

Kbb.com: Nearly Three-Quarters of Car Shoppers Say Gas Prices Have Influenced Vehicle Purchase Considerations; Expect Gas Prices to Increase in Near Future

As Gas Prices Rise, So Does Consideration for Alternative-Fuel Vehicles; Analysis Shows \$3.00 Per Gallon Gas is Optimum Price Point

IRVINE, Calif., Jan. 24, 2011 /PRNewswire/ -- According to the latest Kelley Blue Book www.kbb.com Market Intelligence survey concerning gas prices, the current economic situation coupled with concern over the potential rise in gas prices has caused [new car](#) and [used car](#) shoppers to change their vehicle consideration criteria. Nearly three-quarters (70 percent) of car shoppers say that gas prices have influenced vehicle considerations, or the type of vehicle they are considering. Almost half (43 percent) of car shoppers report delaying the purchase of a vehicle due to economic concerns and gas prices, and more than half (51 percent) report reducing or stopping entirely behaviors such as vacationing, going out to eat, shopping and engaging in activities for entertainment, among other things. Moreover, 75 percent of kbb.com survey respondents said they expect gas prices to rise in the next 30 days, and data from the U.S. Energy Information Administration reveals that gas prices are projected to rise throughout 2011 and into 2012.

In addition, 61 percent of kbb.com survey respondents say that they have changed their driving habits as a result of rising gas prices, and many indicate they are considering making trade-offs on their next vehicle choice to save money on fuel. Nearly half of car shoppers (48 percent) said they would be willing to change engine size (i.e. choosing a four-cylinder versus a V6 or V8), 36 percent said they would change vehicle size (i.e. mid-size sedan versus large sedan), and 31 percent said they would change vehicle category (i.e. sedan versus SUV).

Kelley Blue Book Market Intelligence employed the Van Westendorf pricing model as a research strategy to understand consumers' price sensitivity toward gas prices and discovered that the current optimum price point for gasoline per gallon is \$3.00 (with the acceptable range of pricing from \$2.75 - \$3.25), meaning that if prices remain around \$3.00 per gallon, car shoppers likely will not make major changes in vehicle consideration criteria. However, at the \$3.50 per gallon price point, more than half of consumers feel that gas is so expensive that it will affect their vehicle consideration, and at \$4.00 per gallon, 80 percent of consumers say their vehicle consideration will be affected. At a price point of \$5.00 per gallon, almost all car shoppers (95 percent) reveal that gas prices will affect vehicle consideration.

In addition, Kelley Blue Book Market Intelligence performed an analysis of trended data from its EcoWatch™ study and discovered a clear relationship between gas prices and alternative-fuel vehicle consideration, revealing that as gas prices increase, consideration of alternative-fuel vehicles also increases. Conversely, as gas prices decrease, consideration of alternative-fuel vehicles also decreases. When gas prices remain relatively stable, interest in alternative-fuel vehicles is unaffected. The analysis also determined that consumers

can become acclimated to semi-static price points over time, but the speed and amount by which gas prices increase also affects the changes in interest of alternative-fuel vehicles. Given that the current national price for a gallon of regular gasoline in the United States is \$3.12 (according to AAA), kbb.com's analysis reveals that if gas prices were to reach \$4.00 per gallon by Summer 2011, interest in alternative-fuel vehicles would double in that timeframe.

"The uncertainty of gas prices combined with the government-mandated increase in Corporate Average Fuel Economy (CAFE) have most automakers preparing both small and fuel-efficient vehicles for their future lineups," said James Bell, executive market analyst for Kelley Blue Book's kbb.com. "It is clear from the latest Kelley Blue Book Market Intelligence data that gas prices have a definite impact on the vehicle choices made by new-car shoppers in the United States, and it seems that the price of gas also will help determine the success or failure of many new alternative-fuel vehicles now set for production."

The latest Kelley Blue Book Market Intelligence survey about gas prices was fielded to 1,127 in-market new- and used-car shoppers on Kelley Blue Book's kbb.com from January 8-11, 2011.

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