Kbb.com: Consumer Sentiment Toward Gas Prices has Changed Dramatically; More Than Half of Car Shoppers Think Gas Prices Will Stay the Same or Go Down in Next 30 Days

Consumers Feeling Better About Personal Economic Situations, Not Delaying Vehicle Purchases as Much as Before

IRVINE, Calif., June 6, 2011 <u>/PRNewswire/</u> -- According to the latest Kelley Blue Book <u>www.kbb.com</u> Market Intelligence survey concerning consumer sentiment and gas prices, <u>new car</u> and <u>used car</u> shoppers have drastically changed their minds about the coming fate of gas prices in the near-term.

For the past several months in a row, consumers indicated they thought gas prices would continue to rise. However, in the most recent May 2011 survey by kbb.com, now more than half of car shoppers (52 percent) say they think gas prices will either stay the same or go down in the next 30 days. In addition, the number of respondents who say gas prices have changed their mind about vehicles they are considering has decreased five percentage points from April (35 percent) to May (30 percent).

Consumers also indicate they are feeling better about their overall current economic situation. The number of respondents rating their personal economic situation as 'poor' has decreased by six percentage points since February (from 27 percent in February to 21 percent in May). Additionally, concern about the ability to qualify for an auto loan has decreased 11 percentage points since January (from 27 percent in January to 17 percent in May).

Furthermore, car shoppers are not delaying their vehicle purchases as much as the beginning of the year. The number of respondents indicating a purchase delay has decreased 10 percentage points from January (62 percent) to May (52 percent).

"Prices at the pump have halted their steep rise and now gas prices are slowly going down in many parts of the country, and the latest kbb.com survey results show that car shoppers are taking note," said Jack R. Nerad, executive editorial director and executive market analyst for Kelley Blue Book's kbb.com. "If consumers feel more optimistic about the near-future state of gas prices and more confident in their personal economic situations, this will bode well for the automotive industry, though declining home values present a continuing concern. Vehicle availability issues caused by the Japanese earthquake and tsunami also could blunt gains to be expected from increased car-buyer confidence."

Kelley Blue Book Market Intelligence employed the Van Westendorp pricing model as a research strategy to understand consumers' price sensitivity, discovering that in spite of recent declines, gas prices continue to exceed consumer acclimation to a higher fuel price point. The current optimal price point for gasoline has risen since the beginning of this year, from \$3.00 per gallon (with an acceptable range of pricing from \$2.75 - \$3.25) in January and February to the current optimal price point of \$3.27 (with an acceptable range of pricing from \$3.09 - \$3.44) in May. Therefore, if prices remained around \$3.27 per gallon, car shoppers likely would not make major changes in vehicle consideration criteria. However, at the \$4.00 per gallon price point, 66 percent of consumers will feel that gas is so expensive it will affect their vehicle consideration, and at \$5.00 per gallon, almost all car shoppers (90 percent) say their vehicle consideration will be affected.

The latest Kelley Blue Book Market Intelligence survey about consumer sentiment and gas prices was fielded to 467 in-market new- and used-car shoppers on Kelley Blue Book's kbb.com from May 17 - 19, 2011. Kbb.com's Market Intelligence team is part of the Analytic Insights division of Kelley Blue Book.

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