AutoVIBES: Vehicle Shoppers Say 'Not Likely to Buy in the Absence of Incentives'

Study Finds Vehicle Purchase Timing, Make/Model Selection Affected by Incentive Offers

Consumer dependency on new-vehicle incentives has reached an all-time high according to AutoVIBES, a monthly automotive study from Harris Interactive® and Kelley Blue Book Marketing Research tracking consumer automotive buying intentions. More than half (51 percent) of U.S. adults who plan to purchase or lease a vehicle within the next 12 months say they are not likely to purchase a new vehicle in the absence of incentives, up from 44 percent just eight months ago and the highest it has been since the question first was asked in December 2003. Another record-breaking new-vehicle shopping measure shows that 67 percent of consumers planning to purchase a new vehicle say the availability of incentives impacts the specific make and model they are likely to choose. Seventy-one percent say the availability of new-vehicle incentives affects the timing of their vehicle purchase.

"The domestic manufacturers have trained their customers to look for incentives," said Jack R. Nerad, editorial director and executive market analyst for Kelley Blue Book. "Because they have been taught to expect these incentives and rebates, domestic buyers often sit on their checkbooks until the incentives arrive and then they flock to the showrooms. The latest promotions from General Motors, Chrysler and Ford are the most recent examples, although the 'incentive' in these cases is haggle-free discounts off of the vehicle's invoice price."

Whether auto manufacturers choose to offer incentives or price-dropping promotions to entice buyers, the powerful marketing tools of the automakers seem to have an influence on consumer perceptions. There is evidence in the latest AutoVIBES study to suggest that General Motors' "GM Employee Discount for Everyone" promotion has helped to improve the company's purchase-consideration levels among in-market car buyers. Since the promotion launched in June, consideration levels among in-market car buyers for both Chevrolet and GMC have jumped. Chevrolet is up six percentage points since May to 31 percent and GMC is up four percentage points to 15 percent. This increased level of consideration was evident in the final tally of June sales and in preliminary estimates of July sales.

"There is no doubt the 'employee pricing' promotions have been a landslide success," said Nerad. "The sales increases among the 'Big Three' are substantial, but much of the gains are sales GM, Ford and Chrysler would have had anyway, just moved forward. We certainly don't expect share gains of that magnitude to be maintained as the 2006 model year begins."

AutoVIBES is a monthly omnibus 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 latest data was taken from the June 2005 wave. The study was designed and analyzed jointly by Harris Interactive and Kelley Blue Book Marketing Research.

The data was weighted by demographics and propensity to reflect the general U.S. adult population of in-market vehicle buyers. Though this online 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 three 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.

For more information about this study, please contact Kelley Blue Book Marketing Research at 949-268-3074 or Harris Interactive at 877-919-4765.

About Harris Interactive®

Harris Interactive Inc. (www.harrisinteractive.com), the 15th largest market research firm in the world, is a Rochester, NY-based global research company that blends premier strategic consulting with innovative and efficient methods of investigation, analysis and application. Known for The Harris Poll® and for pioneering Internet-based research methods, Harris Interactive conducts proprietary and public research to help its clients achieve clear, material and enduring results.

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To become a member of the Harris Poll Online(SM) and be invited to participate in future online surveys, www.harrispollonline.com.

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SOURCE: Kelley Blue Book

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