be produced at the plant in Sumaré, São Paulo, where the Civic, HR-V, City and Fit are assembled, and it should arrive later this year, initially just in the Brazilian market. Honda, however, plans to export this model to other South American countries.

Honda's research and development center, which is also located in Sumaré, was inaugurated in 2014 to increase the local content of its models, which, that year, was at 60%. At the time, the company reported that the goal of the project was to lower the impact of foreign exchange variations and facilitate logistics processes.

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Ford exceeds Inovar-Auto program efficiency targets

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Ford is the only large volume automaker that exceeded the Inovar-Auto energy efficiency targets for the period ranging from 2012 to 2017.

The statement was made by Rogelio Golfarb, Vice President of Corporate Affairs for Ford South America: "To us, this is an Oscar. We invested heavily in the issue of reducing emissions and energy improvement in recent years."

In addition to Ford, only Nissan and Audi have complied with the measures stipulated by the Inovar-Auto program.

Golfarb does not reveal details about the ratios, but he says that one of the improvements made by the company in recent years is the three-cylinder engine, used in the Ka, and the Ecoboost technology, which encompasses a number of solutions such as direct fuel injection system and allows fuel savings of up to 20%.

"We have a national state-of-the-art engineering at our proving grounds in Tatuí, which also has helped us reach this important result."

He believes that the sustainability appeal will be a great ally in winning new customers, especially the younger ones: "Consumers increasingly worry and choose brands that are responsible with the issue of sustainability and, of course, with lower costs for their pockets. Our effort translates into lower fuel consumption and better air quality. We think that will differentiate us from now on."

Ford's bet on sustainability gains even more important contours after the company lost the fourth position in the country's sales ranking in 2016. This was the first time in 40 years that Ford did not close the year among the top four. Last year, Ford sold 180,225 cars, 73,389 units below 2015. The volume represented a drop of 29%, well above the market. Its market share fell from 10.2% to 9%, and it was overtaken by Hyundai and Toyota.

Golfarb says that with fewer people buying cars, direct sales increased significantly last year. The ratio closed at 33.6% in 2016, the highest in the market. The previous year, this volume was 28.4%: "We took the deliberate decision not to participate in the increase in direct sales in order to protect the profitability of the business."

Despite lower sales, the executive is optimistic about the company's strategy. In recent research conducted with consumers, Ford says there are relevant improvements in consumers' perceptions of the brand:

"Sometimes, a change in the position of the ranking does not mean that much. There are some things that are worth more than that, in consumer's head, especially the younger ones, who seek more connectivity and change of values."

This year, Ford is betting on new releases, without revealing the Anfavea, the association that represents automakers, which expects a modest growth of the market.

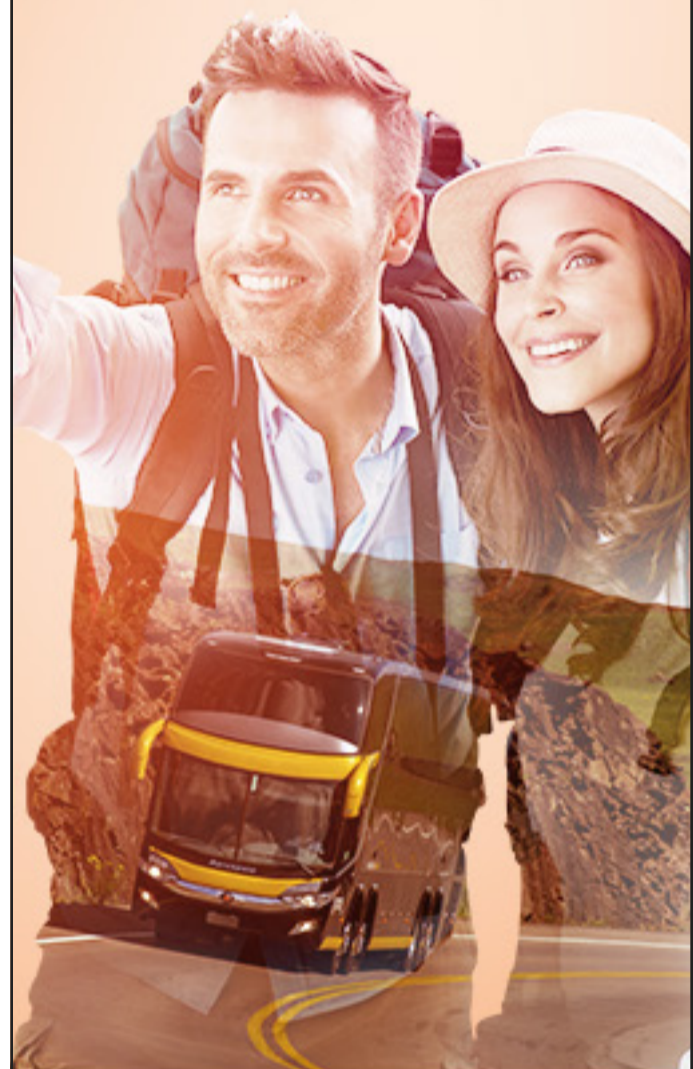
"We expect a slight recovery, which should focus in the second half and result in a growth of around 4% to 5% in the year. We haven't seen an inflection point of the crisis. It also depends on how fast the drop of the Selic interest rate will take to get to credit, at the other end."

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Executives believe business model will change, KPMG study says

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The results of the eighteenth edition of the KPMG global survey, with 953 automotive executives in 42 countries, show concern for the future. The reason is the increasing need to deliver innovation to the consumer. According to the study, 83% of the respondents believe there will be changes to the business model in the near future. However, there is still a lack of a clear definition of which way to go through the automotive and digital worlds.

The change in consumer behavior and the increasing demand for connectivity and digitizing are driving these executives to consider future cooperation between the technology and automotive sectors. This can be evidenced in the following question: Technology companies and automakers will be competitors or partners in the future? According to 45% of the respondents, this is the way.

The interpretation is that in the future vehicle manufacturers will have an important role as

service providers and that selling cars is not just the only source of revenue. There will be the need to develop digital businesses that provide experiences to the consumer.

According to Ricardo Bacellar, director of KPMG, "The first steps in the direction of digitizing projects that focus on the integration of digital industry and automakers are already being taken."

More conclusions according to the responses to the survey by KPMG:

50% are betting that battery-powered electric cars will be the flagship, in line with the evolution of connectivity and digitizing;

45% believe that automakers and tech companies will be partners instead of competitors in the near future; and,

78% indicate that internal combustion engines will remain relevant for a long time.

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