

Rival carmakers take aim at Prius

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Workers installing a hybrid engine in a Toyota Prius. Analysts say there is room for growth in the market for greener cars. (Chang-Ran Kim/Reuters)

When Tom Weatherbee exchanged his minivan for a Prius two years ago, he was mostly hoping to save money at the gas pump.

But he was pleasantly surprised by both the requests from friends for a test drive of his Toyota hybrid and the grins its aerodynamic profile drew at the grocery store, and he basked in the attention.

"Even the people who own more expensive cars acknowledge the Prius as being pretty cool," said Weatherbee, 51, an electrical engineer who lives near Traverse City, Michigan.

That, in a nutshell, is the challenge for Toyota Motor as it looks to build on the success of the Prius, the leading hybrid vehicle in the United States, and for rivals like Honda Motor and General Motors, which are seeking a share of the projected boom in greener cars.

Even with U.S. gasoline prices at more than \$3 a gallon, up 50 percent in three years, marketing experts say buyers in the United States want hybrids that not only reduce fuel consumption and emissions but also make a statement about the driver's commitment to the environment. A result is one of the biggest challenges to the U.S. auto industry since Detroit figured out how to market the hulking, gas-guzzling sport utility vehicles that dominated the market in the 1990s.

The Prius, with a list price of \$21,100 and fuel consumption of 45 miles per gallon, or 5.2 liters per 100 kilometers, commanded 51 percent of the U.S. hybrid market in 2007.

Now Toyota, the No. 1 Japanese automaker, is considering extending the Prius lineup, effectively making it a brand on its own.

General Motors, meanwhile, is focusing on its all-electric Chevrolet Volt in a bid to create its own "halo" car. Although GM will not sell the Volt until at least 2010, it has already started featuring it in television advertisements.

GM invited more than 200 Volt enthusiasts from all over the United States to the New York auto show to meet with designers and developers, building further buzz among a group of devotees who call themselves "Volt Nation."

Honda Motor, which beat Toyota to the U.S. market with the Insight hybrid in 1999 but withdrew it in 2006, is planning a more economical hybrid for 2009 that takes aim at the Prius.

Civic hybrid, which Honda sells for \$22,600, has the same fuel consumption as that of the Prius. Honda's hybrid is the No. 2 hybrid in the United States but was outsold by the Prius by more than five to one in 2007.

Hybrids, which shift between a battery and a combustion engine to improve fuel economy, made up just 3 percent of U.S. sales in 2007. But growth was 40 percent from the previous year, and there is plenty of room for that to continue, given that hybrids account for just 0.3 percent of registered vehicles. Gas-thirsty SUVs, by contrast, account for more than 14 percent of vehicles on the road.

Jon Osborn, research director at the consulting and research firm J.D. Power & Associates, said automakers must tailor their message to a small but emerging market.

"Only about 6 percent of the U.S. population buys a new car each year," Osborn said. "It's not quite a needle in a haystack, but it's a small target to shoot for."

One complication for carmakers has been inaccurate market research. In research groups, car buyers have said they would consider buying a car that looked just like established models, with just a badge on the back to identify it as a hybrid.

But George Peterson, president of the consulting firm AutoPacific in Tustin, California, said that is where everyone except for Toyota has missed the mark.

"Our respondents are lying through their teeth," Peterson said.

"The dramatically different look of the Prius is something that's appealing. The Ford Escape and Toyota Camry hybrid have not been as successful because they don't look as different."

Toyota questions that analysis.

"The buyer is not necessarily trying to make a statement," said Denise Morrissey, a Toyota spokeswoman. "They're trying to make a smart choice."

Ford Motor has also questioned the theory that drivers want a halo with their hybrids by playing up the fact that its Ford Escape hybrid looks the same as a regular Ford Escape SUV. But sales of the hybrid Escape, which costs \$26,640 and gets 30 miles per gallon, pale in comparison with the Prius.

Toyota says that Prius buyers are equally split between men and women with a median income of \$60,000 to \$80,000. It markets the Prius on its green credentials. One recent TV ad showed a gas station reduced to the status of a museum visited by tourists in a happy, carbon-free future.

A study by J.D. Power released in March found that hybrid buyers tend to have higher education levels and much higher income than the average new-car buyer. They are also about four years older on average.

Wes Brown, an analyst at Iceology, an automotive marketing firm in Los Angeles, said automakers could apply some of the lessons learned in marketing sport utility vehicles in the 1990s to the nascent boom in hybrids.

Brown said it took automakers years to realize that while car buyers were saying they wanted rugged, sporty trucks, what they really wanted was a vehicle that looked rugged and sporty. SUVs did not become the dominant vehicle on the road until manufacturers added luxury features and made them drive like cars instead of trucks.

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