

35% of New Vehicle Sales at Risk if Incentives and Rebates are Eliminated

Monthly AutoVIBES Report Trends Consumer Reliance on Incentives

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AutoVIBES, a monthly automotive omnibus study from Harris Interactive® and Kelley Blue Book shows that a majority of consumers are timing their new vehicle purchase based on available incentives.

Manufacturers continue to look at ways they can reduce and eventually eliminate new vehicle incentives, but based on new research it may be more difficult than they think. According to AutoVIBES research, 67% of consumers planning to buy a new vehicle in the next 12 months say their purchase timing is 'very much or somewhat' affected by the availability of incentives. Of that group, 52% (or 35% of the total sample) said they were 'not at all likely' or 'not very likely' to purchase a new car if incentives were not offered.

"The latest wave of AutoVIBES demonstrates that manufacturers considering pulling incentives on certain cars right now could be at risk of losing a third of that model's new car sales," said Rick Wainschel, director of marketing research at Kelley Blue Book. "AutoVIBES has been tracking and trending consumer reliance on incentives among active car shoppers since October of 2003 and we are generally seeing two-thirds of consumers accelerating their purchase due to the availability of incentives."

News reports over the last several months have concluded that manufacturers with the greatest amount of incentives generated smaller profits during 2003.

"Incentives have allowed manufacturers and dealers to be very flexible with pricing; raising incentives when demand is low and dropping them when demand is high. The manufacturers have adjusted to this climate and have now figured out how to control incentive levels in an effort to be profitable," said Charlie Vogelheim, vehicle expert and executive editor at Kelley Blue Book. "Manufacturers have been looking for ways to reduce incentives, but based on AutoVIBES research, doing so could have a significant effect on overall sales."

"In January, reliance on incentives dropped on down to 62% but in February quickly jumped back up to the 67% level we have been trending for the last five months," said Scott Upham, senior vice president of Automotive & Transportation Research for Harris Interactive. "Based on the automotive buying climate, incentives have become an important tool for consumers and manufacturers alike. We will continue to watch this trend closely."

The February wave of AutoVIBES was conducted from February 19-22, 2004 among 1,933 U.S. adults ages 18 and over who are in the market to purchase or lease a new vehicle within the next 12 months. The data were weighted by demographics and propensity weighted to reflect the general U.S. adult population of in-market vehicle shoppers. 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 statistical precision of plus or minus 3.3 percentage points of what they would be if the entire adult population had been polled with complete accuracy.

For more information about AutoVIBES, inserting proprietary questions or subscribing, please contact Kelley Blue Book at 949-268-3074 or Harris Interactive at 877-919-4765.

About Harris Interactive®

Harris Interactive (www.harrisinteractive.com) is a worldwide market research and consulting firm best known for The Harris Poll®, and for pioneering the Internet method to conduct scientifically accurate market research. Headquartered in Rochester, New York, U.S.A., Harris Interactive combines proprietary methodologies and technology with expertise in predictive, custom and strategic research. The Company conducts international research through wholly owned subsidiaries-London-based HI Europe (www.hieurope.com) and Tokyo-based Harris Interactive Japan-as well as through the Harris Interactive Global Network of local market- and opinion- research firms, and various U.S. offices. EOE M/F/D/V

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

About Kelley Blue Book (kbb.com)

Kelley Blue Book is the most trusted vehicle information resource by both consumers and the auto industry, providing research tools and up-to-date pricing on thousands of new and used vehicles, including the company's New Car Blue Book Value, which reveals what a new car is actually selling for. Since 1926, car buyers and sellers have relied upon Kelley Blue Book for authoritative and unbiased information to make well-informed automotive decisions. The company reports vehicle prices and values via products and services including the famous Blue Book Official Guide™, software and Internet site, kbb.com. Kbb.com has been rated the No. 1 automotive information site by Nielsen//NetRatings and No. 1 and first visited automotive site by J.D. Power and Associates five years running. No other medium reaches more in-market car-buyers than kbb.com; one in every four American car-buyers complete their research on kbb.com.

SOURCE: Kelley Blue Book

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