

CLOUD  THEORY™

**CHARGING AHEAD:**

Hybrids Come into  
Sharper Focus as  
EV Aspirations  
Meet Reality



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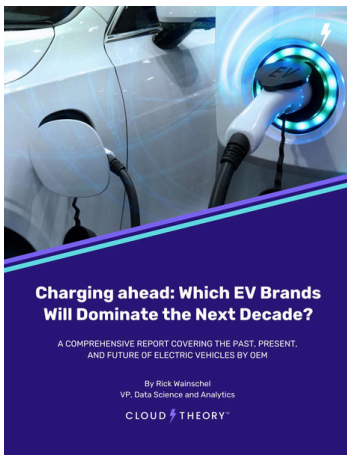
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# Introduction

Cloud Theory has written and commented extensively about the electric vehicle market, most notably in our original “[Charging Ahead](#)” report, which was published in the Fall of 2023. That report identified the growing imbalance between increasing EV supply—driven by aggressive regulatory requirements and timelines—and a stubbornly static demand picture.



**Cloud Theory**  
**“Charging Ahead”**  
**Report (Fall 2023)**

We had always expected to return to this subject to analyze and comment on more recent events and category dynamics—perhaps once a year. But a funny thing happened on the way to the industry revolution. Aspirations—from the government, OEMs, infrastructure support, parts suppliers, and others—met the reality of the marketplace, and the revolutionary pendulum has swung back towards a more manageable evolutionary middle ground in very short order. Regulatory requirements and dates have eased, with the Biden Administration slashing EV adoption targets from 67% to 35% by 2032. With that shift, OEMs have pulled back on their investments and reduced their EV scale and scope.

Even at the lower 35% target level, these requirements ensure that EVs will play a more prominent role in future industry offerings and consumer choices going forward. However, the hyper-aggressive production levels and timeline driven by EPA regulations have given way to a more measured approach that reflects the current capabilities of manufacturers to produce these vehicles, as well as consumers’ comfort and financial realities in purchasing them.

# Consumers Remain Skeptical About EVs, but “Sustainability Minded”

Consumers have demonstrated a relatively widespread reluctance to embrace EVs, and demand has not kept pace with the increasing supply that previous regulatory standards had spurred. This has led to significant declines in turn rate and substantial increases in days-to-move over the past year. A recent [McKinsey Study](#) indicated that 42% of interested EV buyers do not intend to switch unless battery range and infrastructure improve, indicating that even those contemplating a move in that direction have skepticism that must be alleviated before more widespread adoption can occur.

With that said, consumers are generally open to eco-friendly options, with a recent [Accenture analysis](#) revealing that 64% consider themselves “sustainability-minded” and would prefer their next vehicle to be an alternative to being gas-powered. This sentiment—coupled with the current obstacles in the EV space—positions OEMs with well-developed hybrid offerings to succeed until fully electric capabilities

become more mature. With the regulatory picture currently shifting deadlines to reflect a more realistic future state, this interim window of time is already getting longer. And if there is a change in the White House in favor of the Republicans in 2024, it is almost certain that this timeline will stretch even further.

**“THIS SENTIMENT-COUPLED WITH THE CURRENT OBSTACLES IN THE EV SPACE-POSITIONS OEMS WITH WELL-DEVELOPED HYBRID OFFERINGS TO SUCCEED UNTIL FULLY ELECTRIC CAPABILITIES BECOME MORE MATURE.”**

# Hybrids Come Into Focus

After numerous CEOs' bold pronouncements and optimistic forecasts regarding EVs reigned supreme in 2022 and 2023, more recent assertions have reflected a tempered view of the future state of sustainable vehicles and how OEMs will get there. In an April 2024 [media statement](#), for example, Ford Motor Company indicated that it is pursuing "the development of a differentiated and profitably growing EV business over time while [it] serves customers with the right mix of gas, hybrid and electric vehicles based on demand today. In parallel, Ford is expanding its hybrid electric vehicle offerings. By the end of the decade, the company expects to offer hybrid powertrains across its entire Ford Blue lineup in North America." In support of this shift, Ford launched a new ad campaign focused on "your vehicle, your choice", which focuses on how the company offers "a range of gas, hybrid, and electric products to suit almost every customer's need."

Meanwhile, General Motors CEO Mary Barra, who had previously declared

that the company was fully committed to an electric vehicle future, has taken a more balanced position in 2024. Stating that GM plans to bring back plug-in hybrid technology to North America, Barra was quoted in the [Detroit News](#) as saying that GM was doing so "to help us comply with the more stringent fuel economy and tailpipe emission standards that are being proposed". That reporting also pointed to "a reversal from GM's focus on battery electric vehicles as it watches the pace of EV sales slow."

Similarly, a [CNN report](#) pointed to a reversion back to Toyota's hybrid focus after its CEO had strongly signaled a pivot towards EVs. "The Japanese company has done little to embrace a fully electric future, instead sticking firmly to its wildly popular hybrid cars." According to that same report, "the company has been lobbying governments around the world to keep hybrids on the streets for decades to come" and promoting these vehicles as the centerpiece of a clean energy strategy.

There are many other examples of OEMs pursuing a more nuanced and balanced strategy than was being heralded less than a year ago, and it is safe to say that hybrid vehicles will act as a bridge to enable several to get to a greener and more sustainability-oriented future. And while EV innovation and production will continue to increase that segment's presence in the marketplace, it is likely that hybrids will delay and dampen a larger move in that direction over the next decade.

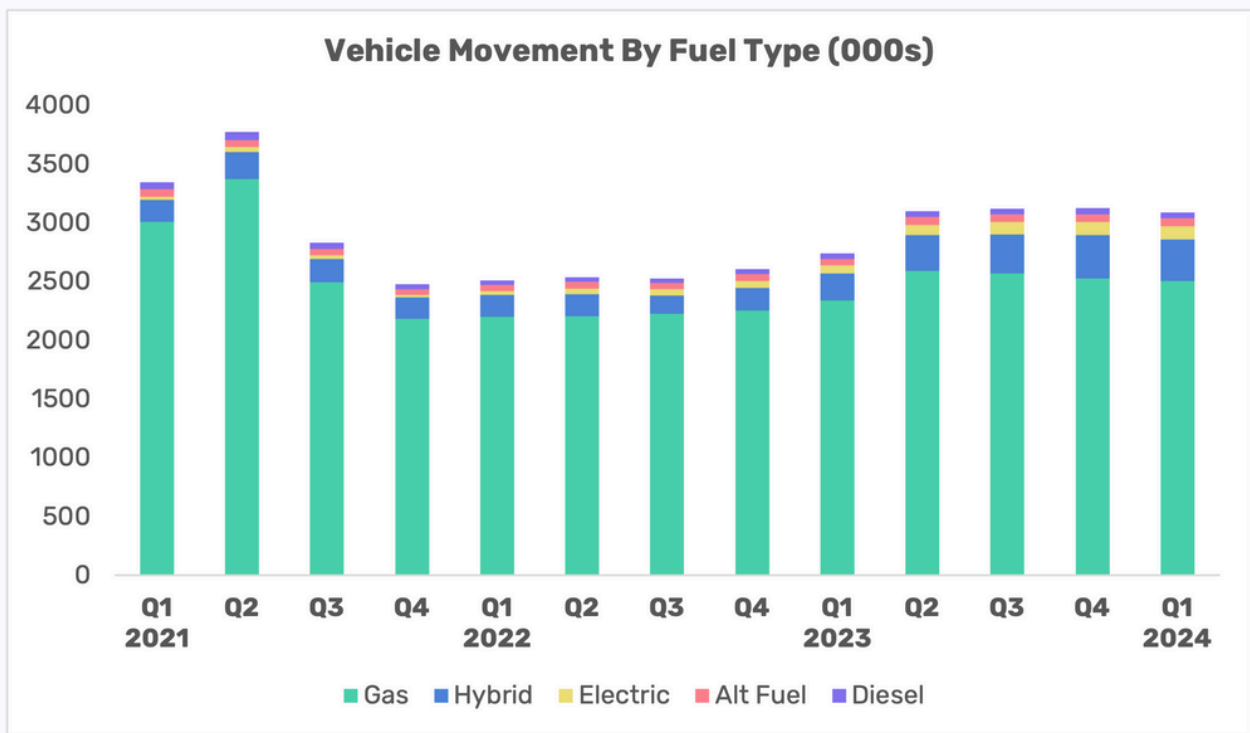
***And while EV innovation and production will continue to increase that segment's presence in the marketplace, it is likely that hybrids will delay and dampen a larger move in that direction over the next decade.***

These shifts put additional pressure on Tesla, which has already been faced with price reductions, executive departures, poor reviews of its Cybertruck, and concerns about the dilution of Elon Musk's focus after his purchase of Twitter. Tesla's stock price fell by one-third over the course of Q1 2024, and layoffs are now planned to reduce costs.

# EVs and Hybrids – By the Numbers

Considering all of these cross-currents, today’s circumstances and trends reinforce the realities that are causing these dynamics to play out.

Vehicle movement continues to be dominated by gas-powered vehicles. While the share of (non-Tesla) sales accounted for by ICE vehicles is down by 4.5 points on a year-over-year basis, it remains above 80%. And while other fuel types are picking up this lost share, it is hybrid vehicles (+3.2 share points) that are seeing gains more so than EVs (+1.0 share point).

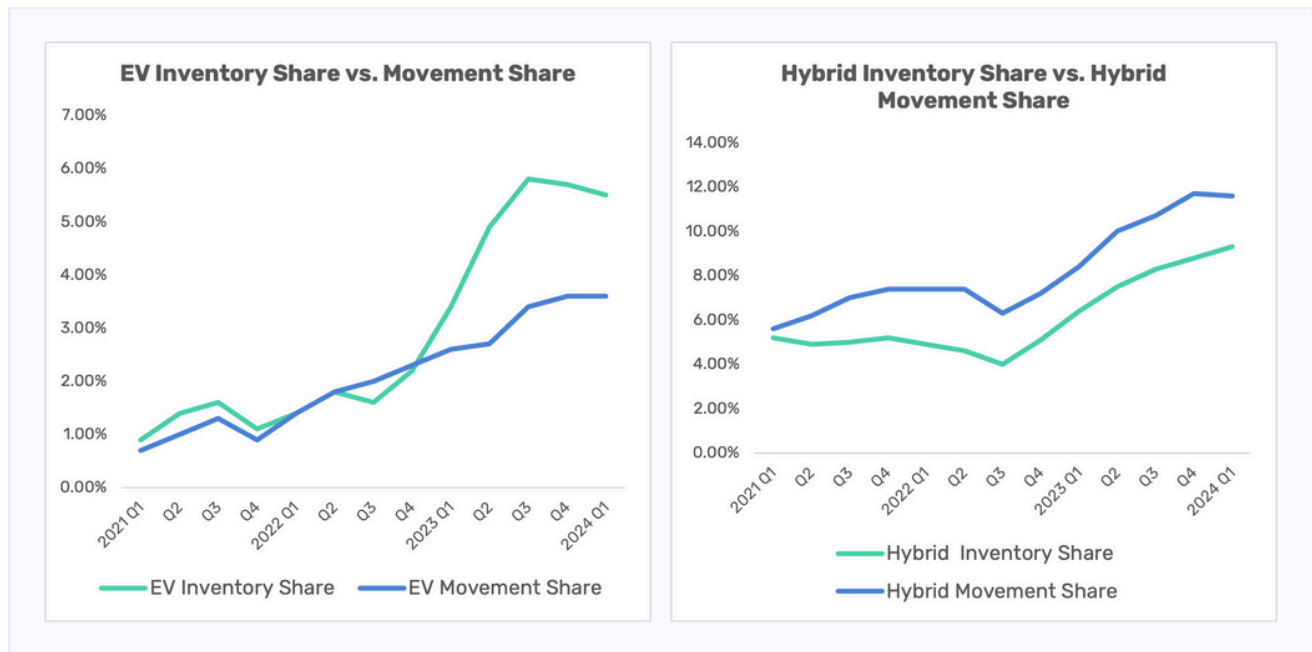


Vehicle Movement (000s)						
	Q1 2024	Q1 2023	% Change	Q1 2024 Share	Q1 2023 Share	Point Change
Gas	2,500	2,338	+7%	80.9%	85.4%	-4.5
Hybrid	358	230	+56%	11.6%	8.4%	+3.2
Electric	112	71	+58%	3.6%	2.6%	+1.0
Alt Fuel	69	50	+38%	2.2%	1.8%	+0.4
Diesel	50	51	-1%	1.6%	1.9%	-0.3

In terms of the balance between inventory share and movement share, EVs have been in an oversupply situation since the beginning of 2023 when the former started to outpace the latter. Hybrids, meanwhile, have demonstrated that there is room to grow supply to meet an increasing demand scenario, as movement share of these vehicles has consistently outpaced inventory share over the past three years.

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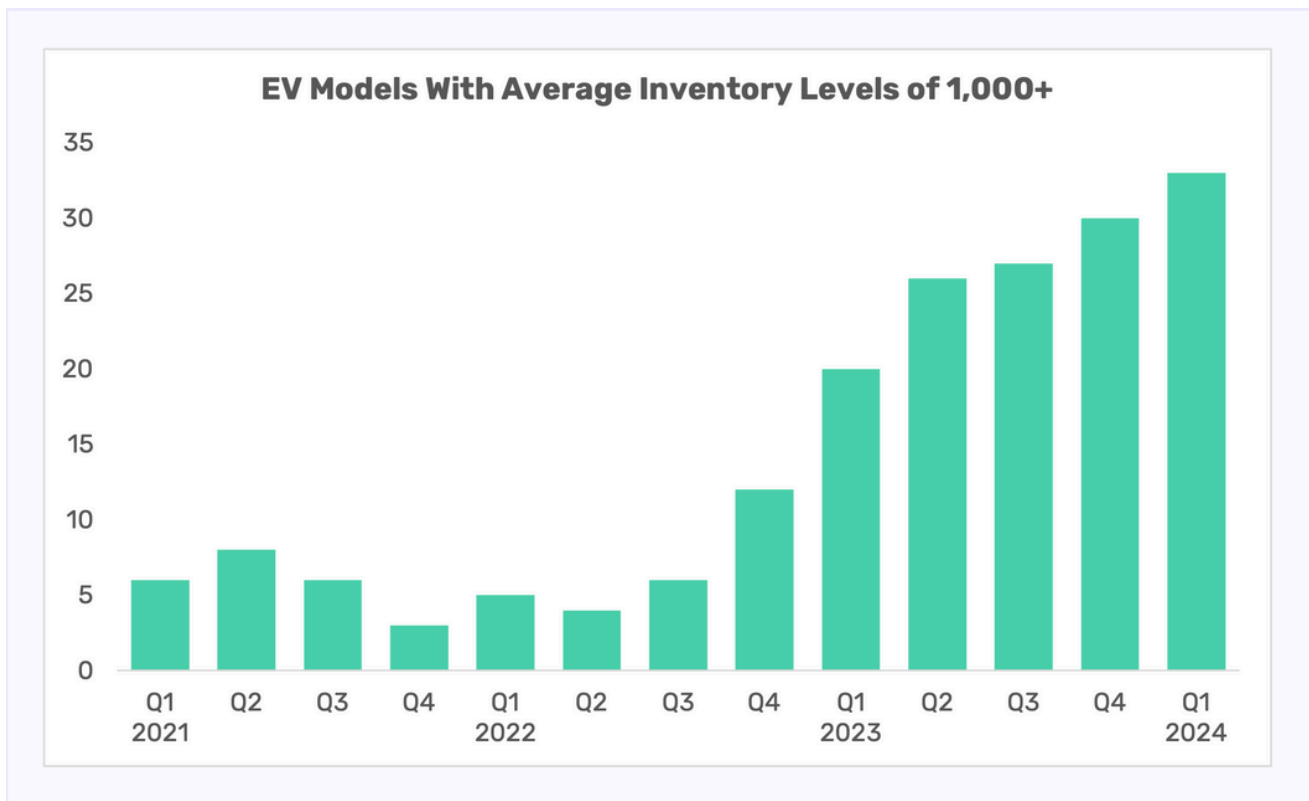
A recent [AP article](#) stated that “buyers are increasingly embracing a quarter-century-old technology whose popularity has been surging” because of more affordable prices and without the EV anxiety related to charging logistics and battery capabilities.





# Move Towards Hybrids Shifts Competitive Landscape

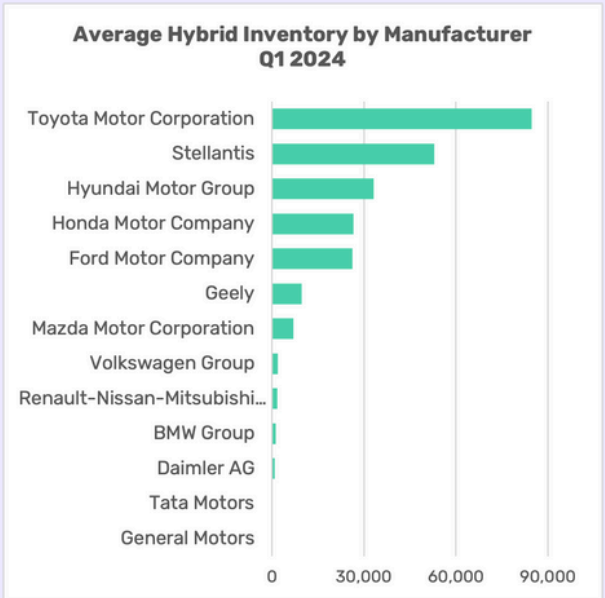
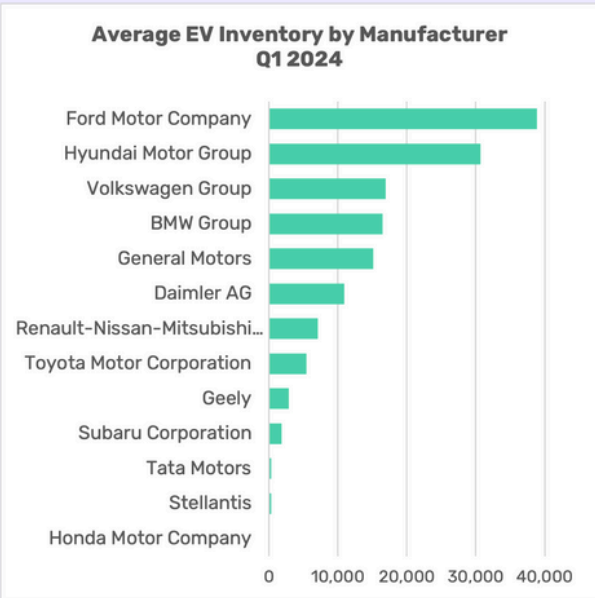
The pace of EV introductions and aggressive production, meanwhile, has slowed. The number of models that have average inventory levels of 1,000 or more stood at 33 in Q1 2024. While this is the highest number to hit that milestone to date, the pace of that growth slowed considerably over the past year.



The shift from a sustainable future focused on EVs to one that is more balanced between EVs and hybrids profoundly changes the competitive landscape. OEM parent corporations such as Toyota Motor Corporation, (which has by far the strongest hybrid lineup), Hyundai Motor Group (which has a well-developed lineup in both sectors), Stellantis, Honda Motor Company, and Ford Motor Company (which all have well-developed hybrid lines) now have a more varied path to achieve fuel economy aims and meet regulatory requirements by replacing gas-powered vehicles with tried-and-true hybrid technologies. As noted, General Motors plans to get back into the hybrid game, which will open up options for that company as well.

In general, the relaxing of regulatory requirements improves the competitive position of these companies relative to EV-centric players like Tesla, Rivian, and Polestar, which must contend with consumer concerns from a singular direction.

Q1 2024							
	Number of EV Models with Average Inventory of 1,000+	EV Inventory Percentage of Company Total	EV Vehicle Movement Percentage of Company Total		Number of Hybrid Models With Average Inventory of 1,000+	Hybrid Inventory Percentage of Company Total	Hybrid Vehicle Movement Percentage of Company Total
Ford Motor Company	3	9.0%	5.0%		4	6.1%	8.3%
Hyundai Motor Group	8	11.4%	6.4%		7	12.3%	10.9%
Volkswagen Group	4	12.9%	10.9%		1	1.5%	1.3%
BMW Group	4	26.7%	14.5%		0	2.1%	2.3%
General Motors	4	3.4%	4.1%		0	0.0%	0.0%
Daimler AG	3	18.3%	15.0%		0	1.6%	1.9%
Renault-Nissan-Mitsubishi Alliance	2	3.2%	2.7%		1	0.8%	0.5%
Toyota Motor Corporation	2	2.5%	0.7%		18	38.4%	36.6%
Geely	2	8.6%	5.2%		2	29.1%	25.7%
Subaru Corporation	1	1.7%	0.8%		0	0.0%	0.0%
Tata Motors	0	2.2%	0.7%		0	0.1%	0.2%
Stellantis	0	0.1%	0.0%		4	13.8%	10.9%
Honda Motor Company	0	0.0%	0.0%		2	14.8%	18.8%



# EV Model Trends and Dynamics

With the broader context of fuel-efficient vehicles as a backdrop, it remains relevant to evaluate the status and trending of EVs for those models with inventory counts of 1,000 or more in Q1 2024.

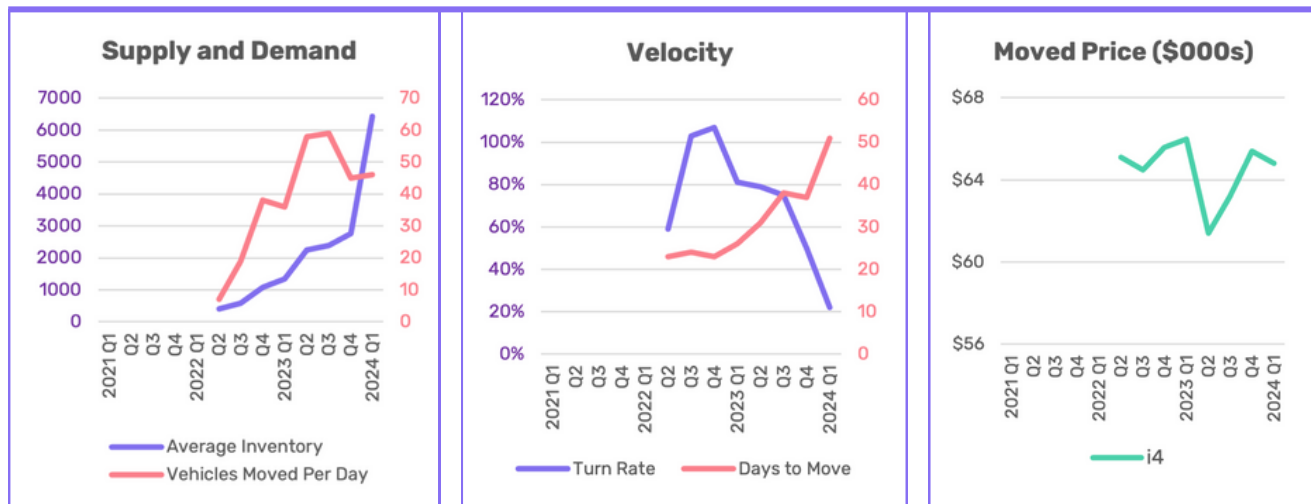
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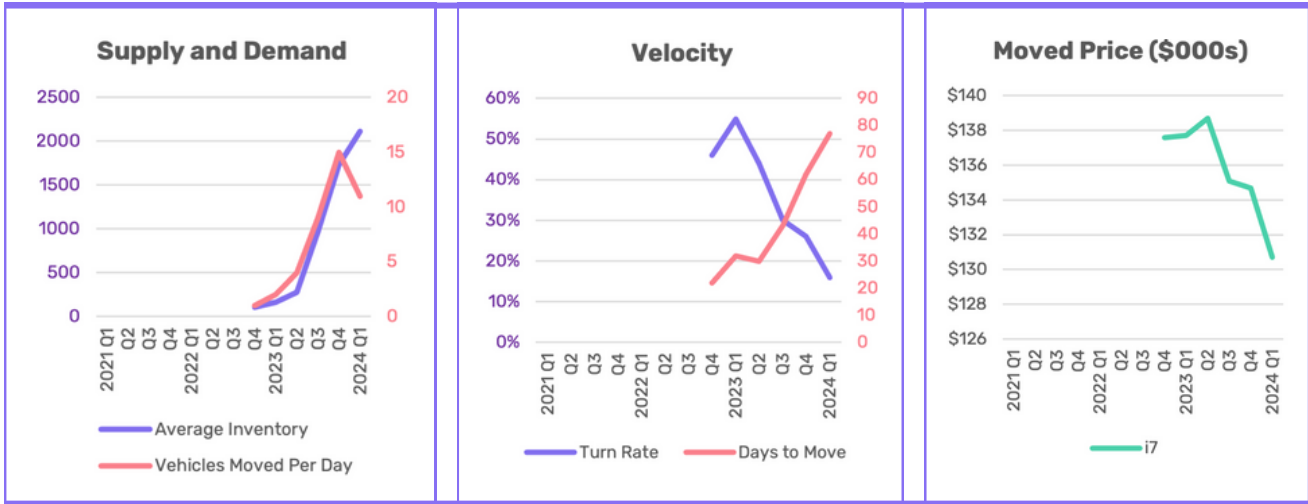
## BMW Group

BMW's EV inventory is led by the i4, which more than doubled its supply count in the latest quarter. But that model, along with the other three electric vehicles in the BMW lineup, has seen a rapid drop in turn rate and a jump in days-to-move. This dynamic has occurred even with pricing declines for the i7, iX, and i5.

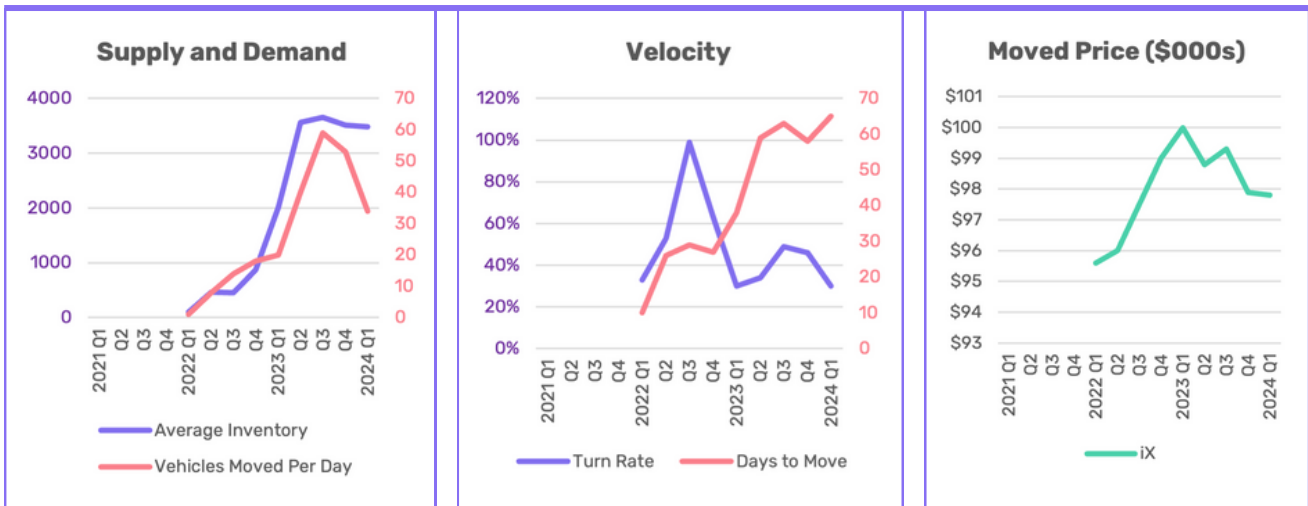
### BMW i4



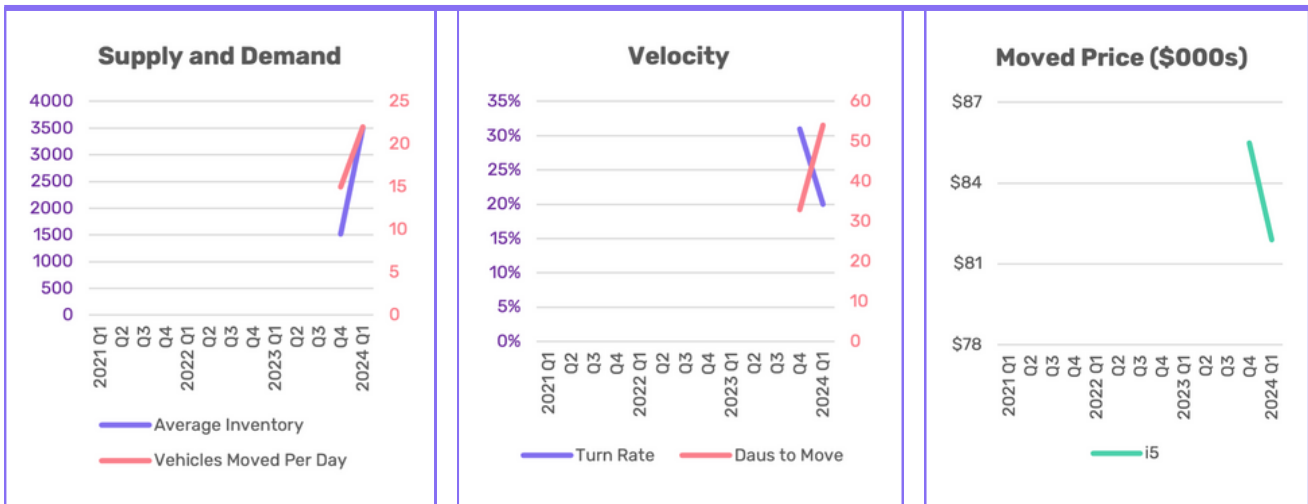
# BMW i7



# BMW iX



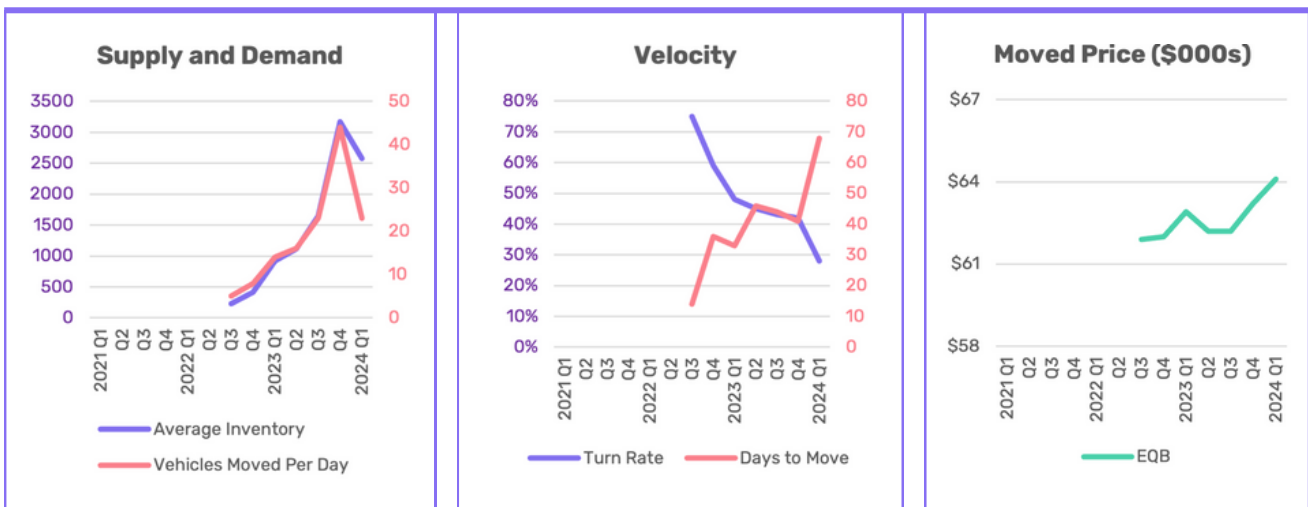
# BMW i5



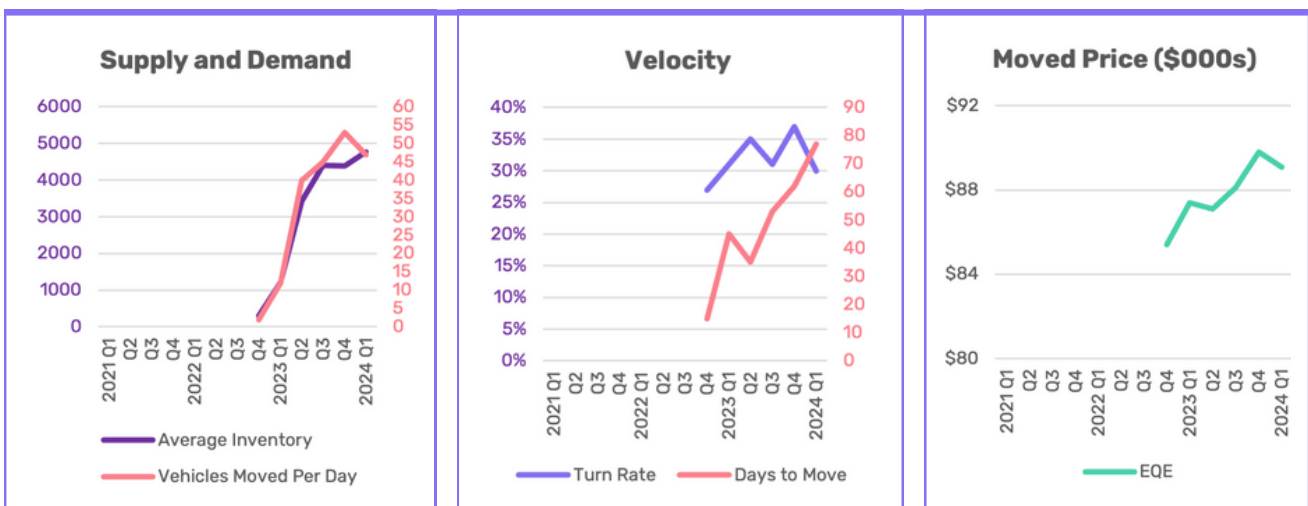
# Daimler AG

Mercedes-Benz EVs have bucked the broader trend by being able to raise prices over time. Its vehicles moved per day had also been trending up until the last quarter or two. Days-to-move across its EV lineup, however, has generally been trending upward and is therefore still pointing to a challenging sales environment for these vehicles.

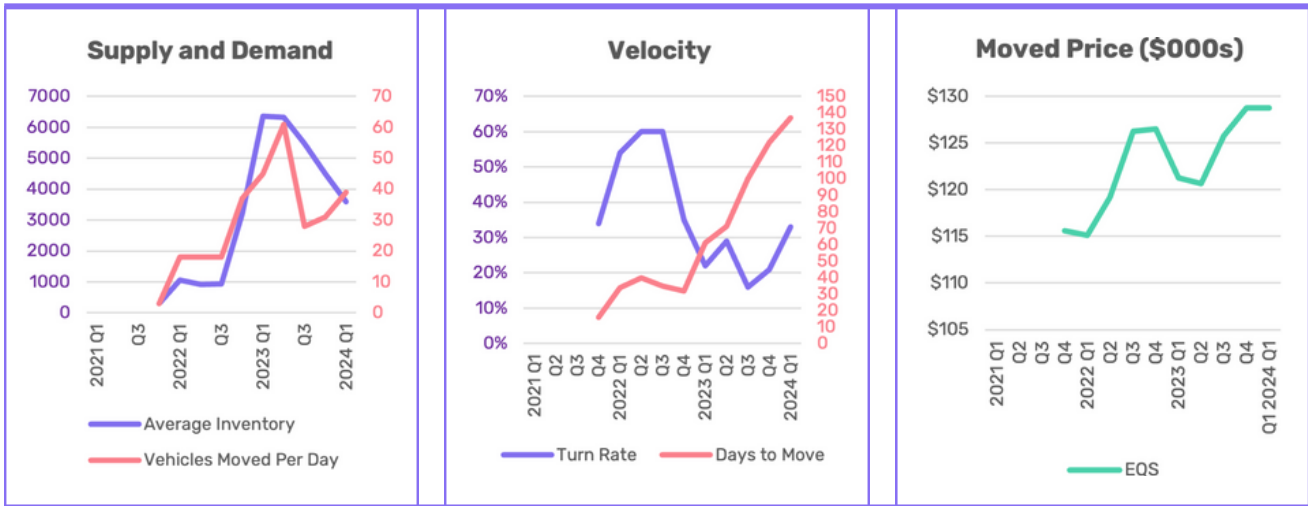
## Mercedes-Benz EQB



## Mercedes-Benz EQE



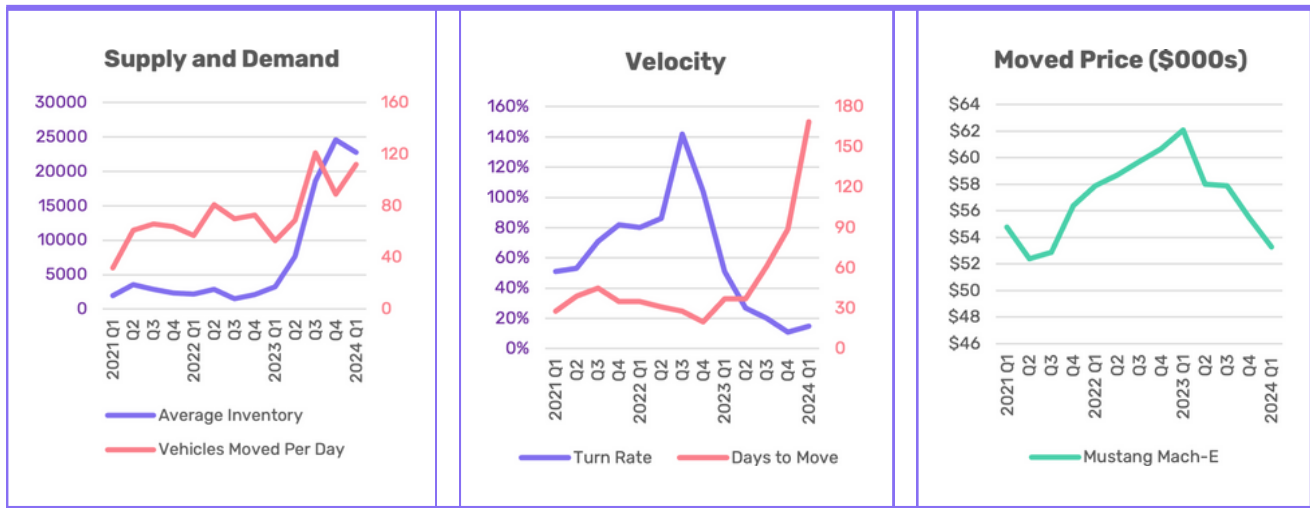
# Mercedes-Benz EQS



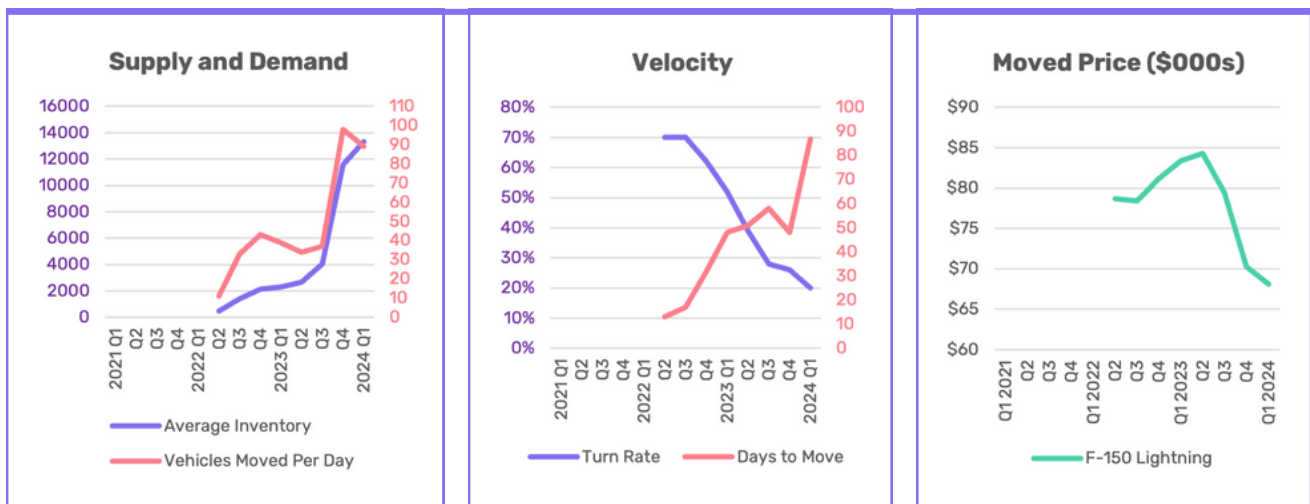
# Ford Motor Company

Ford’s overall EV inventory lead is fueled (no pun intended) by two models—Mustang Mach-E and F-150 Lightning. In both cases, inventory ramped up in 2023 while turn rate trended downward. It is noted that aggressive pricing declines in mid-February did improve the latter metric, but not enough to significantly improve velocity metrics for the quarter in total.

## Ford Mustang Mach-E

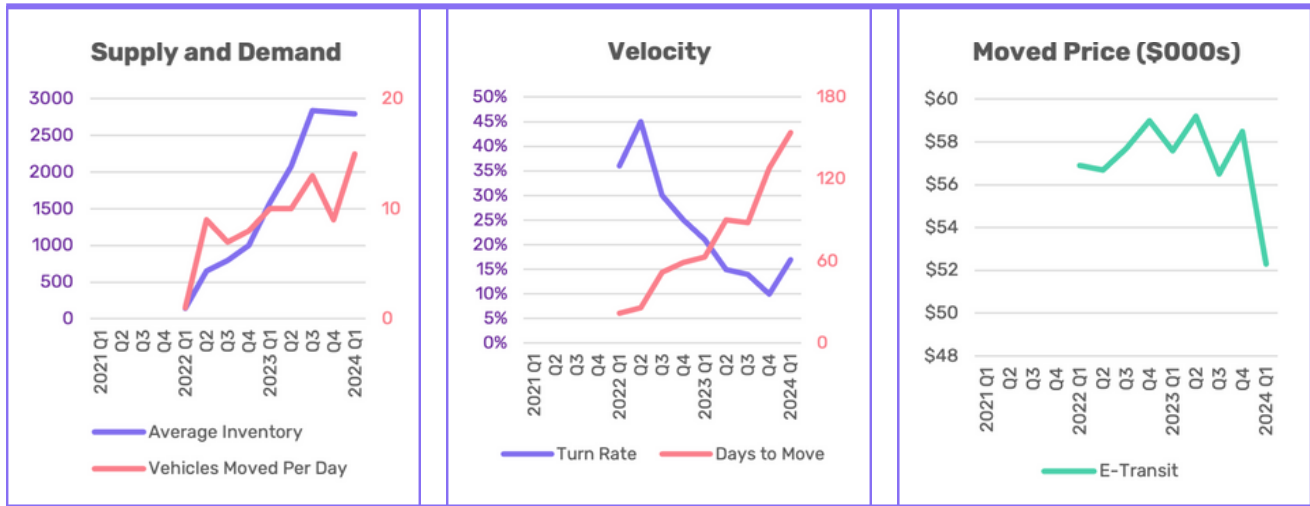


## Ford F-150 Lightning





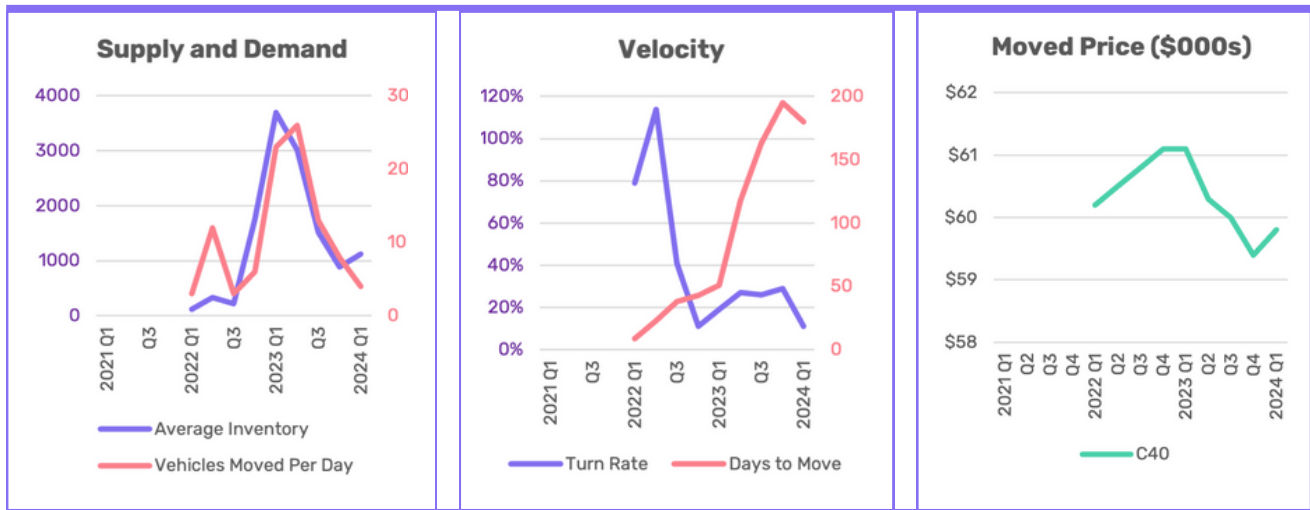
# Ford E-Transit



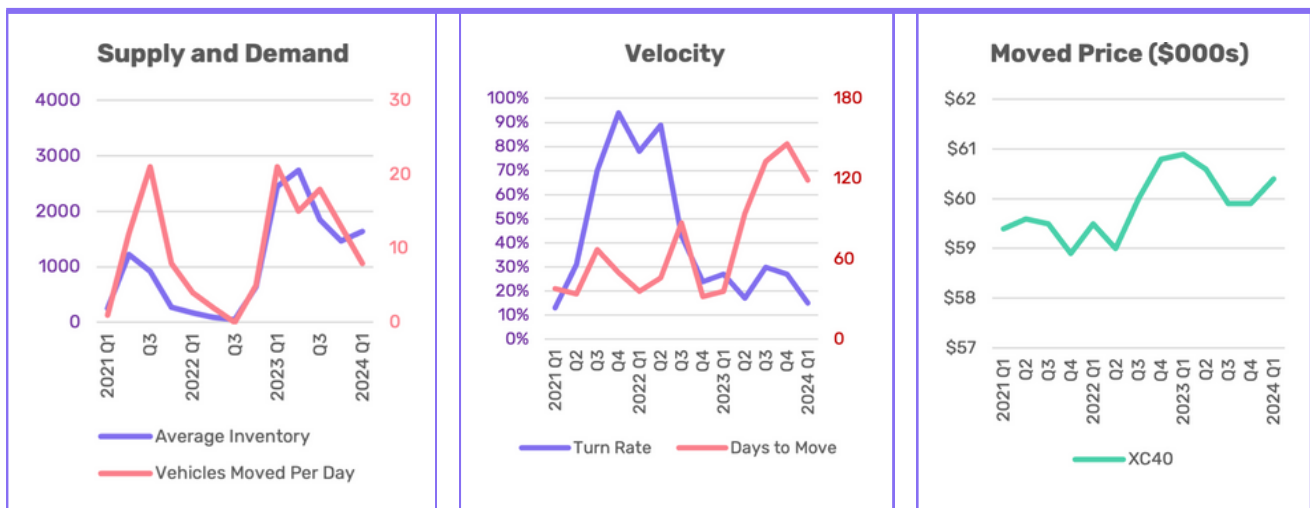
# Geely

Volvo's models have declined in inventory over the course of 2023 but had small increases in Q1 2024. Its velocity metrics, however, remained challenged, with turn rates of 11-15% in the latest quarter.

## Volvo C40



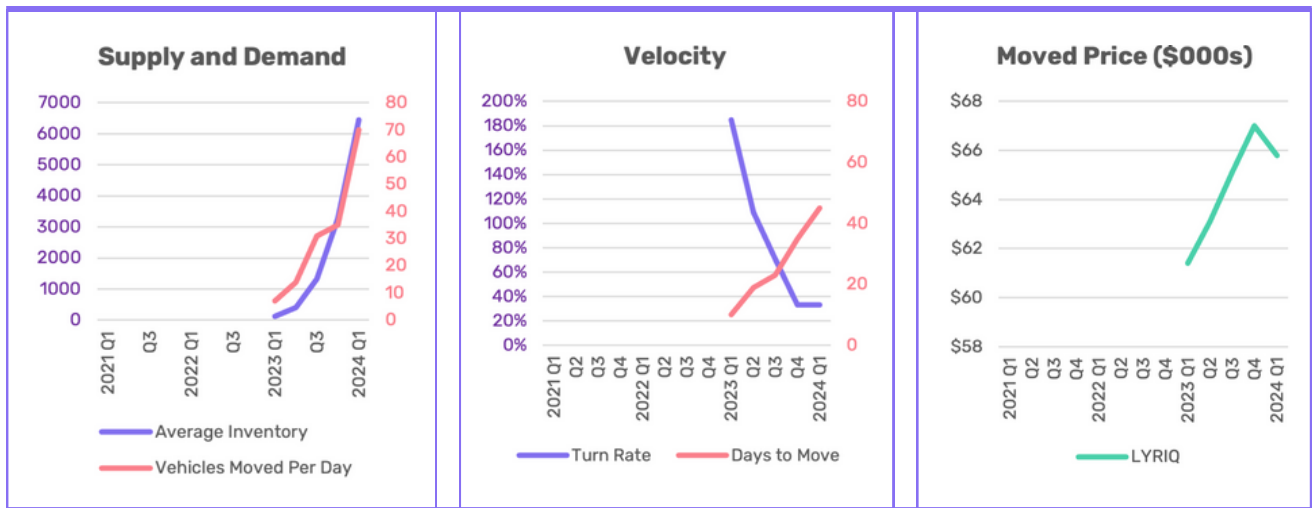
## Volvo XC40



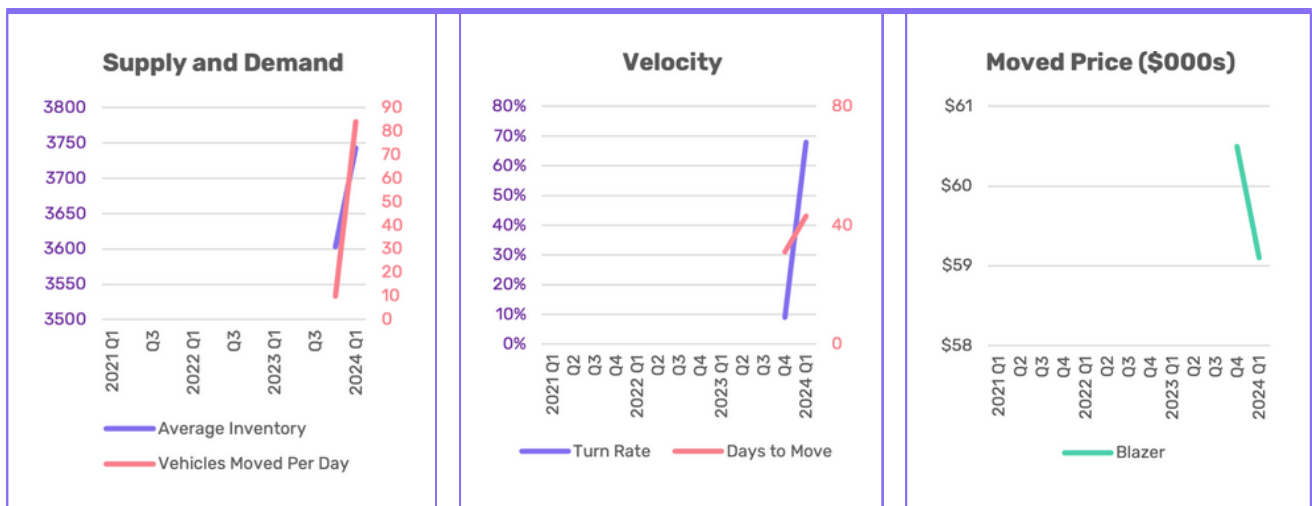
# General Motors

GM's EV offerings include a mix of newer entries (LYRIQ and Blazer) and Bolt models that are undergoing transitions (to a new Equinox EV) and potential relaunches. In the case of Blazer, that model is rebounding from a software-related stop-sale. The LYRIQ is seeing improvement in vehicles sold per day but not keeping pace with rapid inventory growth, resulting in a turn rate decline.

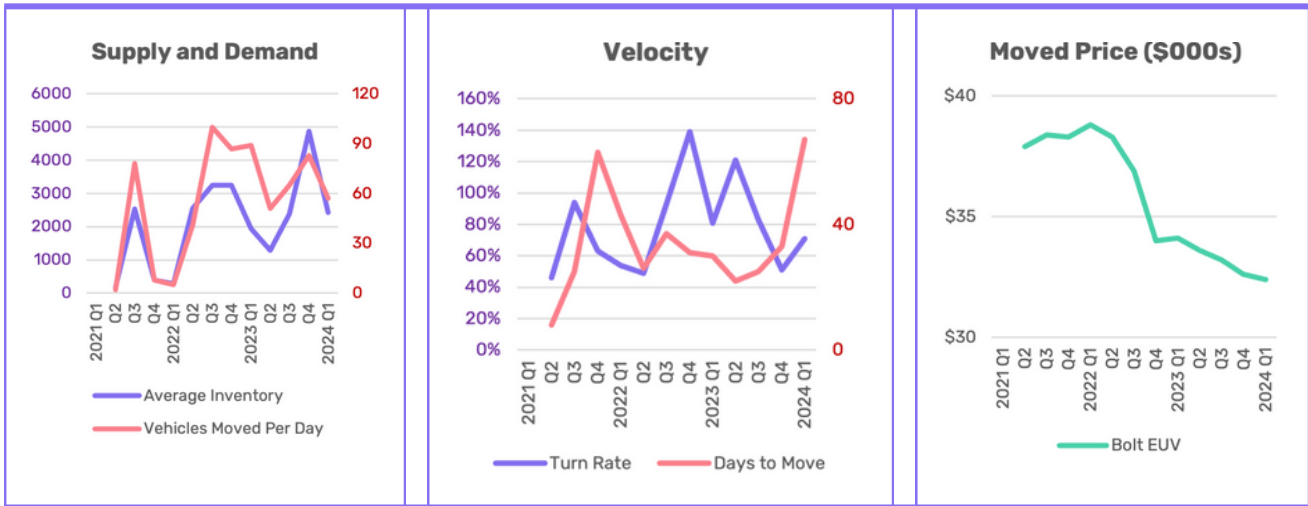
## Cadillac LYRIQ



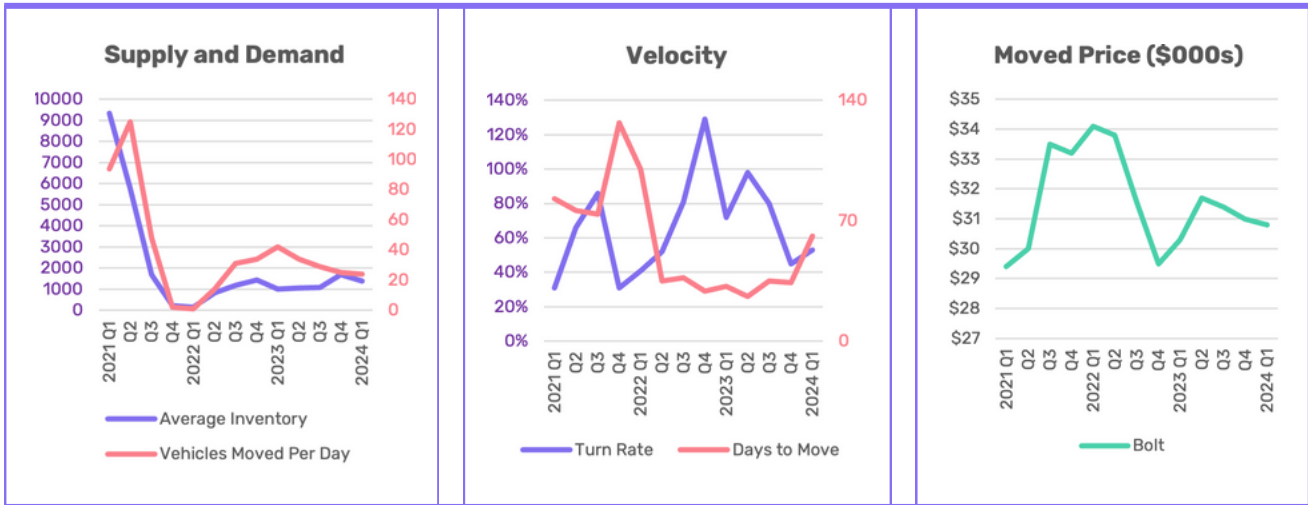
## Cadillac Blazer



# Chevrolet Bolt EUV



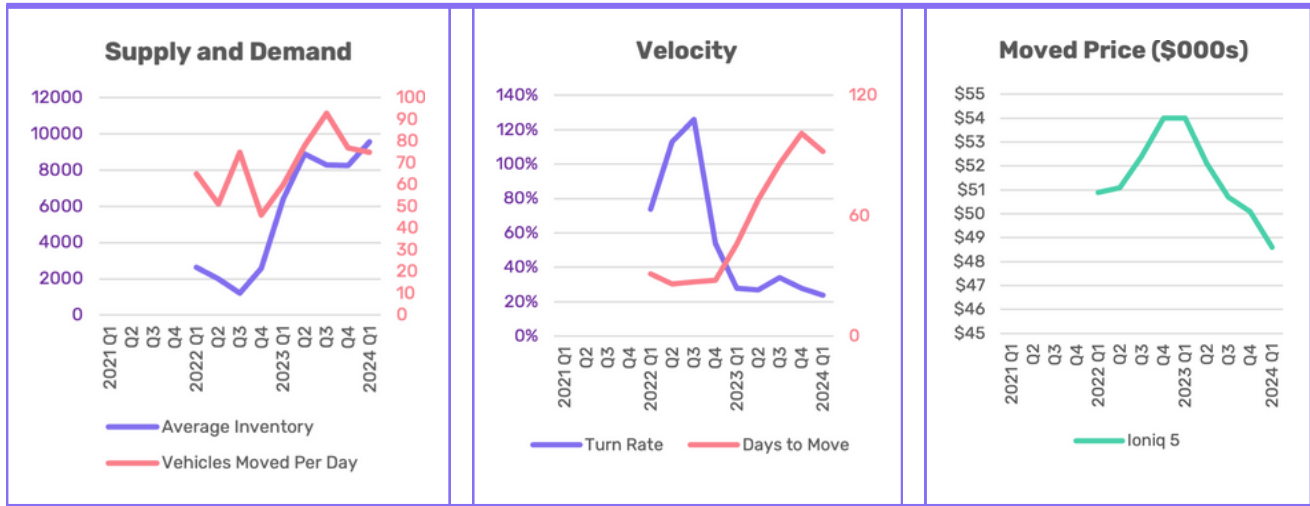
# Chevrolet Bolt



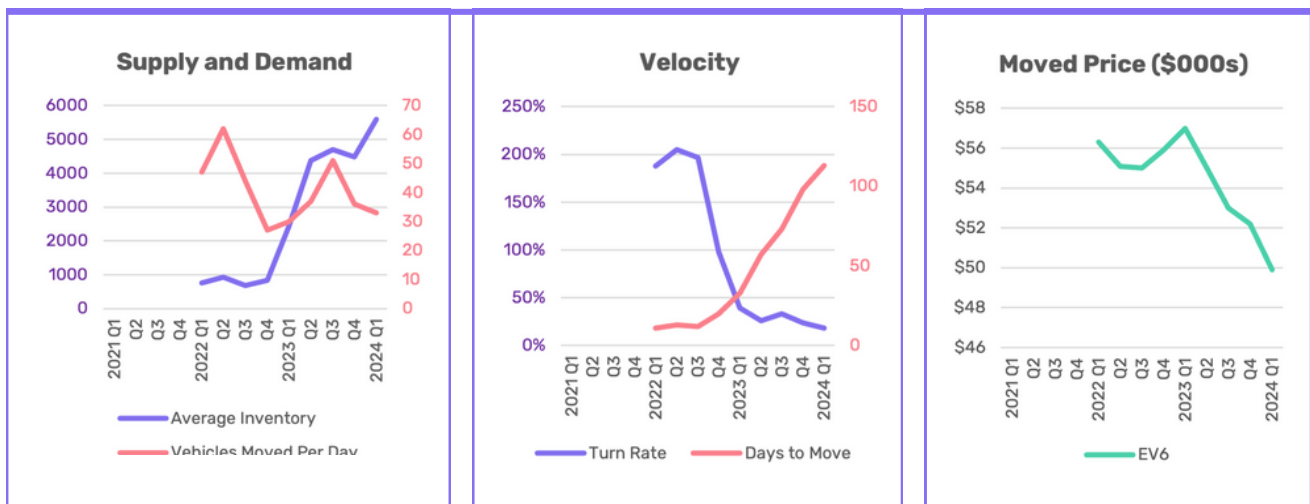
# Hyundai Motor Group

Hyundai, Kia, and Genesis make up a relatively strong and varied EV lineup for Hyundai Motor Group, though it is not without its challenges. Turn rates and pricing have come under pressure over the past year-plus as it has built up its inventory positions across multiple categories. As was noted earlier, HMG has strength in its hybrid lineup as well, giving this OEM a trailhead to multiple sustainability-oriented pathways.

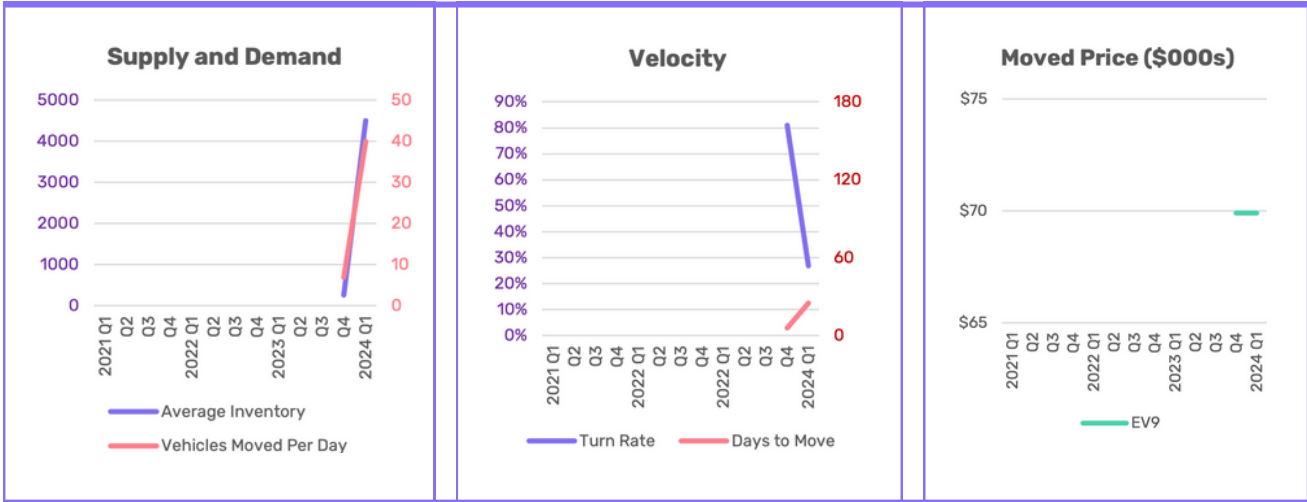
## Hyundai Ioniq 5



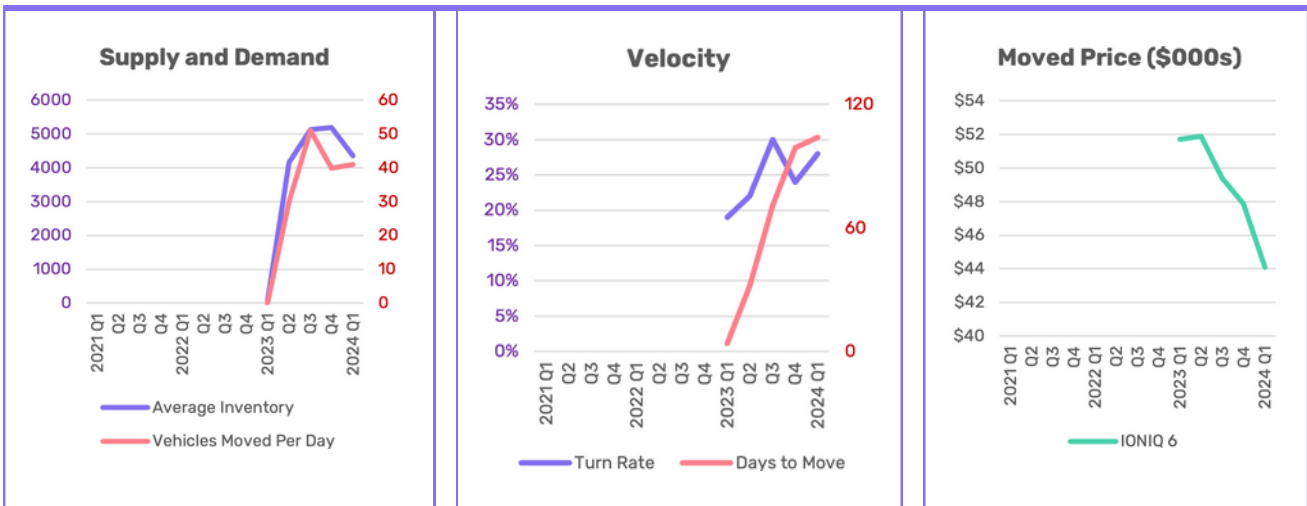
## Kia EV6



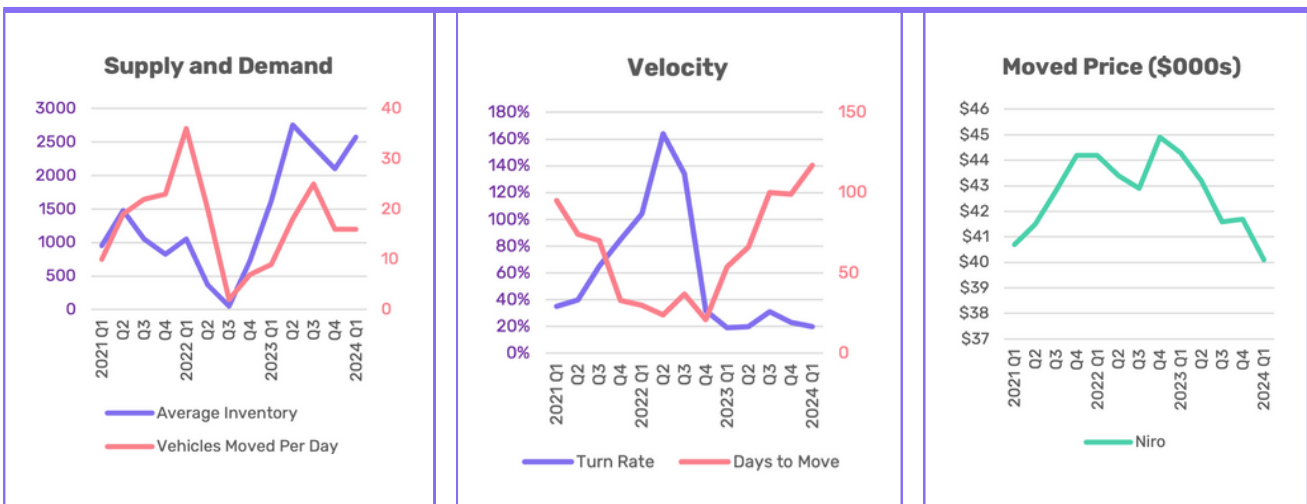
## Kia EV9



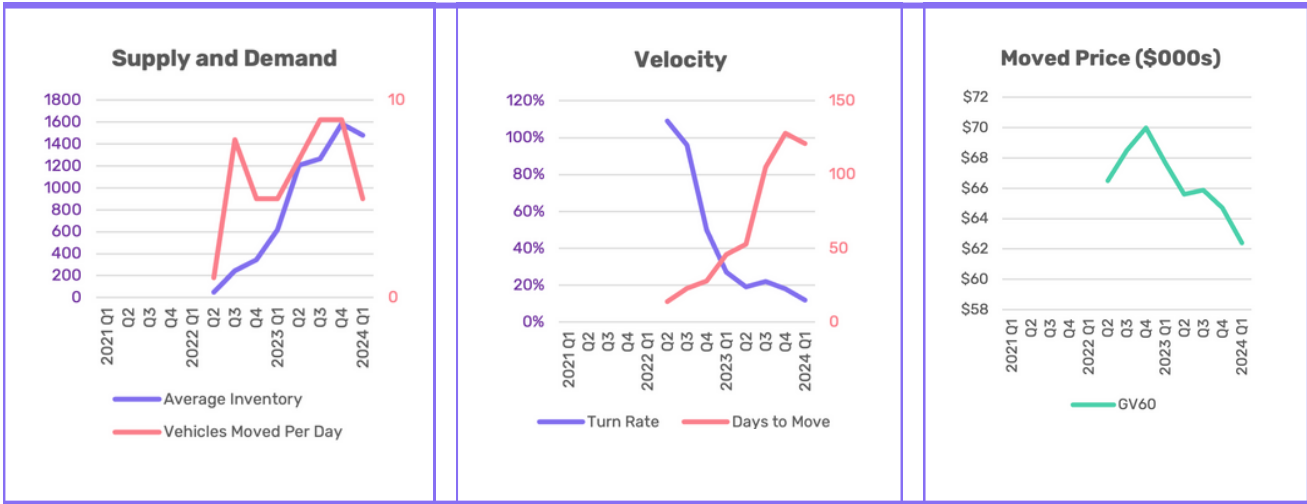
## Hyundai IONIQ6



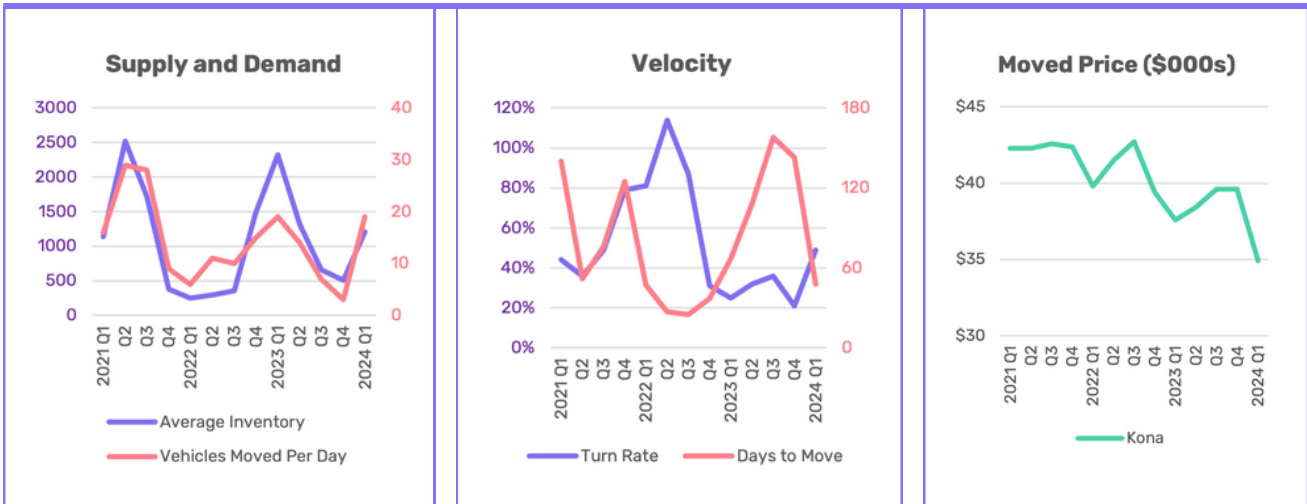
## Kia Niro



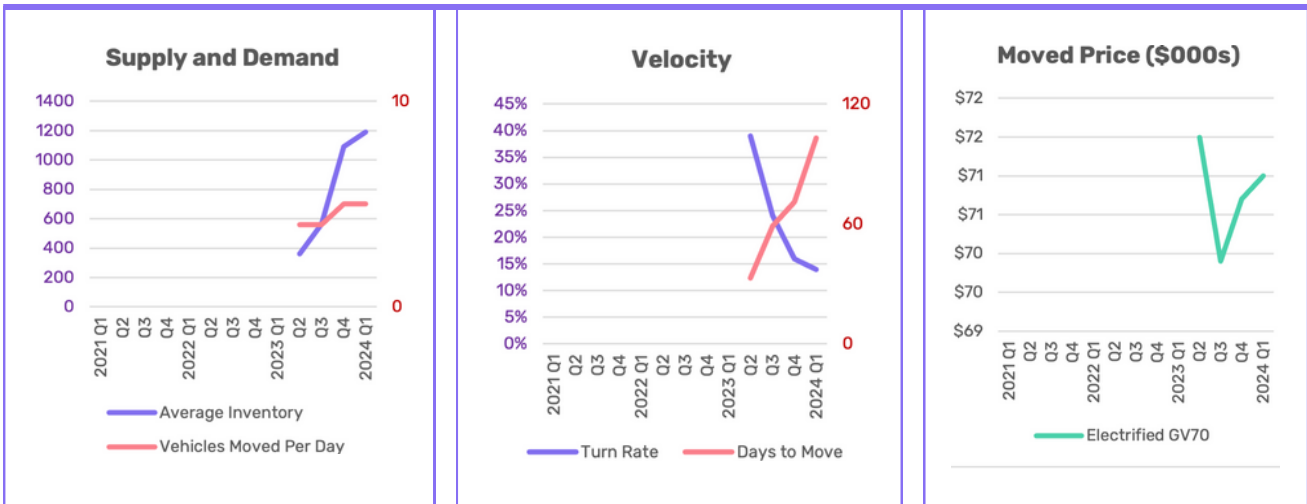
# Genesis GV60



# Hyundai Kona



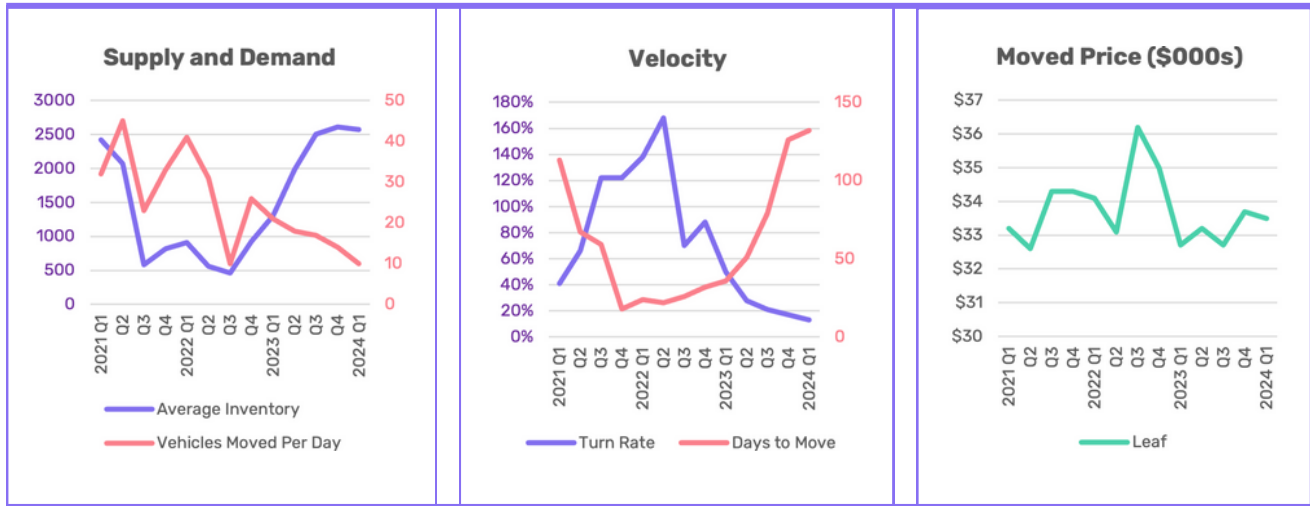
# Genesis Electrified GV70



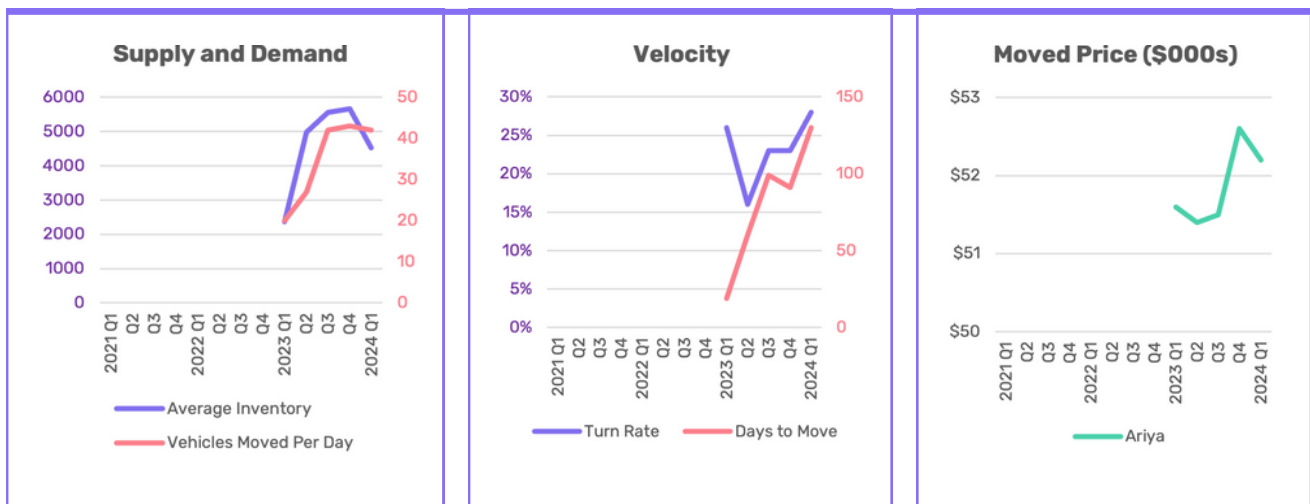
# Renault-Nissan-Mitsubishi Alliance

This OEM partnership is a tale of two vehicles. One, the Nissan Leaf, has ramped up in inventory after being at low levels in 2021-2023, but at the expense of its turn rate and days-to-move performance. Its Ariya model, however, has demonstrated turn rate resilience since its launch in early 2023, though its days-to-move is heading upward.

## Nissan Leaf



## Nissan Ariya

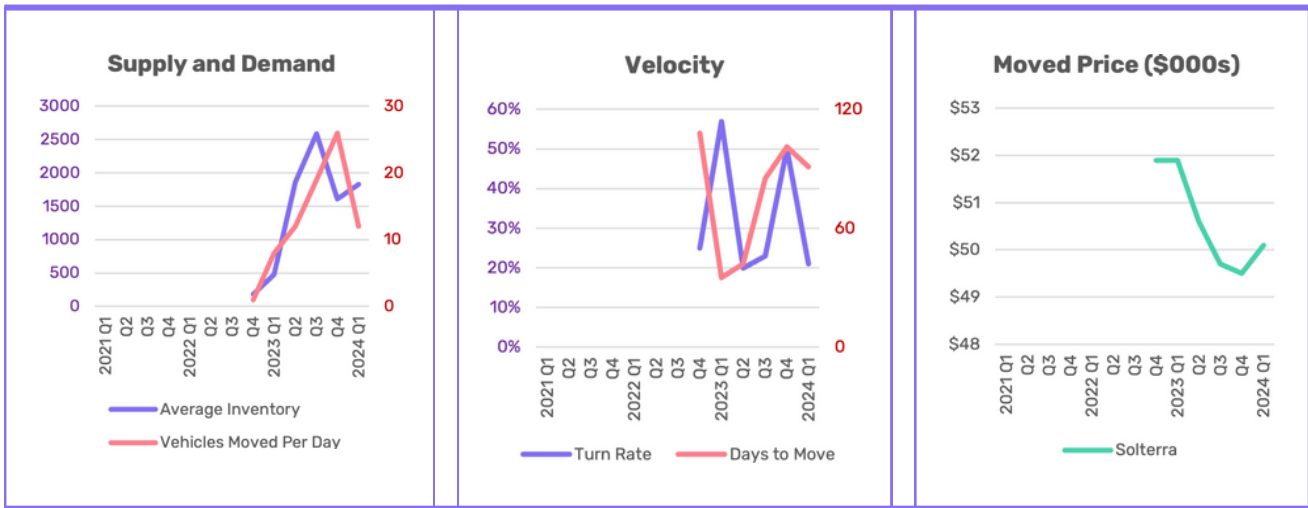




# Subaru Corporation

Subaru's sole EV model with 1,000+ inventory count has experienced some turn rate and pricing pressure since its launch in late 2022.

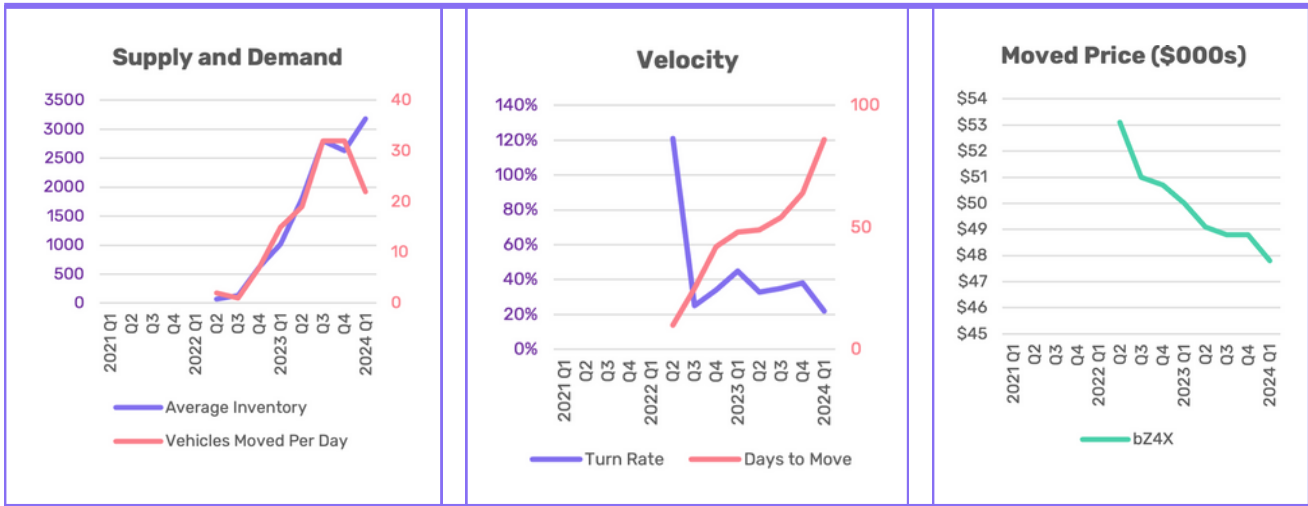
## Subaru Solterra



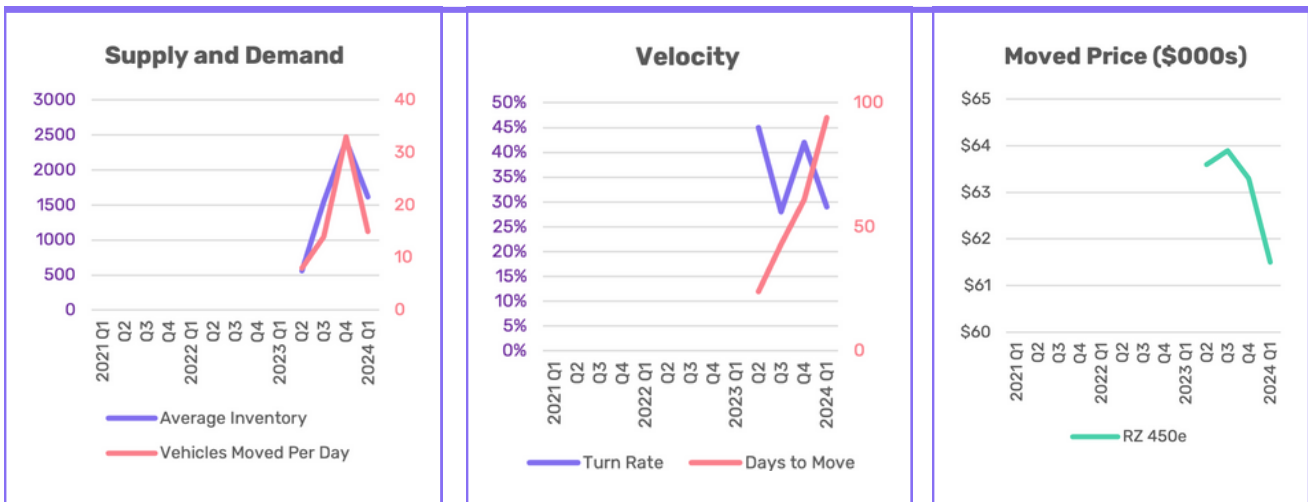
# Toyota Motor Corporation

Toyota's limited EV offerings have had challenges in maintaining turn rates and price points. But as noted, Toyota is in the strongest position by far in the hybrid sector. Given its long-held strategy and philosophy to pursue sustainability-minded vehicles on multiple fronts, this OEM can build on its maturity in the hybrid space while also planning for a more EV-oriented future.

## Toyota bZ4X



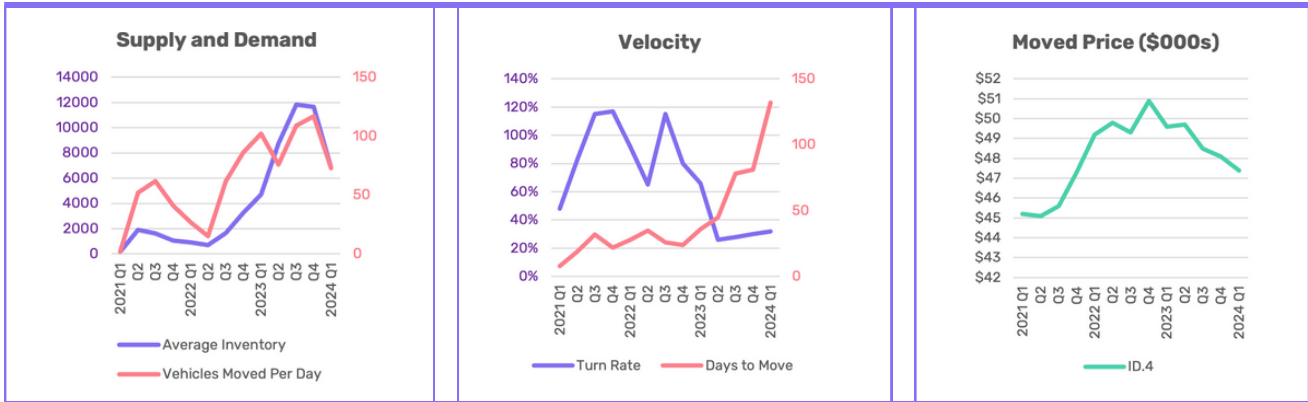
## Lexus RZ 450e



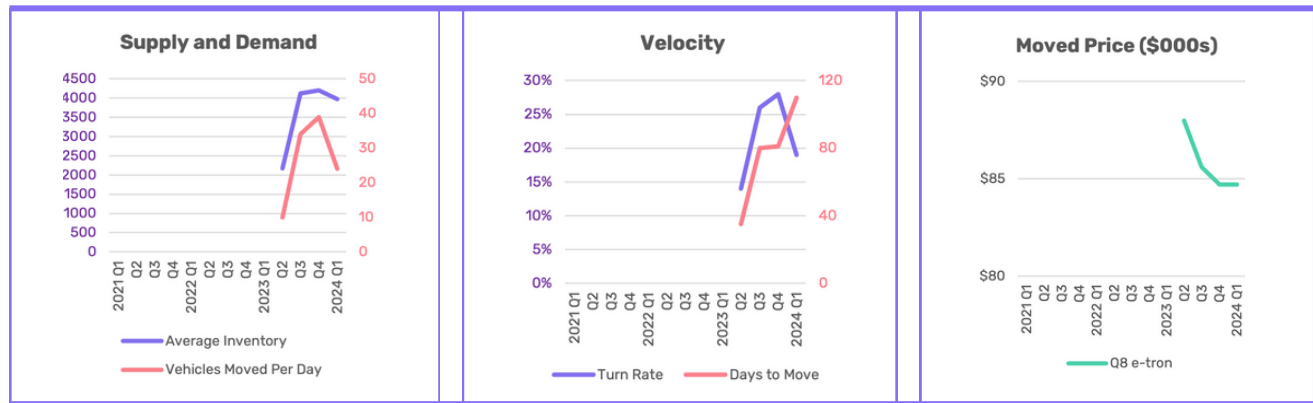
# Volkswagen Group

This OEM has EV vehicles in all three of its major brands, though it is has generally come under pressure on turn rates and days-to-move in the last year or so. Volkswagen Group’s hybrid offerings are limited, pointing to a challenge and an opportunity going forward.

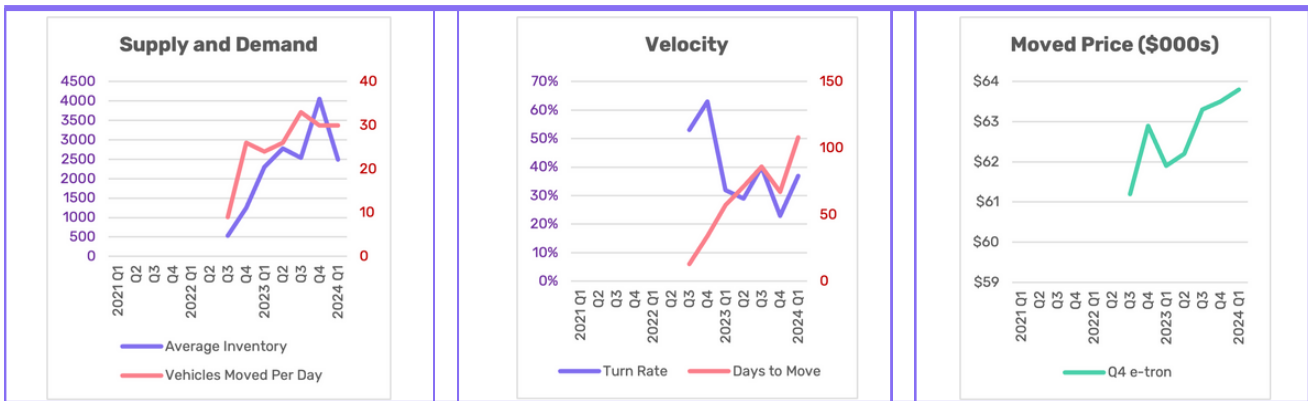
## Volkswagen ID.4



## Audi Q8 e-tron

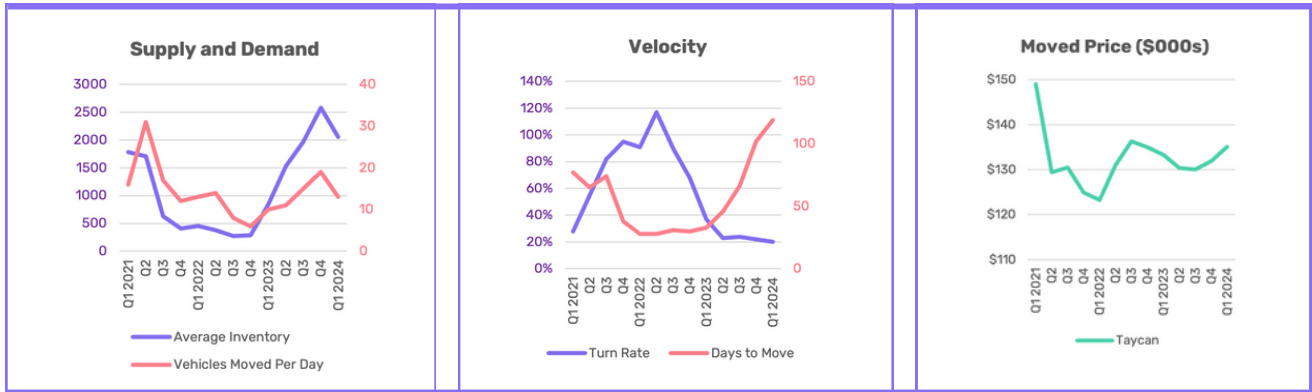


## Audi Q4 e-tron



# Volkswagen Group

## Porsche Taycan



# Summary and Conclusion

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The past six months have seen profound changes in the EV sector due to the relaxing of regulations and the related opening of broader options to meet fuel economy and emissions standards in the form of hybrids. The feasibility of pursuing this more tried-and-true technology (both for OEMs and for consumers) in hitting these lowered targets turns the competitive landscape on its head. EV brands such as Tesla and Rivian had previously been able to set the agenda on production and pricing, forcing the more traditional OEMs into a “Hobson’s choice” of having to pursue the introduction and production of unprofitable vehicles.

This shift, however, gives these OEMs more options to meet government standards. Communicating these options to consumers (e.g., Ford’s “your vehicle, your choice” campaign) opens pathways that EV-specific rivals can’t follow. Swapping gas-powered vehicle purchases with enough hybrid replacements can help these competitors extend the regulatory demands and timelines even further, thereby reducing pressure to quickly and unprofitably introduce EVs.

***Swapping gas-powered vehicle purchases with enough hybrid replacements can help these competitors extend the regulatory demands and timelines even further, thereby reducing pressure to quickly and unprofitably introduce EVs.***

As was written in our original “[Charging Ahead](#)” report, no one has a crystal ball that lays out how this will play out. But it can be confidently said that changes in this sector will continue to occur rapidly and dynamically, and Cloud Theory will monitor and report on these shifts as they occur.

# Sources

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# About Cloud Theory

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Cloud Theory is more than a concept. It is the eye of the storm, where cutting-edge data, software, and artificial intelligence meet deep industry knowledge and experience. Built for automotive manufacturers, agencies, and affiliates, Cloud Theory enables our customers to understand – in real time – the complex competitive world in which they do business and to make bold decisions that drive them forward. The combination of billions of data points, interactive tools, and expert consulting gives our clients the ability to weather any storm and find their way to clear blue skies.

Learn more at [cloudtheory.ai](https://cloudtheory.ai).

## Contact

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