

Case-zipcar

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The screenshot shows the Zipcar homepage. At the top, there's a search bar with "where can I drive?" and a dropdown arrow, followed by a "sign in" button. Below the search bar are three buttons: "check out our blog, ziptopia" (in a yellow box), "for everybody" (green), "for business" (grey), and "for universities" (light green). The main visual features a man running with groceries, a bouquet of flowers, a pinata, a car, and a yoga mat. A banner on the right says "FIT THE WHOLE DAY IN." and "JOIN FOR \$6/MONTH." with a "let's go" button. A "WIN AT CITY LIVING" logo is also present. At the bottom, there's a section titled "what's zipcar?" with the text "Glad you asked. It's a smarter way to get around the city." and a list of benefits.

zipcar wheels when you want them

check out our blog, ziptopia

for everybody for business for universities

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JOIN FOR \$6/MONTH.

let's go

WIN AT CITY LIVING zipcar

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.



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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 acquired in 2013
- 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 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 in the early years
 - 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. This is not much of a threat to Zipcar. The auto industry has many options for Zipcar to bargain with.
- Bargaining power of customers (**High**)
 - The customer bargaining power is very high. They have many alternatives –including public transportation. Interestingly, a survey of zipcar members revealed that they tend to use public transportation more than non-members do. Buyers have many options and potential substitutes (see below).
- Threat of new entrants (**Medium to Low**)
 - 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. This is moderately low at this point. There had been new entrants, but the pandemic caused several of these to founder. GM closed Maven. GetAround is struggling. Daimler & BMW pulled Share Now/Car2Go, out of North America. . Enterprise suspended efforts in mid 2020, but still operate.
- Threat of substitution of an alternate product or service. (**High**)
 - This is huge. Many view Uber and Lyft as potential substitutes and, of course, owning a car is the largest substitute. Public transportation is another substitute. Rental cars remain a substitute. 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 field. I expect that rivalry to increase over the next few years, but Zipcar still has the strong brand and loyal membership core. There are several rivals with some power, but overall Zipcar has a substantial first mover advantage and size advantage. Turo and GetAround use another business model in which, like Uber, private cars are shared, but you borrow and drive someone else's car. Enterprise has a small effort remaining.

Current Challenges

- Car sharing service Zipcar is solving its single biggest problem: You don't have to return cars to the same place you got them
 - <https://www.theverge.com/2016/2/25/11110338/zipcar-one-way-car-sharing>
- Zipcar will now let you access a car within minutes of signing up for the service: You'll just need your driver's license and a selfie
 - <https://www.theverge.com/2020/5/13/21257995/zipcar-instant-access-car-within-minutes-smartphone>
- Zipcar's customer service outrages its users, draws backlash (CNN)
 - <https://www.cnn.com/2020/07/14/tech/zipcar-customer-service/index.html>
 - *"CNN Business reached out to dozens of people like Plucnik who had mentioned the car-sharing service on social media platforms this year, and spoke with 16 customers, most of whom were satisfied until recently. They said that the car-sharing service's quality had deteriorated in recent months, and that some cars are especially dirty, or not even available when members arrive for reserved rentals, a trend they say has worsened since the pandemic. Zipcar apologized for the shortcomings in a statement to CNN Business and said it's taking steps to improve the service."*

Other References:

- Zipcar confronts surge in interest after lockdowns eased - The Boston Globe
 - <https://www.bostonglobe.com/2020/08/11/business/zipcar-confronts-surge-interest-after-lockdowns-eased/>
 - “When COVID hit in March, Zhen said, Zipcar trimmed its fleet extensively, moving many cars out of expensive parking spots, as demand dropped amid widespread shutdowns. The game plan: to take a conservative approach, to survive the pandemic. It was critical to keep going, she said, to support Zipcar’s members. Meanwhile, a few rivals simply got out of the business. Starting in mid-May, requests for cars came in at a much faster pace than Zipcar had expected. For example, in New York City, demand rose 70 percent in June compared to the same month in 2019. The company’s often-touted fleet management system fell short, leading to more missing cars and backups with customer service.
- Zipcar Case Analysis - PHDessay.com
 - <https://phdessay.com/zipcar-case-analysis/>
- Car-sharing offers ways to profit from or ditch personal car (apnews.com)
 - <https://apnews.com/article/bd19601a3b664ad3be5008dae97bebe>
 - More than half of Zipcar members got rid of their personal car after becoming a member, 87% of its customers spend \$300 per month or less on transportation, and 40% of its customers have a household income that's below the U.S. median. Maven, owned by General Motors, offers car-sharing for drivers borrowing cars for their personal use and those driving for delivery services or ride-hailing companies like Uber and Lyft. Some companies such as Envoy and AAA-owned Gig specialize in shared electric or hybrid vehicles. On Turo.com, borrowers can choose from a wide range of vehicles from a BMW Z4 to a Dodge Ram Pickup, an environmentally friendly Toyota Prius, a 10-year-old Ford Focus for \$53 a day or an 8-year-old Lexus RX 350 for \$64 a day.

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? When answering this question, be sure to check to see how things may have changed since the pandemic.