



LEO J. SHAPIRO & ASSOCIATES LLC.

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## Less Is Overtaking More

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Drivers are beginning to put less mileage on their cars by making fewer and shorter trips. They are also keeping their cars longer. While few, if any, Americans have decided to do without cars, *less* is becoming a guiding spirit for many motorists: less driving, less replacement, and even, perhaps, less traffic on the roads.

Now, there are signs that *less* may also become fashionable.

Americans have always regarded big cars as emblems of superiority. Even as family size declined, vans, SUVs and pick-ups boomed. Buyers rationalized the need for big cars to have hauling capacity, even as back seats increasingly became empty. They also rationalized big as safe, which was not supported by safety experience with vans and SUVs. For most of its history, the automotive industry in America has found the emotional hot buttons that were required to sell bigger and bigger vehicles. Foreign carmakers, such as Volkswagen and the early Japanese imports, were quick to learn that they, too, had to produce increasingly larger models to satisfy the American market.

Even as the price of gas steadily escalated, carmakers have been slow to downsize cars. Most new cars on the road still operate on the dictum that big is better; downsizing with crossovers and other design approaches has largely attempted to preserve the look and heft of cars.

Now, we may be seeing the powerful grip of fashion emerging from the energy crisis. Two new brands of cars are showing signs of becoming road “roll models” for cars to come from domestic and foreign manufacturers. The Mini Cooper, introduced to the U.S. about five years ago, has grown in popularity and stylishness, but not in size. Despite a high price tag and only modest fuel efficiency, it is a coveted competitor. The two-seater “smart car,” popular in Europe, is now slowly migrating to the U.S. Efforts by Americans to buy them reflect the social approval that flashy, small cars now deliver.

A startling finding in a study completed in April by Leo J. Shapiro & Associates finds that American households are cutting back on nearly all major purchases except new cars. While plans for furniture, appliances, computers, televisions have been put on hold and restraints tightened on day-to-day spending for clothing and food, new cars have bucked the trend. Both purchase plans and active shopping by consumers for new cars increased substantially

between March and April. Notably, as demand for new cars surged forward, used car demand edged lower.

It now appears that we may be at an important turning point in the car market. In the face of hard times and rising fuel costs, Americans are intent on trading in their aging cars for new models that will deliver high fuel efficiency, as well as the social acceptance of driving “small.” We are now on the verge of big cars out and small cars in, a shift from historic social values that defined the U.S. manufacture of cars for nearly a century. This transformation, triggered by energy costs, is now taking root because more and more Americans are finding the social comfort they seek by driving a small car.

This bodes well for the social acceptance of cars that run on alternative fuels. As vehicles powered by electricity and hydrogen become available, the required infrastructure (service stations) may be in place more quickly than is now thought, driven by demand to own an “in” product that also lowers motoring costs.

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*For more information on studies underlying this report,  
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