

Changing Car Buyer Attitudes to Fuel Efficiency

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Cars are becoming more fuel efficient, the most recent data² for the EU18 (EU 15+ Hungary, Lithuania and Slovenia) showing new car CO₂ emissions in 2007 were 158g/km compared to 186g/km in 1995. However, over the last 5 years the average rate of progress has been just 0.9% pa – this rate of change will not deliver the proposed 130g/km target for 2012 until 2028! Proposed EU targets can only be met (and proposed penalties for vehicle manufacturers avoided), if car-buyers can be encouraged to purchase lower carbon, more fuel efficient models.

In the UK, less than 10% of new car-buyers want a “green” car. Price, size, reliability, comfort and safety are consistently identified as the most important criteria in vehicle purchase decisions (plus lifetime costs for fleet purchasers). This is despite company car and circulation taxes being linked to CO₂ emissions for over 7 years. In other EU-countries schemes that tax the purchase of gas-guzzlers and pay a rebate for fuel efficient models have been more effective in reducing new car CO₂ emissions, reflecting the importance of price in the purchase decision. For example, a French scheme has been credited with delivering a 9% reduction in 2008 new car CO₂ emissions.³

Surveys of car-buyers have consistently found that running costs are *reported* as an important criterion in car purchase decisions. However, there is little evidence most car-buyers make much effort to compare fuel consumption data in deciding upon a particular vehicle, or that fuel economy has much actual influence on the final purchase decision. There are several possible reasons for this paradox⁴ including that:

- Buyers assume similar ‘mpg’ (miles per gallon) for all cars within a class;
- Buyers assume that new cars are more fuel efficient than older models;
- Buyers believe that improving ‘mpg’ compromises performance and safety;
- Costs are too complex to compute (mpg & p/litre → p/mile);
- Private motorists use a high private discount rate;
- Buyers have little confidence in published fuel economy data.

The recent sharp increases in fuel prices, along with greater availability of fuel efficient models, is nevertheless changing buying behaviours with a greater emphasis being placed upon vehicle efficiency. A recent survey of UK car buyers attitudes⁵ found that fuel economy was identified as an important factor by 70% of private motorists - 5% more than the equivalent survey in 2007. Changing attitudes are translating into different purchase choices. In Europe, sales of vehicles in the highest emitting sectors of the market have been particularly affected by the poor economic climate. Sales of large SUVs are down 44%⁶ in the first half of 2008, those of larger cars 30% and large people carriers 22%. UK new car CO₂ emissions fell by 3.2% in the first half of 2008, double the rate of previous years.

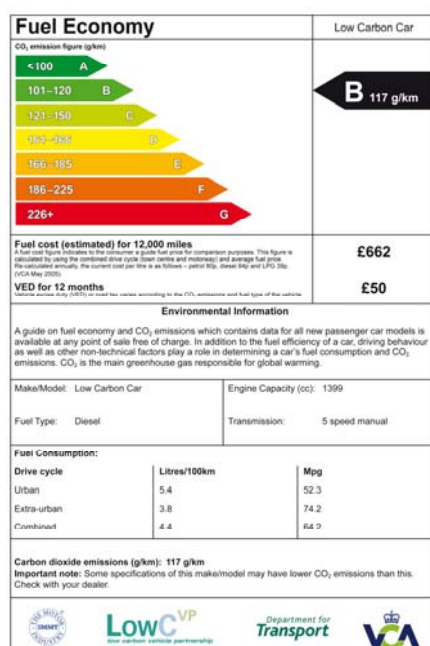
Recent in-depth interviews with car-buyers indicate that they are less prepared to discount future fuel costs and absorb any further fuel cost increases. A tolerable fuel cost threshold appears to have been reached beyond which motorists behaviours are changing. This is not only affecting car buying, recent UK statistics also show a decline in car traffic of 2% in the first half of 2008. Both congestion and average speeds have also declined as drivers seek to conserve fuel.

A comprehensive survey of UK car advertising during 2007,⁷ has found that there is an upward trend in car advertising expenditure on smaller more fuel efficient models. Between January and December 2007, total share of car advertising expenditure in the national press approximately doubled to 40% of total expenditure. There has also been a trend to incorporate CO₂ data into the body of the advert rather than including it in small print at the foot of the advert. Manufacturers are therefore both responding to the changing market conditions and seeking to promote new more efficient models they are placing on the market. In UK press advertisements, messages relating to fuel consumption and CO₂ emissions/climate change, now account for 12% of total messages, making it the equal fourth most common message used in car adverts alongside utility.

LowCVP in-depth interviews with car-buyers⁴ highlight that most believe that the only route to better fuel economy is through purchasing a smaller car, a new car, or switching to diesel. Car-buyers generally use their previous car as their main benchmark for comparing the fuel economy of options and defining 'good' and 'bad' performance. Consequently car buyers are usually satisfied with a new car 'mpg' figure which is only a slight improvement on their last one. With circulation taxes the majority of car buyers are content to continue to pay current levels by staying in the same tax-band as their previous car. This indicates car buyers are interested in reducing their fuel costs but are failing to recognise the potential savings through purchasing the best in class vehicles within each sector of the market. Data from the UK motor industry,⁸ shows the fuel economy of best-in-class performers is generally 60-70% of the average for the segment.

Evidence of a tolerable fuel cost threshold having been reached partially explains the recent reduction in new car CO₂ emissions. But LowCVP research concludes that fuel economy ('mpg') is not the most helpful metric to encourage consumers to choose more fuel efficient models. MPG is rarely used by motorists to calculate future costs or to systematically compare different cars in terms of their fuel economy. It is simple comparative information that highlights the potential fuel cost *savings* that accrue from selecting the most efficient models in each segment that car buyers seek.

In the UK, the LowCVP with the UK motor industry trade body (Society of Motor Manufacturers and Traders - SMMT) have introduced a voluntary car labelling scheme to assist new car buyers to understand the emissions and fuel efficiency of vehicles. The scheme commenced in 2005 and a recent survey found the label is used in 91% of dealers nationally.⁹



Half of recent or intending new car-buyers are now familiar with the label that was introduced following research¹⁰ that found the current statutory information (specified in the EU vehicle labelling directive 99/94/EC) was not read, or understood, by the overwhelming majority of car-buyers. 72% of recent or intending new car-buyers say the colour-coded label provides "very" or "fairly important information"¹¹ 74% for *intending* car buyers (who are planning to purchase a new vehicle in the next 12 months) state it is the fuel cost information (for 12,000 miles) that is the most important information - just 9% saying this it "not very" or "not at all" important. These statistics reinforce the evidence that it is *fuel costs* (rather than fuel economy or CO₂ emissions) that is important for car-buyers.

The LowCVP attitudes survey¹¹ finds 85% of car buyers would like better comparative information (60% for vehicles of similar size and type; 17% for the

market as a whole and 8% for versions of the same model). Amongst intending car buyers, comparative information in car dealerships is seen as the most useful location followed by sales brochures, car magazines and consumer guides and manufacturers' websites. A much lower proportion of car buyers identified newspaper adverts as being an important location for comparative information.

The overall conclusion is that to encourage sales of low carbon cars, purchasers require better *comparative information* about the additional *fuel costs* savings of choosing the most efficient cars in the relevant segment of the market. This is a significant finding for both policy makers and the motor industry. At present the focus of discussions at an EU-level on amendments to the car labelling directive have been on how prominently information on car efficiency should be displayed and the benefits of harmonisation across the EU. The priority should be to ensure the information is both *understandable* and *relevant* to car-buyers and displayed widely. The current statutory information fails in these respects as the data is too complex, in an unsuitable form¹⁰ and compliance with the requirements in many countries is poor.¹² The voluntary label used in the UK is an improvement but is imperfect since: the prominent information is based upon CO₂ emissions; it does not currently provide comparative information; and, is only widely displayed in showrooms.

The recent introduction of significantly more fuel efficient models into most segments of the market, along with significantly increased fuel costs, presents an opportunity for a *step change* in the efficiency of new cars. At present only incremental improvements are being delivered since the majority of car-buyers are unaware of the opportunities to significantly reduce their fuel costs through buying best-in-class models that do not require compromises on the comfort, safety or size of the purchased vehicle. To realise the opportunity better comparative information on the potential fuel cost savings of choosing best-in-class models is needed in dealerships, on manufacturers' websites and in car magazines.

With forthcoming regulation on CO₂ emissions it will become essential for vehicle manufacturers to shift the market in favour of more fuel efficient models to avoid paying penalties. Policy-makers could facilitate this process by designing regulations on vehicle labelling that provide information consumers want and understand and recognising it is saving money, rather than the planet that motivates most car-buyers.

References

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² <http://www.transportenvironment.org/News/2008/8/BMW-leaps-ahead-on-new-car-CO2-emissions-others-still-stalling/>

³ http://www.lemonde.fr/politique/article/2008/08/19/m-borloo-veut-generaliser-le-bonus-malus-ecologique_1085391_823448.html

⁴ LowCVP 2008, From mpg paradox to mpg mirage, [http://www.lowcvp.org.uk/assets/presentations/Microsoft%20PowerPoint%20-%20Jillian%20Anable%20\[Compatibility%20Mode\].pdf](http://www.lowcvp.org.uk/assets/presentations/Microsoft%20PowerPoint%20-%20Jillian%20Anable%20[Compatibility%20Mode].pdf)

⁵ LowCVP 2008, car—buyer attitudes survey, in preparation

⁶ JATO dynamics September 2008 reported in Automotive News 15.9.08

⁷ LowCVP 2008, Survey of UK TV and national press advertising [http://www.lowcvp.org.uk/assets/presentations/Microsoft%20PowerPoint%20-%20Jonathan%20Murray%20\[Compatibility%20Mode\].pdf](http://www.lowcvp.org.uk/assets/presentations/Microsoft%20PowerPoint%20-%20Jonathan%20Murray%20[Compatibility%20Mode].pdf)

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⁹ LowCVP 2008, Survey of car dealer use of the voluntary car label, in preparation

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¹¹ LowCVP 2008, Car-buyer attitudes survey, in preparation

¹² www.foeeurope.org/press/2008/Jun25_Commission_to_investigate_compliance_car_labelling.html