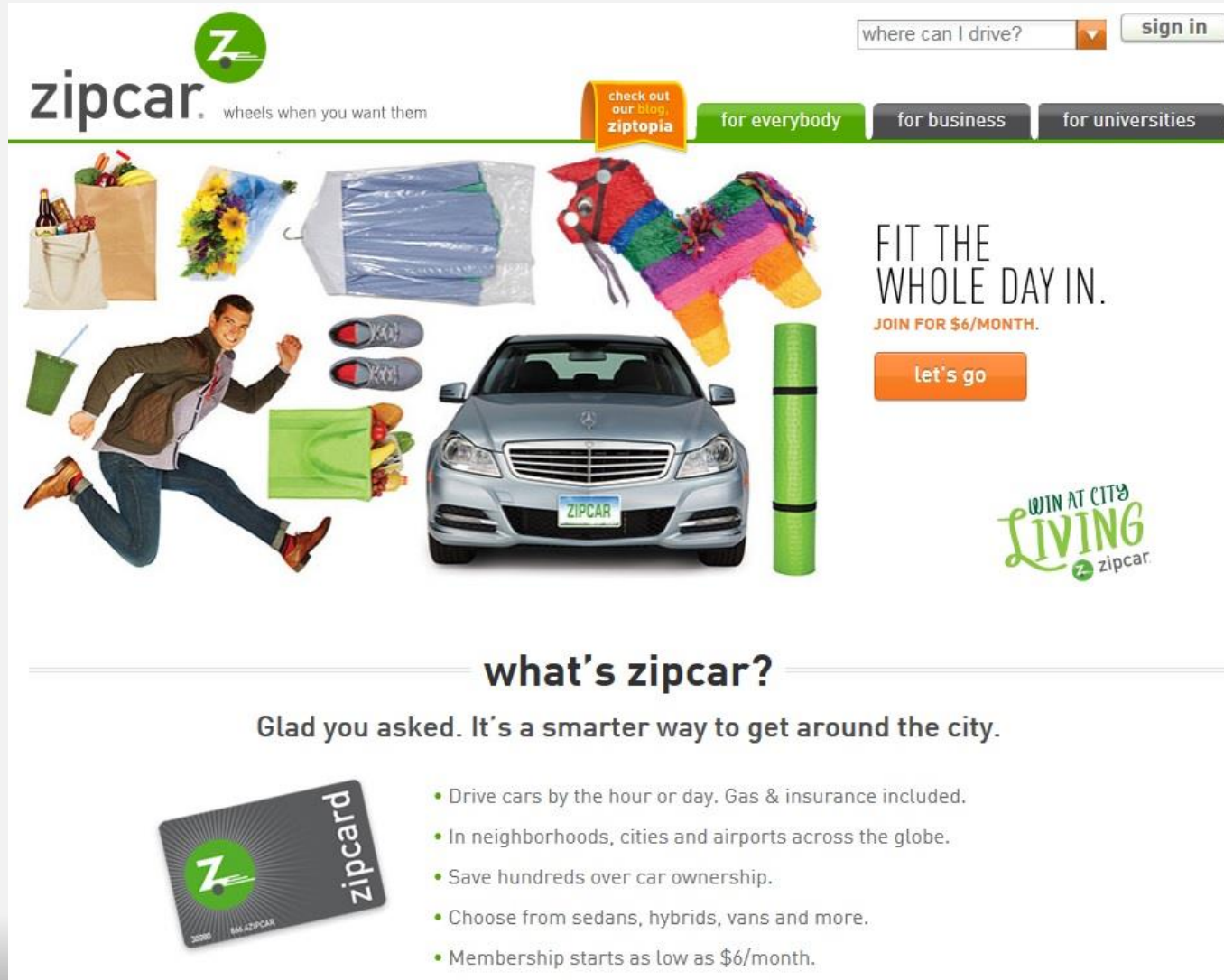


Case-zipcar

Dr. Jack M. Wilson Distinguished Professor of Higher Education, Emerging Technologies, and Innovation



The image shows a screenshot of the Zipcar website. At the top left is the Zipcar logo with the tagline "wheels when you want them". To the right is a search bar "where can I drive?" and a "sign in" button. Below the logo are three buttons: "check out our blog, ziptopia", "for everybody", "for business", and "for universities". The main banner features a silver Zipcar with various items floating around it: a shopping bag, a bouquet of flowers, an umbrella, a piñata, a pair of shoes, a green bag, and a rolled-up mat. A man is running towards the car. Text on the banner reads "FIT THE WHOLE DAY IN. JOIN FOR \$6/MONTH." and "let's go". A "WIN AT CITY LIVING" logo is also present.

what's zipcar?

Glad you asked. It's a smarter way to get around the city.

- Drive cars by the hour or day. Gas & insurance included.
- In neighborhoods, cities and airports across the globe.
- Save hundreds over car ownership.
- Choose from sedans, hybrids, vans and more.
- Membership starts as low as \$6/month.

- Drive cars by the hour or day. Gas & insurance included.
- In neighborhoods, cities and airports across the globe.
- Save hundreds over car ownership.
- Choose from sedans, hybrids, vans and more.
- Membership starts as low as \$6/month

Consider the case of zipcar

- **History**

- Launched in 2000 in Cambridge, MA by Robin Chase and Antje Danielson
- They thought of it as a car sharing program.
- 40% of members sold/didn't purchase car
- zipcar provides an iPhone or Android application that allows members to honk the horn to locate a Zipcar and unlock the doors.
- The company did an IPO in April 2011
- Now a subsidiary of Avis Rental Car
- 810,000 members July 2013:
- 10,000 vehicles
- Clean fuel and low-emission vehicles: Toyota Prius, Insight hybrid, Civic Hybrid, Honda Fit EV all-electric car.
- United States, Canada, the United Kingdom, Spain and Austria
- They did not see themselves as competing with the rental car companies since they had a very different business model.



Membership

- Zipcar is a membership service on so that membership is required before one can rent a car.
- Members are able to view vehicle availability and reserve a self-service car via the internet, iPhone and Android applications, or telephone, in increments as short as thirty minutes and pay only for time they reserve.
- Zipcar vehicles report their positions to a control center using in-car technology.
- In the U.S., each reservation entitles the members up to 180 miles (290 km) for each 24-hour period.
- Canadian members receive up to 200 kilometres (120 mi) with each reservation for the first 24 hours, and 15 kilometres (9.3 mi) per each additional hour beyond the initial 24.
- Individual members can sign up for one of two different plans,
 - the "Occasional Driving Plan" and the
 - "Extra Value Plan".
- Members are given an access card containing a wireless chip that will open the vehicle they have reserved only at the time they have reserved it.
 - The reservation includes driver's insurance, a gas card for the car, reimbursements for fuel obtained at gas stations that do not accept the included gas card, and up to \$15 in reimbursements for typical car maintenance items like car washes and window wiper fluid refills. A member can reserve and use a Zipcar in any Zipcar city.

Zipcars rule sheet:

6 Simple Rules

report damage

Before you drive away, inspect your Zipcar inside and out. To report damage, a dirty car or low fuel, call 1-866-4ZIPCAR.



keep it clean

Take personal belongings with you when you go and throw away or recycle any trash.



no smoking

Not even with all the windows down or all the doors open. The cars don't like it.



fill 'er up

Always leave at least 1/4 tank. Use the fuel card inside the car.



return on time

If you're late, you will get charged a **late fee**. Got an emergency? Call us or text to see if your reservation can be extended.



pets in carriers

Fido and Fluffy need to be kept in a pet carrier at all times. (No matter how cute they are.)



Six Simple rules

1. Report Damage
2. Keep it Clean
3. No smoking
4. Fill her up
5. Return on time
6. Keep your pets in carriers at all times.

Business Model for zipcar

- Core Strategy
 - Provide inexpensive short term vehicles to customers at places where they need those cars and with a minimum of hassle.
- Strategic Resources
 - Core Competencies, convenience and service, customer interaction technologies.
- Partnership Network
 - Universities and Businesses
- Customer Interface
 - Keep the cars in public places near the customers instead of at remote “rental car lots.”
 - Use technology to keep the interaction with the customer to an absolute minimum.
 - This has two beneficial results:
 - It keeps the zipcar’s overhead very low
 - It allows the customer to make the purchase decision more easily and gives them a certain independence, customer independence

Analysis of competitors

- They did NOT see rental cars as their competitors.
- They considered car ownership the competition.
 - Car ownership is clearly a substitute.
- On the other hand, the car rental companies DID see them as a competitor –or at least as a potential substitute.
 - Avis purchased them in 2013 for around \$500 million in cash.
 - National competitors: Hertz on Demand, Enterprise's WeCar, UHaul's Uhaul Car Share, and Daimler's Car2Go
 - Regional Competitors: City CarShare in the San Francisco Bay Area, Mint in New York and Boston, I-GO in Chicago, eHi in China, Zoom in India, Zazcar in Brazil

Porter Five Force Analysis

- Bargaining power of suppliers (**Low**)
 - Their suppliers were the automobile companies and those companies were vying with one another to be part of zipcar's fleet of cars. Zipcar had the power in this relationship.
- Bargaining power of customers (**High**)
 - The customer bargaining power is very high. They have many alternative –including public transportation. Interestingly, a survey of zipcar members revealed that the tend to use public transportation more than non-members do.
- Threat of new entrants (**Medium**)
 - Zipcar is an established brand with loyal members. It takes a lot of capital to acquire the cars and to find the places to store them in locations convenient to customers. An entrant would have to surmount these barriers. On the other hand the existing rental car companies had the size and scale to launch their own entrants into this industry.
- Threat of substitution of an alternate product or service. (**High**)
 - As mentioned above, potential members have many alternatives for transportation.
- Rivalry among the firms in an industry. (**Low**)
 - It has been low since there were not many firms with the geographic reach, size, and capabilities to compete with them. That is changing as more companies are entering the filed. I expect that rivalry to increase over the next few year, but Zipcar still has the strong brand and loyal membership core.

Questions

Answer these questions:

- 1. They did not see car rental companies as competitors. Instead they saw car ownership as their competition. Were they correct?
- 2. Why would a car rental company buy zipcar?
- 3. Based upon the five force analysis and your understanding of economic forces, technology forces, demographics, and regulatory force, do you see them continuing to be successful in their current business model?