

Lincoln MKZ A 'Successful' Test Of Hybrid Demand

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DETROIT (AP) — Car buyers usually have to pay a premium of \$5,000 or more for the hybrid version of a car. So when Ford Motor Co.'s Lincoln MKZ hybrid went on sale last fall for the same price as the gas version, it became a test case for hybrid demand.

The verdict: More people will choose the hybrid when price isn't a factor, but not too many more.

The MKZ has the highest percentage of buyers opting for the hybrid version — 24 percent — of any car or crossover. Only 16 percent of buyers chose the hybrid version of the Lexus RX crossover in January, for example. Just 7 percent of buyers opted for the hybrid version of the Ford Fusion sedan, which has the same engine and battery as the MKZ.

The numbers indicate that hybrids — stuck at less than 5 percent of total U.S. sales after a decade on the market — could generate higher sales if they were priced more competitively. The starting price of the Lexus RX, for example, is \$5,560 more than the gas version. The Ford Fusion hybrid costs \$8,830 more than the gas version. The Lexus LS hybrid, the most expensive on the market, starts at \$111,350, which is \$45,000 more than the regular LS.

Interest in hybrids falls dramatically once buyers discover they have to pay a premium for the technology, J.D. Power and Associates said in a recent report. The firm said the cost difference between hybrids and gas-powered cars will eventually shrink as more are produced and sold, but it doesn't expect that to happen for at least another five years.

The best-selling hybrid in the U.S. remains the Toyota Prius, which saw sales rise 25 percent to 10,635 in January. The Prius has no gas equivalent, but the similarly sized Toyota Corolla sells for \$7,450 less than the Prius' \$23,000 price tag.

MKZ hybrid sales pale in comparison, at just 370 in January. But Ford says buyer interest in hybrids could grow this year as the economy improves and gas prices increase.

Even with gas at \$3 per gallon, it's curious that the MKZ hybrid sales aren't higher, since for the same \$34,600 price tag you can get a car that gets 39 miles per gallon compared to the gas model's 21 mpg.

Ed Kim, director of industry analysis for consulting firm AutoPacific Inc., said Lincoln buyers tend to be older and more conservative in their purchases.

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"They'd rather have the conventional engine. That's what they understand, that's what they know," he said.

The MKZ isn't a perfect test case, either, because prices and features vary. Buyers who want all-wheel drive, for example, have to get the gas version, because the hybrid only comes in front-wheel drive. Ford incentives are also driving down the price of the gas version, which has been on the market longer than the hybrid, said Jessica Caldwell, an analyst with Edmunds.com. Buyers can lease a gas MKZ for \$324 per month, almost \$100 less per month than the lease deals for the hybrid.

Still, Ford is happy with the MKZ. Jim Farley, vice president of global marketing and sales, said the hybrid is helping the company win business in places where Lincoln sales haven't been strong. In the Los Angeles area, MKZ sales rose 86 percent in January, with hybrids making up 61 percent of those sales.

"Out in California, we live and breathe environmental. The whole thing is kind of sexy for us out here," said Ramon Alvarez, a Lincoln dealer in Riverside, Calif., who says he is selling every hybrid he gets in stock.

Ford is also winning customers from other brands. Edward Schmitz, an economist from Vienna, Va., hadn't owned an American car since the 1970s, when he drove a Ford Mustang. Schmitz was driving an Acura TL until last year, when he began to look for something with higher fuel economy.

Schmitz test drove a Prius, but wasn't thrilled. He also tried a Lexus 250h hybrid, which is the same price as the MKZ hybrid, but he felt it was cramped and the fuel economy was better on the MKZ. He bought the MKZ hybrid shortly after it went on sale.

Schmitz, 60, likes the way the MKZ handles and its features, including a gauge that lets him check his gas mileage after every trip. And the price tag? He said he would have considered the MKZ regardless, but lack of a hybrid premium made him feel he was getting a good deal.

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