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## The State of the U.S. Hybrid Sector

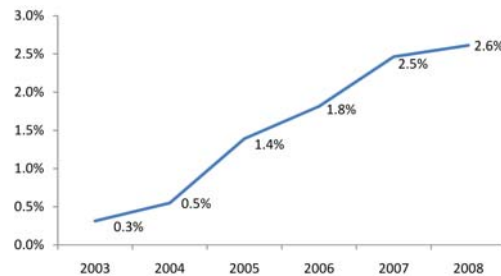
As the U.S. automotive industry struggles to survive, hybrids and other alternative vehicles are being positioned as one of the industry's "hopes for the future." This Polk View looks at retail trends for U.S. hybrid vehicle sales, including full-year results from 2008, and analyzes where hybrid vehicles are selling strong and where the sector has the most opportunity.

### GROWTH OF THE HYBRID CATEGORY

In 2008, just over 312,000 new hybrid vehicles were registered in the United States (including fleet and retail volumes). Of these, nearly 276,000 hybrid vehicles were retail units, representing the bulk of all hybrids sold.

On the retail side, hybrid registrations dropped 13 percent from 2007 volumes. However, considering that the overall new vehicle retail market dropped 18 percent from 2007 to 2008, hybrids still represent a glimmer of hope for the automotive industry. U.S. retail hybrid sales comprised 2.6 percent of new retail vehicle sales in 2008. This is relatively flat from 2007, but a significant increase from 2003, when hybrids were just 0.3 percent of U.S. new retail vehicle registrations.

Figure 1  
Hybrid Share of U.S. Light Vehicle Industry



### WHERE ARE THE HYBRIDS?

While hybrids are quite popular in some geographic regions, they have not achieved mainstream status in many others. In the western region of the United States, which includes California, Hawaii, Nevada, Oregon and Washington, hybrids comprised 5.5 percent of all retail registrations in 2008, the highest percentage of any region in the country. On the other end of the spectrum, in the Great Lakes region, which includes Illinois, Indiana, Michigan, Ohio and Wisconsin, hybrids comprised just 1.8 percent of the retail vehicle market. These trends have held true for the past six years.

There are several reasons for this regional disparity. One is that the hybrid market is dominated by the Toyota Corporation, which has maintained an average 75 percent of the U.S. hybrid segment from 2003 to 2008. The Great Lakes region has the strongest "buy American" mindset when it comes to the purchase of vehicles, which makes Asian-branded hybrid vehicles less popular in that part of the country. California, on the other hand, where approximately 25 percent of all hybrid vehicles are registered, also has high ownership of Asian-branded vehicles in general. In 2008, Asian automakers held a 60 percent share of all retail vehicle registrations in California.

Secondly, states like California tend to be more forward-thinking when it comes to "living green" by reducing emissions and other related actions. Additionally, legislation in this state has been so diligent and progressive that other states in the country have watched what works in California regarding "green policies" for their constituents.

While California had the highest volume of registered hybrids in 2008, it's also the largest vehicle-selling state and accounted for 10.7 percent of all new retail vehicles registered last year. When looking at hybrid registrations as a percentage of total registrations per state, California is surpassed by the District of Columbia as shown in Figure 2.

Figure 2  
Hybrid Penetration (Top 5 States)

State	Hybrid Share of all Retail Registrations
District of Columbia	7.0%
California	5.9%
Oregon	5.5%
Washington	5.1%
Colorado	3.9%

continued

California accounted for 25% of hybrid registrations in 2008.



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## WHO BUYS HYBRIDS?

Females are slightly more likely to buy hybrid vehicles than males. Thirty-nine percent of all 2008 hybrid registrations were to women, slightly above the 37 percent of all new vehicles registered to females last year. The trend is reversed with men, who comprise 63 percent of the automotive retail market and who bought 61 percent of hybrids.

There is a wider disparity in hybrid purchases among certain multicultural groups. Asian-Americans account for 3.5 percent of hybrid registrations and just 2.6 percent of all new vehicle registrations. Hispanics, who comprise a larger percentage of the U.S. new vehicle registration base than Asian-Americans, purchase fewer hybrids. Figure 3 illustrates this disparity by showing 2008 hybrid and overall new vehicle retail registrations for Asian-Americans and Hispanics in the United States.

One reason that Asian-Americans purchase hybrid vehicles at a higher rate than Hispanics may be that Asian-Americans as a group have the highest median household income in the United States<sup>1</sup>. Because of the premium cost associated with hybrids, this segment attracts wealthier buyers. Twenty-six percent of hybrid buyers have estimated household incomes of at least \$150,000 per year, an income level only attained by 16 percent of all U.S. retail buyers.

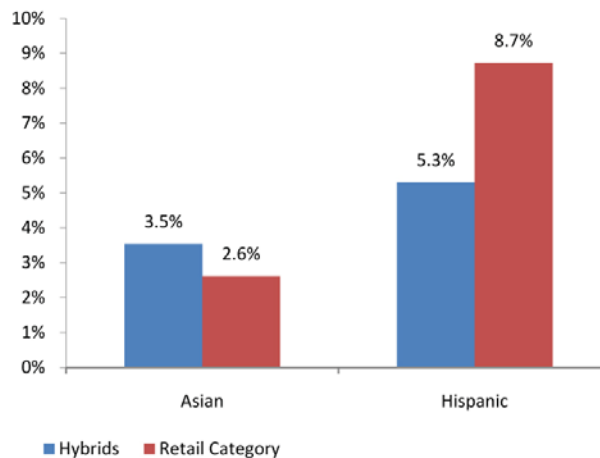
## THE FUTURE OF THE U.S. HYBRID MARKET

Forty percent of Americans view hybrids as eventually achieving mainstream status, according to a Kelley Blue Book study conducted last year<sup>2</sup>. However, hybrids are currently concentrated in specific geographic regions and are not very prevalent in certain areas of the country.

With gas prices currently much lower than they were during the first half of 2008, hybrids may be less attractive right now to many Americans. And, many consumers who are feeling the strain of current economic conditions may not find it prudent to purchase a new vehicle that bears a premium price.

However, manufacturers are planning for the future. They have stated that they see hybrids and other alternatively fueled vehicles as the future of the industry – regardless of consumers' economic comfort level today. General Motors recently stated that it plans to offer up to 26 hybrid models by 2014 – up from eight models currently sold<sup>3</sup>. Toyota has also publicly stated that it hopes to "hybridize" most of its models in the future. Furthermore, reports from international auto shows hint at auto manufacturers' plans to invest in alternatively powered vehicles for tomorrow. And, the new Obama administration's focus on renewable and alternative energy could provide a boost to the hybrid sector. ♦

**Figure 3**  
Hybrid vs. Retail Market Share for Select Multicultural Groups



<sup>1</sup> "UCLA 2008 Statistical Portrait of Asian Americans, Native Hawaiians, and Other Pacific Islanders," Asian American Studies Center, UCLA - <http://www.aasc.ucla.edu/archives/census2008portal.htm>

<sup>2</sup> "Survey: US New-Car Shoppers Do Not See Diesels as a Likely Mainstream Powertrain," Green Car Congress, January 20, 2008 - <http://www.greencarcongress.com/2008/01/survey-us-new-c.html#more>

<sup>3</sup> "GM Plans 26 Hybrids by '14 – If It Can Get Parts," Automotive News, March 2, 2009 - [www.autonews.com](http://www.autonews.com)

*This Polk View is based on U.S. retail registration volumes.*