Large Vehicle Sales Likely to Be Squelched If Gas Hits $3 a Gallon

Consumers Prefer Hybrid Engines Over Diesel Engines

The latest AutoVIBES poll from Harris Interactive® and Kelley Blue Book Market Research reveals that if gas prices reach more than $3 a gallon, as predicted by many energy analysts, in-market vehicle buyers' purchase decisions will be profoundly affected. 47 percent of U.S. adult consumers in the market to buy a vehicle in the next several months have already changed their minds to buy a more fuel-efficient vehicle or will consider vehicles they would not normally look at due to the increase in gas prices. An additional 30 percent say that they will seriously consider a more fuel efficient vehicle if gas prices rise by 75 cents bringing the total percentage of those likely to be affected to 77 percent. Two of the chief manufacturers of large SUVs, Ford and General Motors, both saw a sales decline in that segment as gas prices rose in March. If gas prices do reach the $3-a-gallon level, the figure (when inflation-adjusted) will tie the highest gas price of all time reached in 1981.

"Up to now we've seen buyers shifting from large SUVs to small or mid-sized SUVs as fuel prices have risen," said Jack R. Nerad, editorial director, Kelley Blue Book's kbb.com, "but that could change dramatically if gasoline prices cross consumer pain thresholds. A $50 or $75 fill-up could push consumers towards hybrid vehicles and smaller, more fuel-efficient vehicles. This, of course, has serious implications for American manufacturers who have staked so much on the large SUV segment."

The March AutoVIBES report also showed that consumers' consideration of hybrid vehicles like the Toyota Prius or the Ford Escape Hybrid doubled from the previous month. In February, only four percent of vehicle shoppers said they were interested in buying a gas/electric hybrid vehicle, and in March it jumped to eight percent. While that number is still small in relation to the number of vehicles sold overall, it can be viewed as a significant increase, according to Scott Upham, senior vice president of automotive research at Harris Interactive.

One fuel-efficient alternative to the gas/electric hybrid engine is the new-technology diesel engine. Today's diesel vehicles like the Mercedes E320 and the Jeep Liberty are delivering between 30-40 miles per gallon, which puts the new diesel technology nearly on par with the mileage of many of today's hybrid vehicles. However, according to the March AutoVIBES report, in-market vehicle shoppers' likelihood of purchasing a vehicle with a diesel engine declined over the last year.

"The interest in hybrid technology over the newer diesel technology is a result of smart marketing and promotion by those few companies that currently sell hybrids," Nerad said. "Toyota has done an unbelievable job marketing the Prius, Honda is gaining great press from its Civic and Accord hybrids, and now Ford is doing the same with its Escape hybrid. Diesel technology, on the other hand, hasn't been promoted as well and doesn't seem nearly as sexy as hybrids."

AutoVIBES is a monthly survey of approximately 2,000 U.S. adults ages 18 and over who plan to purchase or lease a new vehicle within the next 12 months. The survey is conducted the third week of each month for five days on Kelley Blue Book's Web site (www.kbb.com), the most visited Web site among in-market vehicle buyers. The study was designed and analyzed jointly by Harris Interactive and Kelley Blue Book Marketing Research.

The data were weighted by demographics and propensity to reflect the general U.S. adult population of in-market vehicle buyers. Though this sample is not a probability sample, in theory, with probability samples of this size, one could say with 95 percent certainty that the results have a sampling error of plus or minus 3 percentage points of what they would be if the entire U.S. adult population who

plan to purchase or lease a new vehicle within the next 12 months had been polled with complete accuracy.

About Harris Interactive®

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About Kelley Blue Book (kbb.com)

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SOURCE: Kelley Blue Book

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