

The key message of the article is VW sees “Korea’s Hyundai-Kia group as a bigger rival than the struggling Japanese company”

PAUL MCVEIGH VW's greatest fear isn't Toyota, it's Hyundai

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Paul McVeigh a special correspondent for *Automotive News Europe*.

Volkswagen is just as concerned about what's in its rear-view mirror as what is ahead in its quest to become the world's biggest automaker. The German giant, which aims to topple Toyota from its No. 1 spot, sees Korea's Hyundai-Kia group as a bigger rival than the struggling Japanese company.

"I have the most respect for Hyundai," VW CEO Martin Winterkorn told the German news magazine *Focus*, naming Hyundai's improved quality and the weakness of the Korean currency as reasons why Hyundai is on his mind. "Hyundai has now learned how to build good cars," added Winterkorn.

His comments didn't surprise industry watchers.

"He's right," said Stefan Bratzel, who heads an automotive research center at the Bergisch Gladbach University of Applied Sciences in Germany.

"Hyundai has enjoyed enormous growth in sales and profitability in recent years. Toyota should not be forgotten but Hyundai is a very serious rival."

Bratzel said Hyundai is strong in Asia, especially in India where it is the No. 2 automaker after Suzuki with a 16 percent market share, and in China, where the Korean company is enjoying fast growth.

IHS Automotive auto analyst Ian Fletcher said Hyundai and Kia can now match Japanese automakers for quality. "They are not just building cheap cars. They are building cheap, good cars," he said.

Hyundai has boosted sales in North America with innovative sales methods, Fletcher said, and its new Sonata sedan is doing well in the United States against Toyota's Camry and Honda's Accord.

In Europe, the Korean automaker benefited enormously from government scrappage incentives, which many consumers used to buy cheap, small cars such as the Hyundai i10.

"The only thing that lets them down is their brand image. Hyundai is not yet established as a respectable brand," Fletcher said.

Respectability could become less of a problem for Hyundai following Winterkorn's comments.