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Alternative Fuel Vehicles: More and More Available, But Consumer Interest is Modest

New-vehicle manufacturers are offering more and more products powered by diesel, gas/electric (hybrid) or flexible fuel powertrains, but Canadian consumers' interest in these vehicles has not increased at a similar pace.

In the past three years, the number of brands offering Canadian products powered by diesel, hybrid or flex fuel engines has more than doubled, from five to 12. Also, the number of brands selling gas/electric hybrids has climbed from just one at the start of 2001 (Toyota) to five in 2007 (Ford, Saturn, Honda, Lexus and Toyota). Yet, despite this increased availability and widespread discussion about "going green," the market penetration of alternative fuel vehicles has remained flat in the past three years. Vehicles powered by traditional gas powertrains still account for more than 93% of sales nationwide, followed by diesel, flex-fuel and gas-electric vehicles.

Canada - All Markets

Fuel Type	1Q 2004 Retail Turn Rate	1Q 2004 Percent of Total	1Q 2005 Retail Turn Rate	1Q 2005 Percent of Total	1Q 2006 Retail Turn Rate	1Q 2006 Percent of Total	1Q 2007* Retail Turn Rate	1Q 2007* Percent of Total
Diesel	55	4.3%	54	4.4%	62	4.2%	81	4.1%
Flexible	81	1.7%	126	0.6%	85	0.2%	36	2.0%
Gas	68	93.9%	63	94.8%	55	95.3%	58	93.2%
Hybrid	10	0.1%	55	0.2%	31	0.3%	48	0.7%

**Note: Jan - Mar 4, 2007*
Source: Power Information Network (PIN)

Among the non-gas powertrains, diesels are the most popular, and accounted for a little more than 4% of the market in the first two months of 2007. At the market level, diesels are the most popular in Calgary/Edmonton, and represent more than one of every 10 new vehicles sold. Flex fuel vehicles accounted for 2% of the market in January and February, the highest penetration in the past four years for this vehicle type. The penetration of flex fuel vehicles has jumped by more than 2 percentage points in all Canadian markets except Montreal. Hybrid penetration remains marginal, having failed to reach 1% of the market in the first quarter of any of the past four years.

Redesigned Altima is Conquesting Competitive Owners

The redesigned 2007 Nissan Altima, when equipped with a 4-cylinder engine, is appealing to customers slightly older than typical premium midsize buyers, and these Altima buyers are also a bit more likely to be female. The results for customer age are somewhat surprising, given that Nissan traditionally has appealed to buyers who are younger than Toyota or Honda buyers.

2007 Nissan Altima

About one-third of Altima transactions include a trade, and the percentage of these trades that are Nissan products has been running below average, suggesting the Altima is conquesting a particularly high number of owners of competitive products. Also, fewer of the trades coming in on the Altima are "upside-down" than one might expect, and Altima customers are opting for financing or leasing more often than segment average, while choosing cash transactions (or self-financing) less often.

The 2007 Altima is selling at an average price of just less than $29,000, about $660 above segment average and higher than the price of every competitor except the Mazda 6. Lastly, the new Altima sits on dealer lots for just 24 days on average, substantially less time than the typical premium midsize car and less time than for every one of its competitors. The Altima's retail turn rate is actually less than half that of the Accord or Mazda 6. There is one caveat—the redesigned Altima just went on sale last November, and as for all new models, initial turn rates are low. Therefore, it is likely the Altima's retail turn rate will rise over time. ■

Vehicles	Customer (Buyer) Age	Female (Buyer) (%)	Trade In %	Trade In—Same Nameplate (%)	% Negative Equity	Type of Sale: Cash (%)	Type of Sale: Finance (%)	Type of Sale: Lease (%)	Vehicle Price*	Retail Turn Rate
Premium Midsize Car	50	36.8%	31.8%	47.9%	8.78%	27.9%	32.4%	39.7%	$28,296	35
Nissan Altima	51	39.5%	32.7%	41.5%	5.36%	21.3%	37.0%	41.7%	$28,958	24
Chevrolet Malibu	58	46.8%	23.9%	51.5%	17.66%	19.5%	26.1%	54.5%	$21,474	65
Honda Accord	46	35.6%	26.3%	53.8%	13.36%	20.7%	38.6%	40.8%	$28,649	49
Hyundai Sonata	50	33.2%	29.8%	62.1%	14.36%	20.1%	48.7%	31.1%	$24,714	39
Toyota Camry/Camry Solara	53	36.9%	34.4%	50.0%	4.15%	40.8%	28.7%	30.5%	$27,463	26
Mazda 6	41	24.4%	30.9%	49.8%	6.00%	20.3%	38.4%	41.3%	$31,184	52
Ford Fusion	49	37.8%	23.5%	53.6%	25.33%	8.0%	34.9%	57.1%	$24,496	38

Source: Power Information Network (PIN), October 1, 2006 - March 11, 2007
Note: All data filtered for 2007 model year, four doors and four cylinder engines only
**Less customer cash rebate*