Dear Reader,
Welcome to the Deloitte 2014 Truck Study.

Growth is back on the agenda. While the industry environment remains challenging, the key question is how premium commercial vehicle OEMs can grow profitably and sustainably in a global setting.

This year we present a truly international outlook, prepared by the Deloitte Global Commercial Vehicle Team. After speaking with a selection of European OEM senior executives from around the world, we prepared this innovative study. It combines industry and Deloitte expert insight with a wide array of data. Our experts draw on first-hand knowledge of both country and industry-specific challenges.

We hope you will find this report useful in developing your future business strategy. To the many executives who took the time to respond to our survey, thank you for your time and valuable input.

We look forward to continuing this important strategic conversation with you.

Christopher Nürk
Partner Automotive

Michael A. Maier
Director Strategy & Operations
The global truck market outlook is optimistic

Yet, slow growth in key markets will increase competition while growth is shifting to new geographies

From now to 2024, annual growth of >3% is expected in the global truck market, mainly driven by global GDP growth, estimated at 3.3% per year.

A closer look at growth by country reveals a wide range of growth rates. Brazil, China, and Japan show little momentum, growing at 1% per year. The U.S. also trails the global average at 2%. India is the most dynamic large market with a staggering 9% CAGR. New growth markets appear in Eastern Europe (10%), Russia and Central America (5% each) and in the ASEAN countries (4%).

The study will examine in detail how market contenders can stay on top of ever-intensifying competition in the mature markets. Expanding into growth markets requires major decisions on the operating model and product portfolio for each region. Triad premium OEMs especially must adjust their offering to local market requirements if they want to move out of their high-end niche.

In our opinion, two strategic options will determine market success in 2024:
1. Focus on the right growth markets and invest in those
2. New business models to open new revenue streams to OEMs

From a global perspective we want to show examples how this strategic options can be successfully fullfilled by introducing the following topics by our global team:

- **Aftermarket and, even more importantly, aftermarket pricing** can increase an OEMs profitability in mature markets with slower new vehicle sales.
- The **telematics** market will grow to a size of US$20B by 2024. How do OEMs need to be organize to claim their piece of the pie?
- **Staying focused on investing in the right markets** is key. We provide insights on how to enter ASEAN markets.
Winning in a global market is the key challenge for every truck OEM

But profitable and sustainable growth is contingent on adjusting the go-to-market approach, product and service portfolio to local requirements.

**Mature Market Strategy**
New business models to open new revenue streams to OEMs

**Growth Market Strategy**

- **Global Insights**
- **North America:** Increasing Profit in the Aftermarket
- **South/Central America:** 78% Low Cost, 11% Mid Market, 11% Premium
- **ASEAN:** 11% Low Cost, 67% Mid Market, 22% Premium
- **China:** 10% Low Cost, 70% Mid Market, 10% Premium
- **India:** 10% Low Cost, 78% Mid Market, 8% Premium
- **Brazil:** 10% Low Cost, 20% Mid Market, 40% Premium
- **Russia:** 50% Low Cost, 40% Mid Market, 10% Premium
- **Japan:** 38% Low Cost, 24% Mid Market, 38% Premium
- **ROW:** 66% Low Cost, 24% Mid Market, 12% Premium

**Insights from OEMs**
Q: Within the following regions, for which segment do you expect the strongest increase in sales volume?

- **Europe:** EU 38%, 62% Low Cost, 38% Mid Market, 62% Premium
- **Eastern Europe:** 25%, 50% Low Cost, 25% Mid Market, 50% Premium
- **USA:** 18%, 46% Low Cost, 36% Mid Market, 46% Premium
- **South/Central America:** 78%, 11% Low Cost, 11% Mid Market, 11% Premium
- **ASEAN:** 11%, 67% Low Cost, 22% Mid Market, 22% Premium
- **China:** 10%, 70% Low Cost, 10% Mid Market, 10% Premium
- **India:** 10%, 34% Low Cost, 34% Mid Market, 34% Premium
- **Brazil:** 10%, 20% Low Cost, 40% Mid Market, 30% Premium
- **Russia:** 50%, 40% Low Cost, 40% Mid Market, 10% Premium
- **Japan:** 38%, 24% Low Cost, 38% Mid Market, 38% Premium
- **ROW:** 66%, 12% Low Cost, 22% Mid Market, 22% Premium

Source: Deloitte Global Truck Study 2014, Reference page.
The global truck market is expected to grow at a CAGR of 3.1% to 2024

Country growth rates vary widely – from a meager 1% for China and Brazil to a staggering 9% for India and 7% for Eastern Europe

The truck market is growing, but the pace is fairly slow
From 2004 to 2014, sales in the global truck market for MCV & HCV* grew at an average annual rate of 2.7%, but growth was extremely volatile, ranging from -18% to 37%. HCVs continue to be the dominant segment in the market, with a share of 63%. Between 2014 and 2024 the global truck market is expected to continue growing at a fairly low rate of 3.1% per year. The Indian market will be the main driver.

Growth is not global – it is regional
Growth rates vary widely around the globe. Growth is slowing down in large truck markets such as China and most of the Triad countries. On the contrary, India, the ASEAN countries, and Eastern Europe will account for most of the future growth. Central America is showing dynamic growth as well. More than 70% of incremental sales in 2024 will be generated outside the Triad markets. But the solidity of the Triad markets will stabilize the total global truck market in the decade to come.

Beyond BRIC
Much of the recovery of the truck industry after the financial crisis was due to the BRIC markets and their growth opportunities. This is not the only truth anymore. While the BRIC markets remain the largest truck markets, other regions have developed more growth momentum. It is essential for OEMs to focus on both, the largest markets and the new growth regions.

Q: In your opinion, how will your company’s turnover develop in the following regions in the future? (% of respondents)

*Medium Commercial Vehicle, Heavy Commercial Vehicle, Reference page

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After a volatile period from 2004 to 2013, growth in the global MCV and HCV markets is expected to stabilize between 2014 and 2024.

- The annual growth rate for the global truck market is projected to be 3.1% for MCV and HCV sales from 2014 to 2024.
- Average annual growth from 2004 to 2014 was 2.7%.
- Anticipated growth rates for MCVs and HCVs are very similar, with HCVs remaining the dominant segment in the market with a 63% share.
- 1 million additional vehicles are expected to be sold to 2024.

Development of Global MCV and HCV Sales to 2024e

- The annual growth rate for the global truck market is projected to be 3.1% for MCV and HCV sales from 2014 to 2024.
- Average annual growth from 2004 to 2014 was 2.7%.
- Anticipated growth rates for MCVs and HCVs are very similar, with HCVs remaining the dominant segment in the market with a 63% share.
- 1 million additional vehicles are expected to be sold to 2024.

Source: Oxford Economics, IHS Global & Deloitte Analysis
Growth is not global but regional, with India contributing the largest share – 377,000 additional units sold in 2024.

### Development of Truck Sales to 2024e by Region

<table>
<thead>
<tr>
<th>Region</th>
<th>2014e</th>
<th>2024e</th>
</tr>
</thead>
<tbody>
<tr>
<td>U.S.</td>
<td>377,400</td>
<td>297,000</td>
</tr>
<tr>
<td>EU</td>
<td>469,000</td>
<td>461,000</td>
</tr>
<tr>
<td>China</td>
<td>985,000</td>
<td>1,090,000</td>
</tr>
<tr>
<td>Japan</td>
<td>77,100</td>
<td>84,500</td>
</tr>
<tr>
<td>ASEAN</td>
<td>168,100</td>
<td>242,900</td>
</tr>
<tr>
<td>Russia</td>
<td>116,000</td>
<td>195,000</td>
</tr>
<tr>
<td>India</td>
<td>195,000</td>
<td>237,300</td>
</tr>
<tr>
<td>Brazil</td>
<td>116,000</td>
<td>1,090,000</td>
</tr>
<tr>
<td>South America</td>
<td>43,000</td>
<td>164,700</td>
</tr>
<tr>
<td>Central America</td>
<td>65,500</td>
<td>181,700</td>
</tr>
</tbody>
</table>

Source: IHS Global & Deloitte Analysis, Not allocated countries "Rest of World" not included. Reference page
The Triad and BRIC markets will remain the biggest truck markets in 2024, despite suffering from slower than average growth in most cases.

Market Size:
- The BRIC markets will remain the world’s largest truck markets
- India will supersede the U.S. as the world’s second largest market
- Struggling European countries such as Spain and Italy are expected to have recovered by 2024

Source: IHS Global & Deloitte Analysis, Not allocated countries “ROW” not included, Reference page
While many small markets will achieve high growth rates, most of the above-average growth will come from India, Russia, and Germany.

**Market Growth:**

- The European Truck OEMs expect a growing mid-market segment in China which compensates for a slow market growth overall in China.

- The economic recovery will allow some EU economies to move from sluggish growth to above-average growth rates.

- Central and South America show momentum, but cannot compensate for Brazil's slow growth pace.

- Eastern Europe will be dynamic although the Ukraine crisis may cast a pall.

**Expected Market Growth in 2024 by Country**

Source: IHS Global & Deloitte Analysis
70% of incremental truck sales in 2024e will be outside the Triad markets

Expected Volume of Incremental Unit Sales in 2024e by Region

Mature Markets
- Germany: +4%
- U.S.: +2%

Emerging Markets
- Russia: +5%
- Indonesia: +4%
- Turkey: +5%
- Brazil: +1%

Additional Unit Sales 973,000

Source: IHS Global & Deloitte Analysis
Daimler & Volkswagen are the dominant players in their home market and compete with a fragmented set of European and non-European players.

Registered Commercial Vehicles* in Germany in 2013

Local Brand Footprint
- The German truck market provides an example of a mature market dominated by two major OEMs, Daimler with its brand Mercedes Benz Trucks and Volkswagen owned MAN, that compete with a number of smaller players and a highly fragmented set of others.
- Daimler and Volkswagen benefit from a strong foothold in their home market and a balanced portfolio of registered models.
- Other European players such as Fiat and Volvo account for a considerable number of registrations on the strength of their proximity to Germany and EU free trade.

Expected German Sales and Production Units of HCV und MCV

*Including LCV and Buses
Source: IHS Group, Oxford Economics, Deloitte Analysis
A special design in the U.S. market for commercial vehicles strengthened domestic OEMs and caused foreign OEMs to penetrate via M&A.

Local Brand Footprint
- The current American truck market is characterized by a strong dominance of domestic companies with a long history of vehicle production.
- This dominance can be explained by the market needs for long-haul transportation that strengthened domestic truck manufacturers.
- Navistar accounts for the majority of registered vehicles in its home market, leveraging its corporate history dating back to the early 1900s and joint ventures.
- While Daimler is a dominant foreign player in the United States, most of its registered vehicles consist of former American Freightliner models.

Registered Commercial Vehicles* in the United States 2013

*Including LCV and Buses
Source: IHS Group, Oxford Economics, Deloitte Analysis

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Local players dominate the Russian market where customs duties and taxes have shut out large-scale foreign competition.

Registered Commercial Vehicles* in Russia in 2013

**Local Brand Footprint**
- The Russian truck market is dominated by domestic players, with a limited presence of foreign truck manufacturers and few registrations of their products.
- Whereas the dominant manufacturer, GAZ, boasts a wide range of models, Kamaz’ portfolio is relatively limited.
- Daimler owns a 10 percent stake in Kamaz.
- European and Japanese OEMs such as Daimler, Volkswagen and Isuzu aim to harness strong market growth by leveraging a diverse model portfolio.

VW has a small advantage in market presence due to their joint venture with local MAZ.

Expected Russian Sales and Production Units of HCV und MCV

*Including LCV and Buses*  
Source: IHS Group, Oxford Economics, Deloitte Analysis
Turkey’s emerging truck market is characterized by a mix of global major Asian and European OEMs with a focus on light / medium-duty trucks.

**Registered Commercial Vehicles** in Turkey in 2013

<table>
<thead>
<tr>
<th>Manufacturer/Model</th>
<th>Unit Sales</th>
<th>Production</th>
<th>GDP Growth*</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mercedes M.B. Uns. (CV)</td>
<td>30</td>
<td>30</td>
<td>37</td>
</tr>
<tr>
<td>Mitsubishi Fuso</td>
<td>36</td>
<td>36</td>
<td>39</td>
</tr>
<tr>
<td>Ford Transit</td>
<td>40</td>
<td>40</td>
<td>43</td>
</tr>
<tr>
<td>BMW BMC Uns.</td>
<td>43</td>
<td>43</td>
<td>39</td>
</tr>
<tr>
<td>Volkswagen Crafter</td>
<td>47</td>
<td>47</td>
<td>43</td>
</tr>
<tr>
<td>Fiat Unspec.</td>
<td>49</td>
<td>49</td>
<td>39</td>
</tr>
</tbody>
</table>

*Including LCV and Buses

Source: IHS Group, Oxford Economics, Deloitte Analysis

**Local Brand Footprint**

- The Turkish truck market is diverse, illustrated by the wide variety of registered truck brands and the international mix of manufacturers.
- Turkey’s proximity to European markets has helped Daimler and other European OEM build a strong presence with a focus on light- and medium-duty trucks.
- Daimler’s strong position in the market is based on a local production and a good product portfolio in Turkey.
- On the border with Asia, the Turkish market boasts a considerable presence of Russian (Çukurova) and Japanese (Isuzu) truck makers.

**Expected Turkish Sales and Production Units of HCV und MCV**

CAGR +5.0%

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Japanese truck OEMs including Daimler’s Fuso Brand own the Indonesian market due to substantial investment and compliance with local specs.

Registered Commercial Vehicles* in Indonesia in 2013

Local Brand Footprint

- The Indonesian truck market is still very much in a developing stage and characterized by a strong dominance of Japanese truck manufacturers.
- Daimler’s predominant position in the market is mostly due to its acquisition of the Mitsubishi Fuso brand and the suitability of their Canter model for Indonesian terrain.
- Regional proximity and substantial foreign direct investment have bolstered Toyota’s position, especially benefitting its Hino brand. ISUZU is also expanding market share gradually due to their strength in the Medium CV area.
- Due to its size and proximity to China some Chinese manufactures are trying to enter the market – but so far with only little quantities.

Expected Indonesian Sales and Production Units of HCV und MCV

*Including LCV and Buses
Source: IHS Group, Oxford Economics, Deloitte Analysis
Volkswagen and Daimler account for the largest share of vehicle registrations due to their long market presence.

Registered Commercial Vehicles* in Brazil in 2013

Local Brand Footprint
- The Brazilian truck market is dominated by foreign, global OEMs with the majority of trucks registered to Volkswagen and Daimler.
- Scania and Volkswagen Nutzfahrzeuge are the main models sold in the Brazilian market.
- Having established a market presence as early as 1953 through the assembly of VW Type 1, Volkswagen accounts for the largest share of new registrations.
- Daimler’s Vario and Atego models are the shining stars of a relatively balanced portfolio of new registrations that bolster its strong position.

Expected Brazilian Sales and Production Units of HCV und MCV

*Including LCV and Buses
Source: IHS Group, Oxford Economics, Deloitte Analysis
In the current truck landscape Daimler will likely defend its position as No 1 truck manufacturer*

The European OEMs are the only truly global players in the truck market, having acquired share and operations in several key markets

According to a recent market forecast, Daimler will manage to defend its No 1 spot

• Controlling almost a quarter of the global market, Daimler remains the Number 1 global player and has penetrated all of the key markets with its own brands
• Tata is likely to profit from the growth of the Indian market, becoming the second largest player globally in 2024. But its dependence on one market may turn out to be a major disadvantage
• A similar challenge will cause Dongfeng to lose its Number 2 market position and to trail Tata, VW and Volvo in a Chinese market showing little momentum
• Volvo will maintain its global reach through strategic investment in key markets such as China (Dongfeng) and India (Eicher) along with a focus on selling premium trucks under the Volvo brand
• VW will try to reap further benefits from closer cooperation and integration of MAN/Scania into VW Group, potentially reinventing the game

Manufacturers outside Europe only play a dominant role in their local markets

• Even though Chinese OEMs are said to be aspiring to the status of serious competitors only 3% of their total sales will be exported. These 3% are low in percentage, but based on > 1.000.000 trucks manufactured by Chinese OEMs this still needs to be considered as competition for regions like ASEAN or Africa
• Exports will remain low due to hard-to-surmount differences in specs and emission standards between the Triad markets and low-cost countries
• Chinese manufacturers are still partly state-owned and follow 3-5 year plans
• Similar trends will occur in India and North America, with North American OEMs focusing on the South American market and staying out of Europe

Q: In your opinion, how will the competitive landscape develop within the next ten years?

* Analysis based on > 50% ownership. Daimler and Foton are treated as separate entities, Volvo and Dongfeng are treated as separate entities
While Daimler will defend its position as No 1 truck manufacturer Tata seizes the growth in India to overtake Volvo, Dongfeng and Volkswagen.

### OEM Regional Unit Market Shares in 2024e

#### Global Market Share (Units)

<table>
<thead>
<tr>
<th>Regional Market Split</th>
<th>Daimler</th>
<th>Tata</th>
<th>Volvo</th>
<th>Volkswagen</th>
<th>DFM</th>
<th>Paccar</th>
<th>FAW</th>
<th>CNHTC</th>
<th>BAIC Group</th>
<th>International</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>14%</td>
<td>8%</td>
<td>7%</td>
<td>7%</td>
<td>5%</td>
<td>5%</td>
<td>5%</td>
<td>4%</td>
<td>4%</td>
<td></td>
</tr>
</tbody>
</table>

#### 2014 Rank

- Daimler: (1)
- Tata: (7)
- Volvo: (3)
- Volkswagen: (4)
- DFM: (2)
- Paccar: (6)
- FAW: (5)
- CNHTC: (8)
- BAIC Group: (9)
- International: (10)

Source: IHS Global & Deloitte Analysis
While OEMs headquartered in Europe show an international footprint, Asian and U.S. OEMs tend to focus on their home markets.

### OEM Global Sales Reach (Units 2024e)

- **Germany**: 24%
- **China**: 34%
- **India**: 10%
- **Italy**: 3%
- **Japan**: 7%
- **Other Europe**: 0%
- **ROW**: 1%
- **Russia**: 1%
- **Sweden**: 7%
- **USA**: 13%

<table>
<thead>
<tr>
<th>Sales-Area</th>
<th>Volume</th>
</tr>
</thead>
<tbody>
<tr>
<td>Asean</td>
<td>6%</td>
</tr>
<tr>
<td>Brazil</td>
<td>5%</td>
</tr>
<tr>
<td>Central America</td>
<td>3%</td>
</tr>
<tr>
<td>China</td>
<td>33%</td>
</tr>
<tr>
<td>EU</td>
<td>13%</td>
</tr>
<tr>
<td>East Europe</td>
<td>1%</td>
</tr>
<tr>
<td>India</td>
<td>12%</td>
</tr>
<tr>
<td>Japan</td>
<td>3%</td>
</tr>
<tr>
<td>Japan ROW</td>
<td>3%</td>
</tr>
<tr>
<td>Japan Russia</td>
<td>5%</td>
</tr>
<tr>
<td>Russia ROW</td>
<td>5%</td>
</tr>
<tr>
<td>Sweden</td>
<td>7%</td>
</tr>
<tr>
<td>South America</td>
<td>2%</td>
</tr>
<tr>
<td>USA</td>
<td>14%</td>
</tr>
</tbody>
</table>

### Insights from OEMs

Q: In your opinion, who is the strongest competitor in the truck market?

- **Europe**: 69%
- **China**: 23%
- **Japan**: 8%

Source: Deloitte Global Truck Study 2014

Source: IHS Global & Deloitte Analysis
Daimler 2024 Snapshot: With a balanced mix of sales in Triad & growth markets, Daimler will benefit significantly from its global market presence

**Daimler Unit Sales Volume in 2024e**

- China: 30%
- Russia + East Europa: 19%
- South America: 14%
- Central America: 8%
- Japan: 8%
- India: 6%
- Brazil: 6%
- EU: 6%
- ROW: 2%
- USA: 2%
- Asean: 1%

**Export Capabilities**

- Daimler
- VW
- Volvo
- Tata

**Global Market Share Sales Split by OEM**

- **China**: 30%
- **Russia + East Europa**: 19%
- **South America**: 14%
- **Central America**: 8%
- **Japan**: 8%
- **India**: 6%
- **Brazil**: 6%
- **EU**: 6%
- **USA**: 2%
- **ROW**: 2%
- **Asean**: 1%

**Snapshot of Daimler’s Position**

- **China**: When Daimler established its first truck joint venture in the Chinese market, competitors such as MAN and Iveco had already established a solid competitive position. Daimler has not positioned its own Asian brands in China so as to achieve maximum unit sales.

- **India**: Daimler has introduced Bharat-Benz as a new brand designed to meet local requirements, opting for a greenfield investment and brand building from scratch. This may prove to be an advantage over other Triad OEMs.

- **Russia**: Its partnership with Kamaz brightens Daimler’s outlook, especially if Daimler acquires more shares of Kamaz in the long term.

Source: IHS Global & Deloitte Analysis

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VW 2024 Snapshot: Triad markets will continue to dominate VW sales, with most emerging market sales accounted for by Brazil & Russia

**VW Unit Sales Volume in 2024e**

- **EU**: 47%
- **Brazil**: 27%
- **Russia + Eastern Europe**: 12%
- **ROW**: 5%
- **South America**: 3%
- **India**: 3%
- **Asean**: 2%
- **Central America**: 1%
- **China**: 3%

Source: IHS Global & Deloitte Analysis

**Snapshot of VW’s Position**

**Europe**: Volkswagen’s largest markets are the Triad markets, with a strong focus on Europe – almost 50% of VW’s units will be sold in Europe.

**Brazil**: By 2024 Volkswagen will sell more than one third of its production volume in Brazil, mainly Volkswagen and MAN trucks.

**North America**: Volkswagen is currently without a North American presence, missing out on leveraging the world’s third largest market in 2024.

**India**: After acquiring all MAN Force JV shares, MAN aims to gain more traction in the Indian market.
Volvo 2024 Snapshot: Volvo is a strong player in Europe and has been working on enlarging its footprint in the emerging markets

Volvo Unit Sales Volume in 2024e

Global Market Share
- EU: 37%
- USA: 16%
- ROW: 9%
- Brazil: 8%
- Russia + Eastern Europe: 7%
- Asean: 6%
- Japan: 5%
- China: 3%
- Central America: 2%
- South America: 2%
- India: 1%
- ROW: 3%

Export Capabilities
- Daimler
- VW
- Volvo
- Tata

Sales Split by OEM

Snapshot of Volvo’s Position

**Triad:** The Triad will account for more than half of Volvo’s sales, with Europe (37%) topping the U.S. (16%) in terms of share.

**Russia:** Volvo is the only Triad truck OEM that has established its own local plant in Russia, assigning major strategic importance to the Russian market. All other OEMs entered the market through joint production with JV partners.

**China:** This year, Volvo announced a JV with Dongfeng, China’s largest truck manufacturer. Currently, actual sales volumes are low but it is to be expected that the JV will leverage Dongfeng’s extensive dealership network.

Source: IHS Global & Deloitte Analysis
Tata 2024 Snapshot: Without a Triad presence, Tata will generate growth from its exceptionally large home market share and its ASEAN activities.

**Tata Unit Sales Volume in 2024e**

- **India:** 94%
- **Asean:** 4%
- **Other:** 2%

**Sales Split by OEM**

- **Tata**
- **Daimler**
- **VW**
- **Volvo**

**Snapshot of Tata’s Position**

**India:** No other OEM is as focused on its home market as Tata, with India contributing 92% of its current unit sales. 2024 home market share is even expected to rise to 94%.

**Triad:** Tata is not present in the Triad countries. Limiting its ability to participate in technological advanced market.

**South Korea:** Tata maintains a minimal presence in the emerging markets, with South Korea as the major exception. In Korea, Tata sells the trucks of its local Daewoo subsidiary.

Source: IHS Global & Deloitte Analysis
The global truck manufacturers landscape remains heterogeneous, despite the increase in acquisitions over the last years.

However, market competition, technology changes and a more connected global economy will likely drive further consolidation.

Consolidation will strongly depend on the regional lay of the land

- **European Endgame**: After the most recent transaction in May 2014, when VW acquired Scania, only Iveco is left as a potential target. Daimler and Volvo Renault are positioned well.
- **U.S**: Among European OEMs, Volkswagen has no presence or brand in the North American market yet.
- **Vying for the Best Approach in BRIC**: In recent years all of the OEMs established presences in the BRIC countries. In the years to come, it remains to be seen which approach will have an edge, with more transactions to be expected after current partnering has steadied.

Selected Truck Manufacturer Acquisitions 2011 – 2014

- **5/2014**: VW takes over full ownership of Scania. Despite VW’s large ownership stake, Scania had remained an independently managed company.
- **2/2013**: Mahindra buys Navistar’s stake in India JVs. M&M completes its purchase of the Navistar Group’s stake in Mahindra Navistar. Automotives Ltd (MNAL).
- **1/2013**: AB Volvo has signed an agreement with the Chinese vehicle manufacturer Dongfeng Motor Group Company Limited (DFG) to acquire 45% of a new subsidiary of DFG. Dongfeng.
- **6/2012**: Isuzu Motors Limited establishes new joint venture company in Chongqing with its partner, Qingling Motors Group.
- **3/2012**: MAN Force, a JV between Indian Truckmaker Force and MAN AG was dissolved with Force Motors having sold and transferred remaining 50% of Man Force shares to MAN AG.
- **4/2011**: MAN and its Chinese partner Sinotruk have unveiled a new truck brand for China and other emerging markets. Called SITRAK.

Source: Deloitte Analysis
China and Russia show the largest number of OEMs and thus the largest potential for consolidation

Number of OEMs Present in Major Markets in 2014

Drivers for Partnerships in the Global Truck Market

- **Positioning in growth markets** as a prerequisite for long-term growth
- **Regional diversification** as a hedge against regional business cycles
- **Access to advanced technology** as a prerequisite for sustained competitiveness and regional diversification
- **Economies of scale** as a lever to increase profitability
- **Relocation of production** as a step to increase profitability and proximity to growth markets

Source: IHS Global, Deloitte Analysis & Deloitte Global Truck Study 2014
Who owns whom in the global truck market?
Mercedes Benz is expected to lead Daimler’s 2024 unit sales, followed by Freightliner and Mitsubishi Fuso

Company Structure

Units Sold by Brand in 2024 (%)

Truck Brands by Region

Source: IHS Global, Deloitte Analysis

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In 2024, MAN will continue to be Volkswagen Group’s top-selling truck brand, harmonizing technical platforms across VW Group with much potential.

Company Structure

Units Sold by Brand in 2024 (%)

Truck Brands by Region

Source: IHS Global, Deloitte Analysis
In 2024, more than half of the Volvo trucks sold will be Volvo-branded, but further developing scale across brands remains a key factor for success.
In 2024, Fiat’s Iveco brand will still be predominantly focused on two regions: >70% in Europe and the remaining sales in South America.
North America: Aftermarket Pricing is a key lever for profitable growth and deserves even more management attention

The aftermarket accounts for approximately one third of total revenue and is becoming a key differentiator for firms looking to improve profitability.

Industry Trends in the NA Truck Industry
- Growing complexity of products and services
- Inadequate coverage of older vehicles by network
- Price-sensitive customer buying behavior
- Changing distribution patterns – short haul vs. long distance and innovative delivery solutions

Immediate Priorities and Long-Term Opportunities in Aftersales
- Implement advanced pricing capabilities moving from cost and competition-based pricing to value-based pricing strategies
- Align product strategy to incorporate aftermarket requirements
- Improve dealer market share by improving offerings for price sensitive customers
- Alliances / partnerships to provide alternative channels
- Deploy service products – remote diagnostics, consulting and contract maintenance

Q: In your opinion, how important are the following levers to increasing profitability of the aftersales segment?

- Pricing: 57% very important, 44% somewhat important
- Availability of spare parts: 44% very important, 55% somewhat important
- Dealer interface: 30% very important, 38% somewhat important
- Second brand for spare parts: 57% very important, 49% somewhat important
- New business models: 58% very important

Source: Deloitte Global Truck Study 2014
Winning in the aftermarket requires truck OEMs to extend current business models with new service elements and cooperation partners.

Trends within the trucking industry are putting increased pressure on OEMs to capitalize on aftermarket sales to support their primary business.

### Products and Services
- **Vehicle lifecycle** – Extended part life due to improving quality
- **Private label** – Use of private, value line parts to penetrate the price-sensitive market
- **Value-added services** – Expanded value-added services offerings to improve service levels and retain business

### Network and Channel Coverage
- **Dealer Support** – Dealers need support to capture price-sensitive customers
- **Dealer alternate channel** – Dealers have employed alternate channel offerings to serve the price-sensitive market
- **Warehouse & Distribution consolidation** – Major push to increase scale and network / buying power

### Customer Buying Behavior
- **Buying sophistication** – Price-sensitive customers demand lower-priced part options
- **Driver Safety** – Increased scrutiny of safety / compliance programs
- **Alternate dealer suppliers** – Dealers are developing relationships with WDs and OES for non-proprietary parts

### Questions on Future Trends
- **Changing Distribution Networks** – Will the long-distance freight model change to short haul?
- **The Future of Fuel** – How will alternate fuel technologies impact aftermarket support?

---

**Trends and Challenges**

- Low-Cost Suppliers
- 3rd Party Manufacturers
- Direct Sales with Dealers
- Retail Environment

**Immediate Priorities**

**Future Opportunities**

---

*These trends manifest themselves across the entire shipping industry ecosystem, OEMs must devise ways to strengthen relationships with players at each point to succeed.*
OEMs have four key levers at their disposal to arrive at a smarter competitive approach in the aftermarket business.

1. **Strengthen pricing capabilities**
   - Utilize advanced pricing analytics
   - Employ segment-based pricing
   - Implement pricing tools
   - Ensure organization alignment

2. **Align product strategy**
   - Manage lifecycles
   - Innovate to improve proprietary content
   - Introduce value line products
   - Enhance competitive analysis

3. **Utilize dealer and customer incentives**
   - Develop loyalty program
   - Execute end-customer campaigns
   - Provide dealer incentives
   - Manage dealers’ inventory

4. **Improve dealer market share**
   - Improve e-commerce capability
   - Utilize end-customer analytics to find market opportunities
   - Enhance end-customer segmentation
   - Integrate supply chain to get visibility into dealer inventory and buying patterns

If executed successfully, the above strategies may lift operating margin by 6% - 8%.
Value Pricing is the most developed concept for price setting and has the greatest impact on profitability

**Impact of profit driver improvements**

1% improvement in...
...improves operating profit by

- **Price**: 12.3%
- **Variable Cost**: 6.7%
- **Unit Volume**: 3.6%
- **Fixed Cost**: 2.6%

- Pricing has 3-4 times the effect on profitability than other improvement measures
- The average 5% improvement in returns on sales from improved pricing creates $1.5 billion of additional value over 5 years for an average S&P 500 company

**Pricing Evolution – From Cost-Based to Value-Based Pricing**

- Value Pricing is a price setting method that derives the perceived customer value
- Offerings are defined based on customer preferences and willingness to pay
- A value-based pricing initiative results in a **win-win situation** for both customers and the seller

Source: IHS Global, Deloitte Analysis
OEMs must be open to new partnerships across the entire ecosystem and reshape their process model accordingly

Targeted Ecosystem Partnerships

Opportunities exist to partner with a number of different sectors within the trucking ecosystem to build relationships and gain access to new truck owners

Service Providers: Develop part-supply relationships with third-party contract maintenance service providers

Owner-Operator-Aggregators: Develop relationships with owner-operator-aggregators to gain access to the independent owner-operator segment

Insurance Providers: Obtain the first right to provide replacement parts in the event of an accident

These alliances/partnerships could be particularly effective in penetrating the old-VIN vehicles that traditionally do not use the OE dealer network for repairs
New business models have emerged that shift from selling a truck to providing customers with new ways to improve total cost of ownership

Telematics has undergone a few transitions since first appearing on the scene
Having evolved from a supporting role to providing major value-added to drivers, owners, and OEMs, telematics puts entire new revenue streams within reach. OEMs have traditionally focused on two core revenue streams from automotive telematics:
• Vehicle price markup
• Telematics subscriptions

But with all the data available and the potential use of that data, even more is possible.

Future OEM business models might focus on services rather than the truck itself
In 2024, the global OEM telematics market may total up to $20B US, with Europe accounting for the largest share
• Increasing connectivity and mounting cost pressure in the transportation business are the main drivers for this growth
• In a very competitive market, a truck’s efficiency increasingly becomes the main buying criterion for the customer.

While many studies show how telematics can improve truck operations and vehicle management, the big question remains how OEMs stand to benefit
• Telematics is not about technology. To win the market against often cheaper aftermarket organizations, OEMs must offer complete solutions
• OEMs need to lever their existing competitive advantage in trucks diagnostics while developing independent business models, that require integrating different skill sets from outside the organisation

Source: Deloitte Analysis

Q: In your opinion, is the field of telematics important for European OEMs? If yes, why?

Because telematics have an influence on TCO
Telematics as the central element of future service offerings
Information management creates added value
Highly important for CRM
Telematics as an enabler of further optimization
Allows OEMs to collect data on customers and vehicles

Source: Deloitte Global Truck Study 2014

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In telematics, the OEM hardware segment will show superior growth.

**Chart 2 (Stacked)**

**Commercial Vehicle Telematics Forecast 2014 – 2024 for OEM Hardware ($bn)**

- **CAGR +17.2%**
- Expected market size is **$11B** for telematics by the end of 2014.

**Commercial Vehicle Telematics Forecast 2014 – 2024 for Aftermarket Hardware ($bn)**

- **CAGR +6.4%**

Source: Visiongain & Deloitte Analysis
Usually, telematics are primarily employed to address TCO. Increasingly the view on TCO is broadened to include resources and operations management.

More than anything else, increasing cost pressure in the transportation business drives telematics implementation. In a very competitive market, truck efficiency is increasingly becoming the main buying criterion for customers.

Source: Road Haulage Association, Cost Tables, Deloitte Analysis

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There are 3 major application areas, ranging from core to adjacent to new telematics offerings.

<table>
<thead>
<tr>
<th>Area 1: Core Telematics</th>
<th>Area 2: Adjacent Telematics</th>
<th>Area 3: New Telematics</th>
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<tbody>
<tr>
<td><strong>Security/Safety Management</strong></td>
<td><strong>Fuel Optimization</strong></td>
<td><strong>Leverage Telematics assets</strong></td>
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<td>• Fuel POI tracking</td>
<td>1. Telematics data</td>
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<td>• Stolen vehicle tracking</td>
<td>• Charging station</td>
<td>2. In-vehicle screen to create value</td>
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<tr>
<td>• Critical event alerts</td>
<td>• Battery swap facility location</td>
<td>in non-automotive industries like:</td>
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<tr>
<td><strong>Vehicle Uptime Maximization</strong></td>
<td>• Fuel-tax filing</td>
<td>• Advertising</td>
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<td>• Remote Diagnostics</td>
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<td>• Energy</td>
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<td>• Prognostics</td>
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<td>• Financial Services</td>
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<td><strong>Smart Navigation</strong></td>
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<td>• Dynamic Navigation</td>
<td>• Driver and vehicle connectivity</td>
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<tr>
<td>• Telematics-based fuel</td>
<td>over cellular and WiFi networks</td>
<td></td>
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<tr>
<td>• Green routing</td>
<td>• Two-way communication</td>
<td></td>
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<tr>
<td>• Electronic toll collection</td>
<td>• V2I + V2V Communication</td>
<td></td>
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<tr>
<td>• Real-time parking</td>
<td>• EOB, HOS</td>
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</tbody>
</table>

**OEM value:**

**Increase revenue by:**

• Boosting truck prices due to telematics features

• Growing truck sales through enhanced CRM via telematics

• Offering fleet management services

• Providing new business solutions outside the core automotive field
OEM’s telematics assets have business value for other industry sectors

OEMs have traditionally focused on two core revenue streams from automotive telematics:
- Vehicle price markup
- Telematics subscriptions

However, telematics provides new channels of access to customers as well as new and valuable customer insights.

When aggregated and distributed by partners these assets can generate incremental profits for OEMs.

Augmentative telematics business value opportunities in sectors adjacent to automotive as well as the potential profit for OEMs.
Building the right telematics organization is key to winning the market

Common Telematics Organizational Challenges

Those without a vision for and a focus on the telematics organization have faced greater growth challenges; organizations without a longer-term focus have had difficulty laying the groundwork for innovative future products and services.

Start regionally, moving towards global implantation or start as a global entity at the outset; typically seen started as a focused, regional level and scaled up. The drawback is a lack of global consistency at the outset for data analysis and executive reporting, and an inconsistent customer experience. In addition, the cost of multiple stand-alone solutions is greater and comes at the expense of regional flexibility and customization.

The telematics organization is sometimes grouped together with the engineering and IT organizations. This may lead to the organization becoming a cost center, limiting future revenue growth focus.

Building a telematics organization usually requires expertise and resources of limited availability within the organization, which may need to look externally for talent, skills and know-how. While such a step may lead to advanced expertise being available, any externally fueled growth needs to be balanced with organic growth.

How to Win the Market

Telematics is not about technology. To win the market against often cheaper aftermarket organizations, OEMs must offer complete solutions

Telematics solutions must be embedded in a service organization to ensure that OEMs leverage their competitive advantage, which is Truck Diagnostics and its influence on the optimization of total cost of ownership

The challenge is developing an independent business model with different lifecycles and supply chains for the telematics organization

In the People dimension, content, application development, and integration require a different skill set than truck design or enhancement

OEMs that follow these steps consistently will win the market
South East Asia Market Options: Gaining a larger share in these markets requires a tailored approach

Southeast Asia is the leading growth region but a one-size-fits-all approach will not work due to different country maturities and needs

The respondents in Deloitte’s Global Truck Study consider South East Asia the leading region for future growth. China’s market is seen to expand only slightly while the saturated Japanese market is expected to stagnate.

Four groups of countries dominate the regional economic landscape

- With a per-capita GDP ≥U.S.$10,000, Singapore and Brunei represent the most mature markets, where OEMs expand their business beyond truck sales & after-sales
- With a per-capita GDP ≥U.S.$5,000, Thailand and Malaysia will evolve away from their emerging market status, allowing OEMs to offer the entire range of their service portfolios.
- With a per-capita GDP ≥U.S.$2,000, Indonesia and the Philippines offer an opportunity to expand sales through dealers while transitioning into higher value added services.
- With a per-capita GDP <U.S.$2,000, Vietnam, Cambodia, Laos and Myanmar represent markets to be nurtured and strongly reliant on the development of logistics networks.

A set of key drivers will holistically trigger an evolution across all groups

- Development of logistics networks and increasing transport efficiency will allow remanufacturing and salvage businesses in less mature markets.
- Domestic demand expansion and exploitation of resources will propel the after-sales and parts business and increasing use of customer information.
- Mature markets will see progressing connectivity in rural areas and increasing use of telematics and cross-industry partnerships.

Insights from OEMs

Q: In your opinion, In which regions will your company’s turnover grow in the future? (% of respondents)

- ASEAN: 33%
- USA: 13%
- China: 11%

Source: Deloitte Global Truck Study 2014
ASEAN countries vary by population, market size and level of economic development

**Market Predictions**

- **Group A**: Per-capita GDP ≥ US$10,000
- **Group B**: Per-capita GDP ≥ US$5,000
- **Group C**: Per-capa GDP < US$2,000

**Cases**

- **Group S**: Per Capita GDP ≥ US$10,000
- **Group A**: Per Capita GDP ≥ US$5,000
- **Group B**: Per Capita GDP ≥ US$2,000
- **Group C**: Per Capita GDP < US$2,000

**North**
- Continental Asia
- Thailand-centric market (“hub & spoke”)
- ASEAN highway construction will facilitate the interchange of people and goods

**South**
- Domestic demand-led market

Source: IMF, Euromonitor

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**Group A: Countries such as Thailand and Malaysia with high maturity**

<table>
<thead>
<tr>
<th>Region</th>
<th>Market Predictions</th>
<th>Recommendations</th>
<th>Cases</th>
</tr>
</thead>
<tbody>
<tr>
<td>Group A</td>
<td></td>
<td></td>
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<tr>
<td>Thailand</td>
<td>Malaysia</td>
<td>2014</td>
<td>2024</td>
</tr>
<tr>
<td>Developed</td>
<td>Mature</td>
<td></td>
<td></td>
</tr>
<tr>
<td>• Market almost saturated</td>
<td>• Market highly developed</td>
<td></td>
<td></td>
</tr>
<tr>
<td>• OEMs provide all services</td>
<td>• OEMs expand business beyond truck sales &amp; after-sales service</td>
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</table>

### Maturity

#### Market Development

<table>
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<th>Thailand</th>
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<tbody>
<tr>
<td>16</td>
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<td>7</td>
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</table>

#### Main Driver

- Transport efficiency
- Logistics volume
- Market deregulation

### Focus Area

- Eco-friendly car
- Low-cost mass transport
- High value-added body building
- Telematics
- Cross-industry partnership

*Source: IHS Global & Deloitte Analysis*
Group B: High market potential but less profitability

**Market Predictions**

- **Region**
  - Indonesia
  - Philippines

- **Maturity**
  - **Expanded**
    - Widespread use of trucks
    - OEMs expand sales through dealers
  - **Developed**
    - Market almost saturated
    - OEMs provide all services

- **Market Development**
  - **2014**
    - Indonesia: 17, Philippines: 2
  - **2024**
    - Indonesia: 33, Philippines: 2

- **Main Driver**
  - Resource development
  - Trade volume
  - Government incentives

**Focus Area**

- After-sales service
- Use of customer information
- High-quality bodybuilding
- Remanufacturing business
- Parts sales

Source: IHS Global & Deloitte Analysis
### Group C: Small markets with high industrialization potential

<table>
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<tr>
<th>Region</th>
<th>Group A</th>
<th>Group B</th>
<th>Group C</th>
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<td>Vietnam</td>
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<tr>
<td>Cambodia</td>
<td></td>
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</tr>
</tbody>
</table>

#### Market Predictions

- **Vietnam**
- **Cambodia**

#### Recommendations

- **2014**
- **2024**

### Nurtured

- Little use of trucks
- OEMs make few inroads into the market

### Expanded

- Widespread use of trucks
- OEMs expand sales through dealers

### Market Development

- Resource development
- Thailand – Plus One
- Labor-intense industrialization

### Main Driver

- After-sales network development
- Start of customer management
- Remanufacturing business
- New truck sales
- Parts sales

### Focus Area

- Source: IHS Global & Deloitte Analysis

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OEMs must tailor their market growth strategies to a set of very diverse market needs.

### High market potential

**Thailand**
- Telematics

**Malaysia**
- Cross-industrial partnership

**Indonesia**
- After Sales

**Philippines**
- Customer Management
- Parts sales

### Suggestions for OEMs

- Offer differentiated services to:
  - Increase customer loyalty
  - Better serve mature markets

- Develop low-cost strategy to compete with local/upcoming competitors

- Enter the market via the used vehicle business since new vehicle market growth will be slow due to local policies and poor infrastructure
Market Entry Strategy: OEMs can increasingly take advantage of Free Trade Agreements (FTAs) and lowered tariff barriers

Recommended Hub-Approach

- To tackle the growing and dynamic ASEAN markets and comply with ASEAN content requirements, OEMs commonly use one country as a regional hub, taking advantage of low regional trade barriers.

- Considerations when establishing a regional ASEAN hub include:
  - Different entry tariffs and regulations for each member state (e.g. CKD regulations)
  - Regional and bilateral FTAs
  - Location decision criteria (e.g. the right set of location decision criteria to make sense of differences in factor costs, workforce qualification, infrastructure etc.)

- Individual markets should be addressed as required by their respective size, maturity, and import duties.

For products traded among ASEAN member states, tariffs are decreasing while technological and homologation requirements are becoming harmonized.

To enjoy these benefits, an ASEAN-produced content of 40% is required.

Goods brought to the ASEAN region are subject to the respective requirements, incentives and tariffs of the entry country.

ASEAN has concluded FTAs with China, Japan, South Korea, India, Australia and New Zealand.

Some ASEAN member states have concluded bilateral FTAs.

*FTA= Free Trade Agreement
Regional manufacturing strategies have to be built around localizing production and enabling a regional hub

**CBU (Completely built-up)**
- Vehicles do not require any additional assembly
- High effective tariffs
- Higher transportation cost

**CKD/ SKD (Completely/ Semi knocked down)**
- Local assembly complies with ASEAN content requirements
- But local assembly adds supply chain complexity
- Applicable CKD/ SKD requirements to be considered
- Lower effective tax rate
- Leverages location factors

<table>
<thead>
<tr>
<th>Country</th>
<th>Regular Customs Rate EU</th>
<th>China</th>
<th>India</th>
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<td><strong>Indonesia</strong></td>
<td>40%</td>
<td>40%</td>
<td>40%</td>
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<tr>
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<td>10%</td>
<td>10%</td>
<td>20%</td>
</tr>
<tr>
<td><strong>Malaysia</strong></td>
<td>30%</td>
<td>30%</td>
<td>30%</td>
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<tr>
<td></td>
<td>0%</td>
<td>0%</td>
<td>0%</td>
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<tr>
<td><strong>Thailand</strong></td>
<td>40%</td>
<td>40%</td>
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<tr>
<td></td>
<td>20%</td>
<td>20%</td>
<td>20%</td>
</tr>
<tr>
<td><strong>Vietnam</strong></td>
<td>50%</td>
<td>50%</td>
<td>50%</td>
</tr>
<tr>
<td></td>
<td>15%</td>
<td>15%</td>
<td>5%</td>
</tr>
</tbody>
</table>

**CKD/SKD and CBU Tariffs – LCVs, Trucks and Heavy Trucks**

1) Based on Tariff Codes 8704.22 (GVW > 5t ≤ 20t) and 8704.23 (GVW > 20t). Including individual customs rate, excise tax and other import fees. Serves as an overview and does not include rates applicable to special types of LCVs, trucks, and heavy trucks.
OEMs have taken bolt action to win in the ASEAN market, with creating customer value at the core of the initiative.

### Business Cases

#### Thailand
**OEM for construction, mining and industrial machinery**
- Offering diverse services by using telematics

#### Malaysia
**Global OEM**
- Offering a wide range of after-sales services

#### Indonesia
**Global OEM**
- Providing fleet management by contract
- Use genuine parts
- Provide 24h-service-and-parts support
- Offer safe-driving courses

#### Philippine
**Global Heavy Duty Truck OEM**
- Building a remanufacturing business

#### Vietnam
- Providing high-quality products at a low price
- Buy back used parts
- Offer financing solutions

#### Cambodia
- Remanufacturing Business

#### Myanmar
- After Sales

#### Laos
- Telematics

- Forecast demand for cars/parts
- Know replacement timing of parts
- Use data for credit management
- Protect against theft (vehicle monitoring)
# Contacts

**Authors**

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<th>Email</th>
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**Scope of the Analysis**

### Vehicle Classification

- **Trucks**
- **Buses**
- **Vans**
- **Trailer/semi-trailer**
- **Other**

#### Regions

- **United States**
- **Central America**
  - Costa Rica
  - Honduras
  - Colombia
  - Venezuela
  - Guatemala
  - Panama
- **South America**
  - Brazil
  - Argentina
  - Chile
  - Paraguay
  - Bolivia
  - El Salvador
  - Ecuador
- **Europe**
  - Austria
  - Belgium
  - Bulgaria
  - Czech Rep.
  - Denmark
  - Estonia
  - Finland
  - France
  - Germany
  - Greece
  - Hungary
  - Ireland
  - Italy
  - Latvia
  - Lithuania
  - Netherlands
  - Norway
  - Portugal
  - Spain
  - Sweden
  - Switzerland
- **Eastern Europe**
  - Ukraine
  - Russia
  - Kazakhstan
  - Belarus
  - Turkmenistan
- **India**
- **Asean**
  - Indonesia
  - South Korea
  - Vietnam
  - Thailand
  - Malaysia
  - Philippines
- **Rest of World (ROW)**
  - Pakistan
  - Peru
  - Bahamas
  - Jamaica
  - Brazil
  - Madagascar
  - Barbados
  - Canada
  - Haiti
  - Bermuda
  - Belize
  - New Zealand
  - Oth Caribbean
  - South Africa

### Weight in t

- 15.0
- 12.0
- 7.5
- 6.0
- 3.5

### Weight in 1,000 lbs

- Class 1: 10.5
- Class 2: 19.5

### Product Segments

| Low Cost | € 14.000 - € 40.000 | € 22.000 - € 45.000 |
| Midmarket | € 20.000 - € 50.000 | € 35.000 - € 65.000 |
| Premium | > € 45.000 | > € 65.000 |

### About the Survey

The Deloitte Global Truck Survey was conducted by Deloitte’s Global Automotive Practice. The results of the survey are based on data from IHS Global, analysis by the Deloitte Global Automotive Practice, and in-depth interviews with hand-selected senior executives of global truck OEMs.