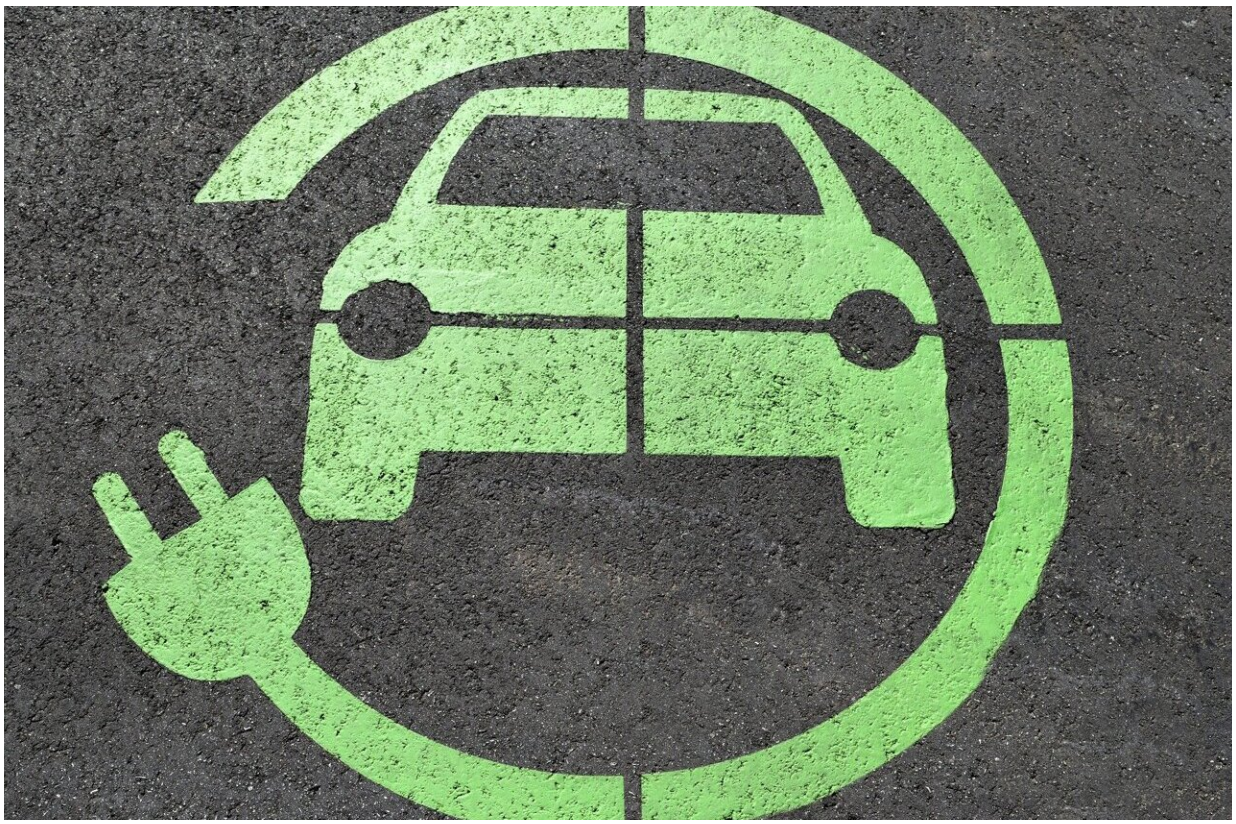
Automakers, dealers and shoppers dawdle on EVs despite strong year in US sales growth

December 6 2023, by ALEXA ST. JOHN and TOM KRISHER



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Despite new electric vehicle market share and sales hitting a record in the U.S. this year, EV growth is starting to slow and fall short of the auto industry's lofty ambitions to transition away from combustion engines.

The U.S. has reached a crucial milestone in its efforts to electrify: More than 1 million new EVs have been sold here this year, according to Motorintelligence.com. The auto industry consulting firm says EVs accounted for 7.5% of total U.S. sales through November. Experts say that number must rise swiftly to address climate change because a large share of greenhouse gases comes from transport.

Ford Motor Co. recently touted a 43% increase in electric vehicle sales year over year—which includes its top-selling electric Mustang Mach E SUV, as well as the F-150 Lightning pickup—in a November sales release. Hyundai's Ioniq 5 and the Kia EV6, both electric SUVs, each hit around 100% growth year over year last month.

Despite these positives, this doesn't come close to the 90% year over year growth the EV industry enjoyed last summer. EVs had huge sales growth at the time, even with models averaging more than $65,000, according to Cox Automotive data. Demand was high, inventories were low, and automakers were bullish on sales prospects.

This is largely because EVs were more appealing to buyers as gasoline prices flirted with $5 per gallon, said Kevin Roberts, director of industry analytics at the CarGurus website.

Now, gasoline has dropped to around $3 per gallon nationwide, and the average transaction price for an EV, without any incentives applied, has fallen to just under $52,000. Many tech-savvy early adopters have already bought EVs, and the market has moved to more price-sensitive mainstream buyers, many of whom don't want to pay more for an EV than they would for a gasoline or hybrid vehicle, Roberts said.

A number of other factors are souring today's positive momentum. Until recently, there were few EV models available to choose from. Location, cost, and convenience of charging these cars also remains a concern, as does vehicle range.

Although there is interest in EVs, Richard Bazzy, who owns three Ford dealerships in suburban Pittsburgh, said many customers tell his sales staff that they're just not ready yet to make the transition to battery power given the pricing, even with federal tax credits. Customers also fear the electric range isn't long enough to travel where they want to go. This is true especially for those with harsh winters, where range can deplete more quickly. He also said they're concerned about too few charging stations.

"Interest is there because it's intriguing," Bazzy said. "But it just doesn't overcome the concerns."

As such, the sales pace slowed to 50% year over year by June 2023, and last month, it dropped to 35% year over year.

Some automakers are reevaluating their costly EV strategies as the year comes to a close.

Ford has sold just under 36,000 Mach Es through November, only a 3.5% increase over the same period last year. The company's inventory of Mach Es has been growing much of the year. It had more than 24,000 at or en route to dealers at the end of last month, even though it has been cutting production for the past two months. Yet, Lightning pickup sales of 20,365 are up almost 54%. "We have to manage supply with demand," said Erich Merkle, Ford's head of U.S. sales analysis. "We would do that with any product in our portfolio."

Ford recently announced plans to delay one new EV battery plant, shrink the size of another, and postpone $12 billion worth of future electric vehicle spending. GM also delayed retooling an EV plant, and Volkswagen has delayed plans in Europe.

"Every automaker was so aggressive with their plans," Jessica Caldwell, Edmunds' head of insights, said. "We're seeing those being dialed back to better match where consumers are right now."

General Motors CEO Mary Barra remains committed to the company's targets, so long as consumer interest is there.

"We still have a plan in place that allows us to be all light-duty vehicles EV by 2035," Barra said in an Automotive Press Association event on December 4. "We'll adjust based on where the customer is and where demand is. It's not going to be, if we build it they will come. We're going to be led by the customer."

Many of these companies' auto dealers are now raising alarm about what they see as slowing EV interest.

Last week, several thousand dealers from across the country wrote in a public letter to President Joe Biden their concerns over the shift to EVs, calling electrification mandates "unrealistic based on current and forecasted customer demand. Already, electric vehicles are stacking up on our lots."

The Biden Administration targeted half of all new vehicle sales in the nation to be electric by 2030 in August 2021 as part of its efforts to slash greenhouse gas emissions, much of which come from transportation sector carbon dioxide emissions, a result of burning fossil fuels such as petroleum. Transportation is a major contributor of GHG emissions, particularly personal transport.

"The short answer is yes, people are resisting" the switch to electric vehicles, Bazzy said. The environmental group Sierra Club and others have said that many dealers don't make an effort to sell them.

Key metrics related to how long it takes for a vehicle to sell once it is at a dealership, known as days-to-turn, as well as how much inventory of certain types of vehicles is available at dealerships, are being used to assess current US EV demand.

While internal combustion engine cars and hybrid electric vehicles saw 40 and 17 days-to-turn, respectively, in October, the figure for electric vehicles was 57, according to data from car-shopping resource Edmunds. A year ago, EVs took 39 days to turn, while hybrid EVs took 12 and combustion engine vehicles, 26. This indicates EVs are starting to take longer to sell, on average.

Auto manufacturers have been boosting their incentives on EVs, in an effort to bring the cost of these vehicles down. As of October, EVs were still nearly $4,000 more, on average, than gasoline cars.

Incentives reached 9.8% of the average transaction price of EVs in September, according to Cox. Before the pandemic, industry incentives like this were commonplace. During the peak of COVID, incentives hit record lows as supply dwindled. Now, incentives are recovering slightly, but the industry average was at just 4.9% this fall, indicating the extent of today's EV discounts.

But many EV proponents believe today's roadblocks are temporary, and the larger challenges are being addressed with a variety of solutions.

"The rhetoric has been that there are challenges in the market," said Ben Prochazka, executive director of the Electrification Coalition. "The reality is we're continuing to see strong sales, strong growth.

"There are still things that we need to do and that need to move faster," he added. "So I don't know if I would call it a pullback. There's a lot of opportunity to continue to do more to help build consumer interest and confidence in this shift."

Citation: Automakers, dealers and shoppers dawdle on EVs despite strong year in US sales growth (2023, December 6) retrieved 27 April 2024 from https://techxplore.com/news/2023-12-automakers-dealers-shoppers-dawdle-evs.html