

Kbb.com: More Than 80 Percent of Car Shoppers Say Gas Prices Have Influenced Vehicle Purchase Considerations; Increasing Number of Consumers Rate Current Economic Situation 'Poor'

Shoppers Increasingly Researching Fuel-Efficient Vehicles as Gas Prices Exceed Consumer Price Sensitivity Threshold

IRVINE, Calif., March 7, 2011 /PRNewswire/ -- According to the latest Kelley Blue Book www.kbb.com Market Intelligence survey concerning consumer sentiment and gas prices, the current economic situation coupled with concern over the rise in gas prices has caused an increasing number of [new car](#) and [used car](#) shoppers to change their vehicle consideration criteria. In February, four out of five car shoppers (81 percent) said that gas prices have influenced vehicle considerations, up 11 percentage points over January. The current national average for gas prices has increased by 29 cents in the last month, and 74 percent of the latest kbb.com survey respondents said they expect gas prices to rise more in the next 30 days.

When asked about the effect of the economy on their future vehicle purchases, 58 percent of kbb.com survey respondents said the economy has caused them to make downgrades, with the most popular downgrade listed being decreased engine size (42 percent), followed by decreased vehicle size (40 percent), decreased or eliminated vehicle options (37 percent), and switching from new to used (33 percent).

Moreover, the number of respondents indicating that their current economic situation is 'poor' increased by seven percentage points from January to February, up to 27 percent from 20 percent. Respondents who reported having a poor economic situation were more likely to report needing a vehicle with better fuel economy (21 percent) as the top reason for planning to purchase their next vehicle. Those rating their current economic situation as 'poor' also were more likely to report intentions of vehicle purchase within one month, indicating that their purchase is likely need-based. Additionally, respondents indicating that their current economic situation is poor were more likely to report decreased spending on major purchases (84 percent), spending on non-essentials (82 percent), travel (80 percent), dining out (78 percent) and leisure activities (78 percent).

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, \$3.00 per gallon (with an acceptable range of pricing from \$2.75 - \$3.25), has not changed from January from February. Therefore, if prices remained around \$3.00 per gallon, car shoppers likely would not make major changes in vehicle consideration criteria. However, at the \$3.50 per gallon price point, more than half of consumers will feel that gas is so expensive 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.

However, the current national gas price average of \$3.39 per gallon exceeds the current price sensitivity threshold of consumers and as a result, Kelley Blue Book already has seen increased interest in fuel-efficient and alternative-fuel vehicles on its website, www.kbb.com. The compact car segment has increased its share of new-car shopping activity on kbb.com by 9 percent month-over-month, which is the largest increase of any segment. So far, hybrids have seen only a minimal gain of increased share 1 percent month-over-month on kbb.com. Kelley Blue Book Market Intelligence analysts predict that as long as gas prices continue to increase in the coming weeks and months, interest in fuel-efficient and alternative-fuel vehicles will continue to rise. However, if gas prices stabilize for a few months, interest in fuel-efficient and alternative-fuel vehicles will decrease and stabilize as well.

"Consumers frequently make long-term decisions, like buying a vehicle, based on short-term information, like today's fuel prices," said Jack R. Nerad, executive editorial director and executive market analyst for Kelley Blue Book's kbb.com. "We've seen rising fuel prices affect shopping behavior at kbb.com many times before, and we're seeing it again today. The increased interest in fuel-efficient vehicles and decreased interest in larger 'gas guzzlers' typically foreshadows corresponding changes in buying behavior, and we expect the pattern to continue if gas prices continue to trend upward in the coming months. As a result, auto manufacturers need to not only prepare products that anticipate long-term trends, but also be prepared to cater to short-term variations in consumer demand."

The latest Kelley Blue Book Market Intelligence survey about consumer sentiment and gas prices was fielded to 380 in-market new- and used-car shoppers on Kelley Blue Book's kbb.com from February 11-14, 2011.

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