

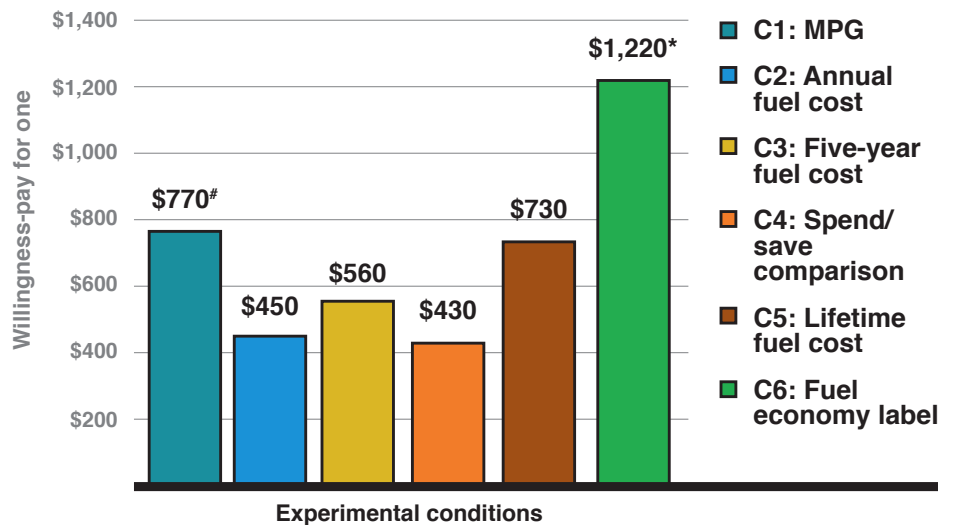
Key Findings from “Auto Buyers’ Valuation of Fuel Economy”

How much do consumers value fuel economy? Does information on fuel economy change consumers’ valuation? Using a nationally representative sample of auto buyers, this research finds that consumers place a high value on fuel economy, especially when presented with the familiar metrics of the EPA fuel economy label. In addition, merely presenting fuel economy information to auto buyers affected their attitudes and decisions.

The report found high, statistically significant willingness-to-pay (WTP) values for fuel economy, which indicates that consumers are willing to pay a premium for improved fuel economy.

- On average, car buyers are willing to pay about \$690 more for each additional mile per gallon (MPG) – or roughly \$5,050 for each gallon saved per 100 miles (gal./100 miles).
- On average, car buyers were willing to pay over \$1,000 more to save \$100/year in fuel costs.
- Car buyers particularly valued increasing the fuel economy of the least efficient vehicles.

Willingness-to-Pay in purchase price for fuel economy (one MPG)



Consumers show greater preference for fuel economy when given information about it.

After the choice experiment, the survey asked consumers to rank order six vehicle attributes. Consumers who had seen information about fuel economy in the choice experiment ranked it higher in importance than those who did not see fuel economy information in the choice experiment.

But not all fuel economy metrics are equal: The full fuel economy label resulted in the highest WTP for fuel economy.

*There is a significant difference between the fuel cost label and the EPA-mandated fuel economy label and each of the spend/save comparison over five years, five-year fuel cost, and annual fuel cost conditions ($p < .05$).

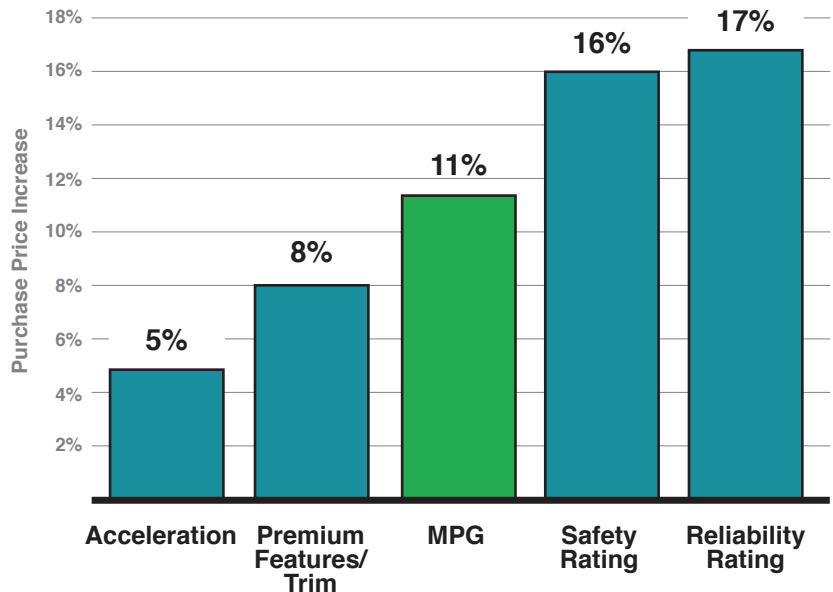
[#] The difference between the MPG and annual fuel cost conditions is trending towards significance ($p < .1$).

Methodology

The methodology of this study integrates the strengths of stated choice experiments, randomized control trials, and surveys. Using a nationally representative sample of 1,883 Americans with a valid driver's license who plan to purchase or lease a new or used vehicle within the next ten years, the study posed survey questions and a choice experiment. The choice experiment asked participants their specific vehicle class preferences and intended purchase price for their next vehicle. Respondents were then repeatedly presented with 3 vehicle choices that met their preferences and had varying levels of the following six attributes: price, fuel economy, safety, reliability, acceleration, and premium features/trim.

Consumers value fuel economy more than acceleration and premium features/trim, but less than safety and reliability.

Willingness-to-Pay to Increase Attributes by 25% (assuming \$30,000 vehicle)



Findings also indicate that fuel economy is important to consumers.

Using both open-ended questions and a list of 19 possible vehicle attributes, four primary vehicle attributes emerged as most important: fuel economy, safety, reliability, and price.

Consumers choose more fuel economy when they have information about it.

When presented with vehicles with identical characteristics aside from fuel economy, consumers made different vehicle choices depending on whether or not they were presented with fuel economy information – those shown fuel economy information chose more efficient vehicles.