

ChangeWave Research Report: 2005: Year of the Hybrid

Latest Alliance Survey Uncovers Huge Wave of Demand for Hybrid Autos

Overview

During the weeks of July 13 - 26 we surveyed members of the ChangeWave Alliance on their auto purchasing trends, including the impact of rising gas prices on the demand for both hybrid autos and conventional gas-powered autos. A total of 1,005 members participated. Here's what we found:

1. Hybrid Autos

- **Few Respondents Currently Own Hybrids.** Only 1% of our survey respondents report they or someone in their household currently owns a hybrid auto. Those that do, own either a Toyota Prius or Honda Civic, and are satisfied with its performance. By more than two-to-one they chose "Better Gas Mileage" over "Better for the Environment" as the most important reason why they purchased their hybrid.
- **But On the Horizon: A Huge Surge in Demand.** Better than one in every four respondents (27%) report they or someone in their household are likely to purchase a hybrid automobile within the next two years.
- **Purchases Will Surge during Calendar Year 2005.** Among respondents likely to purchase a hybrid auto during the next 2 years, the majority (59%) say they are most likely to do so in 13-24 months, which means a huge surge should be occurring for 2006 model year Hybrids, set for release during the Fall of 2005.
- **Better Gas Mileage is the Top Reason For Purchasing.** By a two-to-one margin, "Better Gas Mileage" (61%) is cited over "Better for the Environment" (31%), as the most important reason why respondents plan on purchasing a hybrid automobile.
- **Toyotas and Hondas are the Top Choices.** The three top Hybrid models are all Toyotas and Hondas – with Toyota Prius (45%) the number one model cited by respondents interested in purchasing a Hybrid in the next one to two years, followed by two new hybrids -- the Honda Accord (35%) & the Toyota Highlander SUV (27%).
- **Rise in Gas Prices to Date is Only Modestly Affecting Driving** – Currently, only 4% of respondents say gas prices have very much affected how much they drive. Another 36% say it has modestly affected how much they drive.
- **But Rise in Gas Prices is Definitely Affecting Auto Purchase Plans.** Two-in-ten respondents (19%) say they will be "Much More Sensitive" to the miles per gallon of their next car purchase, and 40% say they will be "Somewhat More Sensitive" – a clear sign that current gas prices are affecting the car purchase plans of respondents.

- **And Hybrid Auto Wave Becomes a Tsunami at \$3 per Gallon.** While one-in-four respondents (24%) are already seriously considering purchasing a hybrid auto, that number doubles to 49% of respondents if gasoline prices rise to \$3 per gallon.
- **The New Hybrid SUVs Could Energize Overall SUV Sales.** Better than a third (35%) of all respondents say the availability of several new Hybrid SUV choices makes it more likely that they will purchase an SUV – including 7% who say it makes them much more likely to purchase an SUV.

2. Conventional Gas-Powered Autos

- **Family Sedan and SUV are Top Autos Currently Owned.** Family Sedans (39%) and Sport-Utility Vehicles (SUV) (35%) are the top conventional gas-powered autos owned by respondents, followed by Luxury Sedans (27%) and Compacts (27%).
- **Demand - Next 12 Months.** Twenty-two percent (22%) of respondents say it is “Very Likely” they or someone in their household will purchase a conventional gas-powered auto within the next 12 months. Another 21% say it is “Somewhat Likely”.
- **SUVs Are Likely Winners.** Sport-Utility Vehicle (13%) is the type of gas-powered auto respondents are most likely to purchase in the next 12 months, followed by Family Sedan (10%), Luxury Sedan (10%) and Compact (9%).
- **Brand Winners.** Respondents say the brands they are most likely to purchase are Toyota (19%), Honda (14%) and GM (12%). Ford (9%), BMW (9%), Nissan (8%) and Lexus (8%) also received significant mentions.

Bottom Line. While current hybrid ownership is low among respondents, a huge surge in demand is on the horizon and likely to have a huge impact on sales of 2006 model year Hybrids, set for release during the Fall of 2005.

Better Gas Mileage is the top reason cited by respondents for purchasing a hybrid auto, and Toyota and Honda are far and away the most popular Hybrid manufacturers.

While the rise in gas prices to date is only modestly affecting driving, it’s definitely affecting auto purchase plans. For example, two-in-ten respondents (19%) say they will be “Much More Sensitive” to the miles per gallon of their next car purchase. Moreover, while one-in-four respondents (24%) are already seriously considering purchasing a hybrid auto, that number doubles to 49% of respondents if gas rises to \$3 per gallon.

The survey results also indicate that the recent slowdown in SUV sales may be short-lived, as 35% of respondents say they’re more likely to purchase an SUV because of the availability of several new hybrid SUV choices.

The ChangeWave Alliance is a group of 4,600 highly qualified business, technology, and medical professionals in leading companies of select industries—credentialed professionals who spend their everyday lives working on the frontline of technological change. ChangeWave surveys its Alliance members on a range of business and investment research and intelligence topics, collects feedback from them electronically, and converts the information into proprietary quantitative and qualitative reports.

Table of Contents

Summary of Key Findings	4
The Findings.....	5
(A) Hybrid Autos - Current Ownership	5
(B) Hybrid Autos – Purchasing Trends	6
(C) Conventional Gas-Powered Autos - Purchasing Trends.....	10
ChangeWave Research Methodology	13
About ChangeWave Research.....	14

I. Summary of Key Findings

Few Currently Own a Hybrid Auto

- Only 1% of respondents now own a hybrid (either a Toyota Prius or Honda Civic)
- They are satisfied with the performance
- Better gas mileage is top reason for purchase

But on the Horizon Huge Surge in Demand

- 27% say they are likely to purchase a hybrid auto in next 2 yrs
- Purchases will surge for 2006 models, set for release in Fall 2005

New Hybrid SUVs to Spur SUV Sales

- 35% say more Hybrid SUV choices make them more likely to buy an SUV.

Hybrid Autos – It’s All About Gas

- Better gas mileage (61%) is the most important reason why respondents plan on purchasing a hybrid auto.
- Rise in gas prices is definitely affecting auto purchases -- 59% say they will be more sensitive to the miles per gallon of their next purchase
- 49% will seriously consider purchasing a hybrid auto if gas rises to \$3 per gallon

Top Choices – Future Purchases:

- Toyota Prius (45%)
- Honda Accord (35%)
- Toyota Highlander (27%)

Conventional Gas-Powered Autos:

Top Currently Owned

- Family Sedan (39%)
- SUV (35%)
- Luxury Sedan (27%)
- Compact (27%)

Winners–Next 12 Months

- SUV (13%)
- Family Sedan (10%)
- Luxury Sedan (10%)
- Compact (9%)

Brand Winners – Likely Purchases:

- Toyota (19%)
- Honda (14%)
- GM (12%)

Introduction

During the weeks of July 13 - 26 we surveyed members of the ChangeWave Alliance on their auto purchasing trends for the next two years, including the impact of rising gas prices on both hybrid autos and conventional gas-powered autos. A total of 1,005 members participated.

The report focuses on 3 key areas:

- (A) Hybrid Autos – Current Ownership
- (B) Hybrid Autos – Purchasing Trends
- (C) Conventional Gas-Powered Autos – Purchasing Trends

II. The Findings

Total Respondents (n=1,005)

Respondents in Households That Currently Own a Hybrid Auto (n=8)

Respondents in Households Likely to Purchase a Hybrid Auto (n=274)

(A) Hybrid Autos - Current Ownership

(1) Question Asked: *Do you or someone in your household currently own a hybrid automobile?*

Yes	1%
No	99%

Current Hybrid Owners (n=8)

(1A) Question Asked: *There are a handful of hybrid autos currently being manufactured and sold. What is the Manufacturer and Make of your hybrid automobile?*

Toyota Prius	62%
Honda Civic Hybrid	25%
GM Chevy Silverado Hybrid	0%
GM Sierra Hybrid	0%
Honda Insight	0%
Other	12%

(1B) Question Asked: *What is the Model Year of your hybrid automobile?*

2002	12%
2003	12%
2004	62%
2005	0%
Not Applicable	12%

(1C) Question Asked: *Which of the following is the most important reason why you or someone in your household purchased a hybrid automobile?*

Better Gas Mileage	62%
Better for the Environment	25%
Specialized Features	12%

(1D) Question Asked: Overall, how satisfied are you with your hybrid automobile?

Very Satisfied	62%
Somewhat Satisfied	25%
Somewhat Unsatisfied	0%
Very Unsatisfied	0%
Not Applicable	12%

Few Respondents Currently Own Hybrids. Only 1% of our survey respondents report that they or someone in their household currently owns a hybrid automobile. Those that do, own either a Toyota Prius or Honda Civic and they are satisfied with its performance. By more than two-to-one they chose “Better Gas Mileage” over “Better for the Environment” as the most important reason why they purchased their hybrid.

When asked the one thing in particular they like most about their hybrid automobile, respondent TER7036 writes, "Long time between fill-ups" and ALI4674 adds "Shutting off the motor at a stoplight." As TUC7702 puts it, "My hybrid auto is a great commuting car."

On the down side, when asked the one thing in particular they dislike most about their hybrid automobile, one respondent cited lower than advertised gas mileage. CAR8242 writes, "Although mileage is excellent, it is far below the advertised mileage (33 mpg city vs. 48 advertised)." Another respondent, TER7036, cited the "Occasional hesitation when starting fast (because it wants to remain on auto shut down at a stop)." Others cited the lack of specialized features like sun roofs and side impact air bags.

(B) Hybrid Autos - Purchasing Trends

(1) Question Asked: Hybrid autos still cost more than conventional gas-powered autos. How likely is it that you or someone in your household will purchase a hybrid automobile within the next two years?

Very Likely	5%
Somewhat Likely	22%
Unlikely	64%
Don't Know/No Answer	9%

On the Horizon: A Huge Surge in Demand. Better than one in every four respondents (27%) report they or someone in their household are likely to purchase a hybrid automobile within the next two years. This includes a total of 5% who say they are “Very Likely” to purchase a hybrid – which in and of itself represents a five-fold increase over the current ownership. Another 22% say they are “Somewhat Likely” to purchase a hybrid over the next two years.

Questions 2A–2D were asked only of Respondents who said they are “Very” or “Somewhat Likely to Purchase a Hybrid Auto Within the Next Two Years (n=274)

(2A) Question Asked: *When are you most likely to purchase a hybrid auto?*

Within Next 6 Months	3%
7-12 Months	8%
13-24 Months	59%
Don't Know/No Answer	31%

Purchases Will Surge during Calendar Year 2005. Among respondents likely to purchase a hybrid auto during the next 2 years, the majority (59%) say they are most likely to do so in 13-24 months, which means a huge surge should be occurring for 2006 model year Hybrids, set for release during the Fall of 2005.

(2B) Question Asked: *Which of the following is the most important reason why you or someone in your household plan on purchasing a hybrid automobile?*

Better Gas Mileage	61%
Better for the Environment	31%
Specialized Features	3%
Other	5%

Better Gas Mileage is the Top Reason For Purchasing. By a two-to-one margin, “Better Gas Mileage” (61%) is cited over “Better for the Environment” (31%), as the most important reason why respondents plan on purchasing a hybrid automobile. Only 3% chose Specialized Features.

(2C) Question Asked: *Here is a list of hybrid autos currently being manufactured and sold, along with newer models that will be on the market within the next 12 to 15 months. Which of the following hybrid autos are you most interested in buying for yourself or someone else within the next 1 to 2 years? (Check All That Apply)*

Toyota Prius	45%
Honda Accord (Available end of summer)	35%
Toyota Highlander SUV (Available end of summer)	27%
Honda Civic Hybrid	23%
Lexus RX 400 Hybrid SUV (Available end of summer)	22%
Ford Escape SUV (Available end of summer)	16%
Honda Insight	14%
GMC Saturn VUE (Available next year)	10%
Chevy Silverado Hybrid	7%
GMC Sierra Hybrid	5%
Daimler-Chrysler Dodge Ram Pickup (Available end of summer)	4%

Toyotas and Hondas are the Top Choices. The three top Hybrid models are all Toyotas and Hondas – with Toyota Prius (45%) the number one model cited by respondents interested in purchasing a Hybrid in the next one to two years, followed by two new hybrids -- the Honda Accord (35%) & the Toyota Highlander SUV (27%).

Also garnering interest are the Honda Civic (23%) and the Lexus RX 400 Hybrid SUV (22%).

(2D) Question Asked: *Which of the following Model Years are you most likely to purchase?*

2001 - 2003 (Used)	6%
2004	3%
2005	30%
2006	36%
Don't Know/No Answer	26%

The following Questions were asked of all Respondents (n=1,005)

(3) Question Asked: *Has the rise in gasoline prices affected how much you drive?*

No, Not At All	59%
Yes, But Only Modestly	36%
Yes, Very Much	4%
No Answer	2%

Rise in Gas Prices to Date is Only Modestly Affecting Driving – Currently, only 4% of respondents say gas prices have very much affected how much they drive. Another 36% say it has modestly affected how much they drive.

(3A) Question Asked: *Is the current price of gasoline affecting your purchase plans for your next car?*

Yes, I will be much more sensitive to the miles per gallon of my next car	19%
Yes, I will be somewhat more sensitive to the miles per gallon of my next car	40%
No it is not affecting the purchase plans for my next car	39%
Don't Know	3%

But Rise in Gas Prices is Definitely Affecting Auto Purchase Plans. Two-in-ten respondents (19%) say they will be “Much More Sensitive” to the miles per gallon of their next car purchase, and 40% say they will be somewhat more sensitive – a clear sign that current gas prices are affecting the car purchase plans of respondents.

(3B) Question Asked: *If gasoline prices continue to rise, at what price point - if any - would you seriously consider purchasing a hybrid automobile?*

Already Seriously Considering Purchasing a Hybrid Auto	24%
At \$2.50 per gallon	6%
At \$3.00 per gallon	19%
At \$4.00 per gallon	14%
At \$5.00 per Gallon	9%
Don't Know	28%

And Hybrid Auto Wave Becomes a Tsunami at \$3 per Gallon. While one-in-four respondents (24%) are already seriously considering purchasing a hybrid auto, that number doubles to an astonishing 49% of respondents if gasoline prices rise to \$3 per gallon.

(4) Question Asked: *Recently, sales of conventional SUVs have been declining. But, new Hybrid SUVs are set to hit the market later this year. Will the availability of several new Hybrid SUV choices make it more likely that you will purchase an SUV, or does it make no difference?*

Yes - it makes me much more likely to purchase an SUV	7%
Yes - it makes me somewhat more likely to purchase an SUV	28%
No - it doesn't make me any more likely to purchase an SUV	37%
No - I wouldn't purchase an SUV under any condition	19%
Don't Know/No Answer	9%

The New Hybrid SUVs Could Energize Overall SUV Sales. Better than a third (35%) of all respondents say the availability of several new Hybrid SUV choices makes it more likely that they will purchase an SUV – including 7% who say it makes them much more likely to purchase an SUV.

(C) Conventional Gas-Powered Autos - Purchasing Trends

Total Respondents (n=1,005)

(5) Question Asked: *How many conventional gas-powered automobiles does your household currently own?*

None	2%
One	14%
Two	50%
Three	21%
Four	8%
Five or More	4%

Alliance Respondents Average 2.3 Autos Per Household.

(6) Question Asked: *What type of conventional gas-powered auto(s) do you own? (Check All That Apply)*

Family Sedan	39%
Sport-Utility Vehicle (SUV)	35%
Compact	27%
Luxury Sedan	27%
Sports Car	19%
Minivan	18%
Pickup Truck	17%
Station Wagon	8%
Subcompact	4%
Van	3%
Crossover	2%
Other	3%

Family Sedan and SUV are Top Autos Currently Owned. Family Sedans (39%) and Sport-Utility Vehicles (SUV) (35%) are the top conventional gas-powered autos owned by respondents, followed by Luxury Sedans (27%) and Compacts (27%).

(7) Question Asked: *How likely is it that you or someone in your household will purchase a conventional gas-powered automobile within the next 12 months?*

Very Likely	22%
Somewhat Likely	21%
Unlikely	55%
Don't Know	2%

Demand - Next 12 Months. Twenty-two percent (22%) of respondents say it is “Very Likely” they or someone in their household will purchase a conventional gas-powered automobile within the next 12 months. Another 21% say it is “Somewhat Likely”.

(7A) Question Asked: *What type of auto(s) are you most likely to purchase? (Check All That Apply)*

Sport-Utility Vehicle (SUV)	13%
Family Sedan	10%
Luxury Sedan	10%
Compact	9%
Sports Car	6%
Minivan	5%
Pickup Truck	5%
Station Wagon	2%
Subcompact	1%
Van	1%
Crossover	1%
Don't Know	2%
Other	1%

SUVs Are Likely Winners. Sport-Utility Vehicle (13%) is the type of gas-powered auto respondents are most likely to purchase in the next 12 months, followed by Family Sedan (10%), Luxury Sedan (10%) and Compact (9%).

(7B) Question Asked: *What brand of auto(s) are you most likely to purchase?*
(Check All That Apply)

Toyota	19%
Honda	14%
GM (including Chevrolet, Pontiac, GMC, Buick, Cadillac, Saturn, and Hummer)	12%
Ford (including Lincoln, Mercury)	9%
BMW (Including MINI Cooper)	9%
Lexus	8%
Nissan	8%
Chrysler (including Dodge, Jeep, Maybach)	7%
Acura	6%
Mercedes-Benz	4%
Audi	4%
Infiniti	4%
Volvo	4%
Mazda	3%
Suburu	3%
Volkswagen	3%
Hyundai	2%
Jaguar	2%
Mitsubishi	1%
Porsche	1%
Saab	1%
Other Higher Cost Sports/Luxury Autos (e.g., Bentley, Ferrari, Lamborghini, Maserati, Lotus, Panoz, Rolls-Royce, Land Rover, Aston Martin)	1%
Other Lower Cost Autos (e.g., Fiat, Isuzu, Kia, Scion, Suzuki)	1%
Don't Know	1%

Brand Winners. Respondents say the brands they are most likely to purchase are Toyota (19%), Honda (14%) and GM (12%).

Ford (9%), BMW (9%), Nissan (8%) and Lexus (8%) also received significant mentions.

III. ChangeWave Research Methodology

This report contains the findings from a recent ChangeWave Alliance survey on Automobile Purchasing Trends, including the impact of rising gas prices on both hybrid auto sales (Parts A and B) and conventional gas-powered auto sales (Part C). The survey was conducted the weeks of July 13 - 26, 2004, and a total of 1,005 Alliance members participated.

The Alliance's proprietary research and business intelligence gathering system is based upon the systematic gathering of valuable business and investment information directly over the Internet from accredited members.

ChangeWave surveys its Alliance members on a range of business and investment research and intelligence topics, collects feedback from them electronically, interprets and reconciles the information in a cohesive manner and converts the information into valuable quantitative and qualitative reports.

The Alliance has assembled its membership team from senior technology and business executives in leading companies of select industries. Nearly 3 out of every 5 members (58%) have advanced degrees (e.g., Master's or Ph.D.) and 94% have at least a four-year bachelor's degree.

The business and investment intelligence provided by the Alliance provides a real-time view of companies, technologies and business trends in key market sectors, along with an in-depth perspective of the macro economy – well in advance of other available sources.

IV. About ChangeWave Research

ChangeWave Research, a subsidiary of Phillips Investment Resources, LLC, identifies and quantifies "change" in industries and companies through surveying a network of thousands of business executives and professionals working in more than 20 industries.

ChangeWave has a very unique asset in its 4,600-member Alliance. We have assembled our membership team from a broad cross section of more than 20 vertical markets such as telecom, semiconductors, data storage, and biotechnology, along with a wide range of professional disciplines including CIOs, IT managers and programmers, executive management, scientists, engineers and sales personnel.

The ChangeWave Alliance is composed of senior technology and business executives in leading companies - credentialed professionals who spend their everyday lives working on the frontline of technological change.

This proprietary research and business intelligence gathering system provides a real-time view of companies, technologies and business trends in key market sectors along with an in-depth perspective of the macro economy - well in advance of other available sources. ChangeWave surveys its 4,600 Alliance members on a wide range of investment research topics and converts the findings into valuable investment and business intelligence reports. ChangeWave delivers its products and services on the Web at www.ChangeWave.com.

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