ZIPCAR

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BUSINESS STRATEGY AND POLICY

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EXECUTIVE SUMMARY

After analyzing Zip car situation in the industry with a Porter 5 forces analysis, internal factor evaluation, external factor evaluation, and the TOWS analysis, I came out with some strategic ideas that based on the implication of business concepts along with the business idea of Zip car can lead for a better succeed of the company. For the SO strategy, I developed three important opportunities for Zip car. Government got Zip, this consists in working together with the government to reach environmental goal and for Zip car avoid some cost in the long term. Zipster to Wal-Mart, develop a market penetration to focus on a certain group working together with the top wholesaler company in the world would lead for new members to use Zip car. Introduce Zip car to India, this one I think is the most important and very achievable, it is a market that is growing fast with an over populated urban areas. Using a market development will lead Zip car to a new market segment. For the WO strategies, my strategy is aiming for subsidiary agreement to reduce cost. Zip car is a firm that prioritizes environmental concern and government should help industries that try to improve the environment. For the ST strategy, focus Alliance with public sectors, insurance companies to avoid claims and insurances fees. Lastly, WT strategy, selling a part of the company to a big car rental firm to avoid debt, at the worst scenario, there is no need for liquidation; this is a new business model that nobody knows what could be the top for this industry but as for today, is a business model that wants to create a new lifestyle in society.

Company Name: Zipcar Inc

Industry: 5012: Automobile and other motor vehicles

Market: (NASDAQ) National Market

Symbol: ZIP (NASDAQ)

Revenue (Latest Year): $186, 1 million

CAR SHARING INDUSTRY

Car sharing is an industry where society and environmental purposes are more important than business and financial objectives. This type of industry is known as a service for urban communities by helping environmental and communities’ transit goals. Car sharing business is the car rental service of the new era. Generally, customers obtain a one time or annual membership then pay a small rate fee each time they need a vehicle. To differentiate from car rentals services, car sharing has minute, hourly, day services which target another market than any other car rental service. It focuses towards students, business, and residents of urban areas where other ways of transportations are available and where parking fees are extremely high and do not need cars for daily activities. This is a market that is increasing every day, “it is now growing in the US with over 200 cars share programs operating in over 600 cities” (<http://www.cleanfleetreport.com/fleets/car-sharing-competition-hertz-and-enterprise-chase-zipcar/>).

**ZIP CAR**

Zip car has been the car sharing leader in the past years with over 560, 000 members in 50 markets all over the US, Canada, and Europe. They had focused their membership on residential, college, and business markets. CEO of the company had set two main goals for the future: attracting new customers that are not included at the demographic and geographic market that already exist and to find opportunities to increase the customer growth which include future partnership with others companies.

COMPETITIVE ADVANTAGES:

* Leaders in the market with more the 560,000 members. “Zip car, with $186.1 million in revenues, owns over 45% of the market”.(<http://blog.stonestreetadvisors.com/2011/04/19/zipcar-time-to-step-on-the-brakes/>)
* Technology to increase customer satisfaction.”Zip car program is as fast as to take out money from the ATM. In minutes or up to a year in advance, members can reserve Zip cars online, over the phone or by using their mobile device, 24 hours a day, seven days a week (http://zipcar.mediaroom.com/index.php?s=23)”.
* Innovative partnership. Being leaders in the market give them the chance to develop partnership with colleges in order to enter the students market. To increase their potential members, they reduce the minimum age to 18 for the college program.
* “Zip car members have automated access to zip cars using a keyless entry card to simply unlock the door and automated access to zip cars (<http://zipcar.mediaroom.com/index.php?s=23)>”.

CUSTOMER SEGMENTATION

It focused to target 18-40 years old men and women middle working to upper class individuals of any ethnicity, colleges students, businesses and residents in urban areas or college campuses who are concerned about environmental problems and are looking for other ways of transportations available to avoid the high expenses of insurance, cars costs, and where parking fees are extremely high and do not need cars for daily activities.

RATES AND PLANS

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
|  |  | Extra Value Plans | | |  |
|  | Occacional driving | EVP $50 | EVP $75 | EVP $125 | EVP $250 |
| Drinving discount | - | 10% | 10$ | 10% | 15% |
| Pay as you go | / | - | - | - | - |
| Monthly commitment | - | $50 | $75 | $125 | $250 |
| Rollover |  |  | 1mo. | 2mo. | 2mo. |
| Annual Fee | $60 | - | - | - | - |
| **membership fees** |  |  |  |  |  |
| Application fees | $25 | $25 | $25 | $25 | $25 |
| Deposit | $0 | $0 | $0 | $0 | $0 |
| **Mon/Thurs driving rates** |  |  |  |  |  |
| Hourly from | $8.75 | $7.88 | $7.88 | $7.88 | $7.88 |
| Daily(any 24h) from | $82 | $73.80 | $73.80 | $73.80 | $73.80 |
| **Fri/Sun driving rates** |  |  |  |  |  |
| Hourly from | $13.75 | $12.38 | $12.38 | $12.38 | $12.38 |
| Daily(any 24h) from | $124.00 | $111.60 | $111.60 | $111.60 | $111.60 |
| **what is included** |  |  |  |  |  |
| Gas | / | / | / | / | / |
| Insurance | / | / | / | / | / |
| 180 free miles | / | / | / | / | / |

**MAIN COMPETITORS**

HERTZ ON DEMAND

Advantages:

* Partnership with a car service rental. Hertz has introduced **Hertz on Demand**; this is a new market Hertz is entering. As they are owned by a strong brand in car rental service, it is an advantage with other competitors because they have the consumer satisfaction and recognition in the car rental service.
* They have introduced the one way trip service. “You can travel freely with Connect by Hertz by dropping off your Connect car at over 100 locations in greater New York City, Philadelphia, Washington D.C., the Hamptons and Hoboken, NJ. At Connect by Hertz, we understand plans change and we'll change with them. (<http://www.connectbyhertz.com/newyork/About/Oneway)>”.
* Members pay a low hourly or daily rate that includes: gas, insurance, GPS navigation, 24/7 roadside assistance, 24 hour member care center communication, and 180 free miles per 24 hours period.

Disadvantages:

* New in the market, Hertz on Demand even though is a subsidiary of Hertz is a new market they are entering and they have a lack of experience against competition that have been on the market for many years
* Lack of variety of cars. In comparison with Zip car that have around 30 models to choose from, Connect by Hertz offers 6 models that are only sizes for maximum 5 passengers.

**WE CAR BY ENTERPRISE**

Advantages:

* Partnership with a car rental. “We car When choosing corporate partners, probably look for those that are both proven and financially sound. Well, none are more so than the parent company of WeCar, Enterprise Rent-A-Car. For decades, Enterprise has proven to be a valuable business partner with an unmatched record of customer service (<http://www.wecar.com/benefits.html>)”.
* Strategic niche markets. “For the moment, its push nationally will come only through business-to-business ventures, not by opening locations that rent cars to anyone (<http://online.wsj.com/article/SB122282146961692671.html>)”. The idea is to implement a less risk business negotiating with specific groups in universities or government bureaus to use We Car for their employees or students.
* Helping environment. “We Car members are concerned about our environment. That’s why most cars in the We Car fleet are hybrids, and most are primarily fuel-efficient. Because car sharing helps reduce the total number of cars on the road, We Car members help contribute to a cleaner, greener environment (<http://www.wecar.com/pdf/weCarHandbook_2.pdf)>”.

Disadvantages:

* We Car even though is part of Enterprise, the US’ largest rental car company by revenue, is a new market they are entering and they have a lack of experience against competition that have been on the market for many years and have more market share than them.
* Application process takes too long time. “We Car's application process takes three to five business days and requires applicants to fax in a form. Zip car members can do theirs entirely online and receive their Zip card, the device that unlocks the car doors, by mail in one to three business days, or in person at a Zip car office the same day (<http://online.wsj.com/article/SB120235251027849679.html)>”.

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RIVALRY

Mod

BARRIERS TO ENTRY

Mod

BUYER POWER

Low

SUPPLIER POWER

Low

THREAT OF SUBSTITUTES

High

**MARKET ANALYSIS**

Environmental concerns have become a strategic advertisement campaign for many firms in order to increase their dedication in environmental issues. Car sharing focuses on the idea of reducing the ownership of cars in main urban cities to decrease traffic and the pollution that affect Mother Nature. Introducing 100% electric vehicles for public, is the alternative to avoid using gasoline and one of the highlights points of this industry. This is a market place where is still unclear how big it could turn in. “Enterprise Holding Chief Strategy Officer and EVP Greg Stubblefield told in an interview that car sharing is in the early, early stages, and it’s still unclear if it will become more than a niche market (1)”. As today, most of the firms in the industry only offer members renting their cars by hour or daily base and cars have parking lots around urban areas for customer delivering cars. Car sharing industry is a market that is new in consumers’ minds but as economy has not been great, is a great alternative to avoid car ownership. In order to analyze Zip car situation in the market, by using Porter’s five forces will help us will help us having a better understanding of the industry Zip car operates.

**PORTER’S FIVE FORCES**

RIVARLY

INDUSTRY CONCENTRATION

Zip car is the world’s largest car sharing company. As being the innovators of the car sharing industry in the US, they operate in more than 50 cities and 250 college campuses with a total of 605,000 members. “The current market for the US and Europe alone is estimated to be just over $400 million. That means the market (US/Europe) is expected to grow at a CAGR of 32.7% over the next 9 years. Further, it means that Zipcar, with $186.1 million in revenues, owns over 45% of the market (2)”. Due to the high percentage of market share in the market, this makes decrease the intensity in certain point because car sharing industry is increasing in new firms entering the market.

IINCREASING COMPETITION

However, even though they have a significant percentage of the market share in the industry after they merged with Flexcar, Inc and purchased Streetcar limited in 2010, competition has increased in the car sharing industry. Some of the big car rental services firms have started entering this niche marketing. Hertz on Demand by Hertz Global Holding Inc and We Car by Enterprise have the advantage of the recognition on the car rental service will be a strong fight to take does share from Zip car. “We car When choosing corporate partners, probably look for those that are both proven and financially sound. Well, none are more so than the parent company of WeCar, Enterprise Rent-A-Car. For decades, Enterprise has proven to be a valuable business partner with an unmatched record of customer service (3)”. Due to the introducing to the market of new firms in a niche market, this will increase intensity among competitors.

LOW LEVEL OF DIFFERENTIATION

Car sharing industry is a system adopted by firms that do not have a lot of variation other than by technology. Zip car introduced a system as fast at taking out money of the ATM. “In minutes or up to a year in advance, members can reserve Zip cars online, over the phone or by using their mobile device, 24 hours a day, seven days a week (4)”. Hertz on demand introduced a system that does not need keys for opening cars. “Swipe your Hertz On Demand vehicle entry device over the card reader (located on the driver's side of the windshield) to enter the vehicle (5)”. We Car by Enterprise are focusing their campaigns by using hybrids cars. “We Car members are concerned about our environment. That’s why most cars in the We Car fleet are hybrids, and most are primarily fuel-efficient. Because car sharing helps reduce the total number of cars on the road, We Car members help contribute to a cleaner, greener environment (6)”. This shows that variation in the service has a minimum differentiation. Most of the firms offer the similar features and this gives a high level of rivalry.

LOW SWITCHING COST

As the entire car sharing companies has a low level of differentiation, there is high increase intensity between competitors because customers can switch from one service to another**.** By sharing similar characteristics, car sharing companies have to struggle to capture customers.

THREAT OF SUBSTITUES

It is early to compare this niche market with car rental service due to the significant difference they have in the market. Due to the threats of substitutes is high; car sharing companies have to compete also with car rentals firms, taxis companies, bikes, busses, and friends & families. All of these are alternatives individuals have for transportation (basic need). Car sharing goal is to compete against car ownership rather than any other competitor. This is a lifestyle they are trying to introduce to the market which is cost efficient in compare with car ownership.

BARRIERS TO ENTRY

Even though Zip car introduced the car sharing service in US, is not a market where are high barriers to entry. Zip car as the leader of the market they have a medium power which is more based in technology and brand equity than other reasons. Car sharing is a business model were is more effective working among other organization to avoid high cost like parking, permits, license, advertising. It is estimated that it can cost $1 million to open a new market in the US. As any other business, there are infrastructure costs to cover. “The operator needs to purchase vehicles, obtain insurance, set up a reservation system, hire staff, market to prospective members and find parking near them. It then takes time to build the business and break even. All of these steps require risk-taking (7)”. Big car rental Hertz and Enterprise entering the industry demonstrate that barriers are medium power and depend on the financial condition of companies that wants to enter.

SUPPLIER POWER

As car sharing is a service where they offer car rentals for an hourly/day base, there is no a supplier power in the industry. The suppliers are the car manufactures and the car sharing industry does not have control over them. Either way, there are strategic alliances that may occur with suppliers. “Ford Motor Company (NYSE:F) and Zipcar, Inc. (Nasdaq: ZIP) -- the world’s leading car-sharing network -- today announced a new strategic alliance establishing Ford as Zipcar’s largest university vehicle partner, reaching students at more than 250 U.S. campuses (8)”. The two years alliance established Ford as the largest automobile sources for Zip car’s university programs.

BUYER POWER

Same as supplier power, there is a low buyer power because as Customers are the buyers, buyers are fragmented; there is not buyer that has influence for changing price or product.

**CONCLUSION**

To conclude, car sharing business can be introduced as another transportation option for consumers mind. They target market individuals that live in urban areas and want to avoid the cost of owning a car due to the high expenses of owning a car. It is a alternative society should use in order to help community to avoid the excessive use of cars. In addition, Government is also encouraging the use of electric cars. “A $15M grant funded by the American Recovery and Reinvestment Act through the Transportation Electrification Initiative administered by the Department of Energy Charge Point America will provide 4,600 public and home Charge Point Networked Charging Stations by October 2011, adding to the existing Charge Point Network. Coulomb will work together with its distribution and industry partners to evaluate the demand from the respective geographic regions and allocate charging stations based on this and other factors. ([9)](http://www.chargepointamerica.com/))”. With the support of the government, it is a great advantage for the future.

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* (9) <http://www.chargepointamerica.com/)>

|  |  |  |
| --- | --- | --- |
| |  |  | | --- | --- | |  | External Factor Evaluation Matrix (EFE)CAR SHARING INDUSTRY | |
| |  |  |  |  |  | | --- | --- | --- | --- | --- | | **KEY EXTERNAL FACTORS** | **WEIGHT** | **RATING** | **WEIGHTED SCORE** | | | ***Opportunities*** | | |  | | | 1. Consumers trends in green brands | .20 | 3 | .60 | | | 2. Government support for the adoption of electric cars | .20 | 2 | .40 | | | 3. Building Partnership | .16 | 3 | .48 | | |  | | | | | | ***Threats*** | | | |  | | 1. Battery electric vehicles | .16 | 1 | | .16 | | 2. Insurance and claims | .10 | 2 | | .20 | | 3. Press considering car sharing not profitable. | .11 | 1 | | .11 | | 4. Lack of data | .07 | 2 | | .14 | | **TOTAL** | **1.00** |  | | **2.09** | |

**OPPORTUNITIES**

**CONSUMERS TRENDS IN GREEN BRANDS**

On the results of the 2011 green brands survey (one of the largest consumers’ surveys of green brands and environmental responsibilities), which survey over 9,000 people in 8 countries, stated that “this year's study reveals that consumer interest in green products has expanded across categories. Consumers worldwide intend to purchase more environmental products in the auto, energy and technology sectors compared to last year (<http://www.cohnwolfe.com/en/ideas-insights/white-papers/green-brands-survey-2011)>”. India was the only country that said air pollution is the most important green issue. In order to help the environment, 28% of consumers said that they will buy green auto products in the next year. This is a great international candidate to introduce the car sharing model due to their economic growth in the past years. In the US market for green products, technology and automotive will tend to grow in the future. This trend in society is a great opportunity for Zip car and the car sharing market to increase their customers and brand awareness. With the support of society in concern of environmental issues, people will start to use car sharing service in order to help decrease all the pollution created by cars and avoid the massive use of gasoline for cars. Also, as consumers tend to buy more products in energy, is a great chance to encourage the use of electric cars were it have been already introduced in the car sharing industry.

**GOVERNMENT SUPPORT FOR THE ADOPTION OF ELECTRIC CARS**

***“***Richard Lowenthal, Coulomb Technologies' CEO: “The Obama Administration has set significant and considerable goals for the widespread adoption of electric vehicles in the coming years. This grant will bring thousands of networked charging stations to nine US regions that are slated to receive the first electric vehicles from our automobile partners. These charging stations will build upon our already growing and established network of infrastructure and will accelerate the deployment of public and private charging infrastructure which will in turn encourage consumers to buy electric vehicles.”(<http://chargepointamerica.com/press-quotes.php>). Car sharing mission is to support environmental issues and by the introduction of electric cars, it will reduce the pollution created by the massive use of cars. With the support of the government to adopt the use of electric cars, this will increase individuals to use this type of vehicle that most of the car sharing companies’ offers. Using electric cars will reduce the use of oil and the world would not be to dependant of petroleum. Car sharing is promoting electric cars to encourage individuals to become environmentally concern with the alternative of using their service and become a car-free. This is a great opportunity for Zip car to build relationship with the government to promote the use of Zip car to help the community and the environment.

**BUILDING PARTNERSHIP**

Building a partnership is an important factor to consider for any car sharing firm. Many car sharing companies work close to public sectors to help environmental groups, transit ridership, neighborhood communities that will help promoting car sharing service. Car sharing is a business that works better with a participation of partners. Is an opportunity for Zip car and other car sharing firms because working together with other organization can reduce cost significantly for promoting car sharing service and to avoid other cost. Also another potential partner is working together with business members. “While many of these partner organizations will be small, others can provide a major boost to a car-sharing organization’s membership. The cities of Philadelphia and Berkeley, for example, are providing employees with access to car-sharing as a cost-effective alternative to expensive city fleets (<http://www.citycarshare.org/download/CCS_BCCtYC_Long.pdf)>”. Key partners to consider for car sharing are:

* Cities, counties or countries: they can provide with funding, support with other partnership and other organization, publicity, encourage community the importance of environmental care. Help securing parking.
* Parking: the can provide parking to car sharing companies’ member ideally free or at least discounted.
* Transit Agencies: the use of car sharing involves for some members the use of trains, subways, and busses to get to their homes after check out of the vehicles. Working as partners will help each other. They can provide advertising space in their stations, websites, busses or trains. Parking at transit stations ideally free or discounted.
* Social services providers: they can provide subsidizing or free car sharing to their clients.
* Universities or Colleges: Free parking space or discounted, promote at school to students and faculty members, advertising inside school.
* Community groups: They can provide political support.

**THREATS**

**BATTERY ELECTRIC VEHICLES**

One of the threats in the car sharing industry relating with electric cars is the duration of the battery. “Most electric vehicles need up to four hours to be fully recharged between users – time that the vehicles will be out of service and unable to generate revenue. Coupled with the fact that they are often less desirable to members, this has a major impact on their utilization rate and thus potential to generate revenue. Advanced technology projects that integrate battery state of charge information with the vehicle reservation system can help to minimize downtime for charging, but do not avoid it entirely. (<http://www.citycarshare.org/download/CCS_BCCtYC_Long.pdf)>”. One of the missions of this industry is to support the environment and as the use of electric vehicles are not technically build for long trips, it is still a short distance use and that could affect the numbers of members and the demand of electric cars.

**INSURANCE AND CLAIMS**

Car sharing industry provides in their service gas and insurance fee included in their rates. Members are not charge for extras fees do to insurance security for the cars. Creating a system that need members to be more careful on the use of the vehicles is a factor that companies could not control and insurance claims will occur and the Car sharing firms are the ones that have to deal with that entire problem. “Being willing to closely track even small accidents, and setting up serious consequences (including expelling members) for violations, will help keep anonymous accidents to a minimum. After a certain number of claims, insurance companies may simply stop covering an organization. This is one of the most serious threats to car-sharing’s success. (<http://www.citycarshare.org/download/CCS_BCCtYC_Long.pdf)>”. In this service, members have cannot leave their stuff in the vehicles and they have to deliver the car clean just as any other rental car but as different that it is use for an hourly term and making members use to another habit of living is hard. Members have to work together with the company to avoid any concern.

**PRESS CONSIDERING CAR SHARING NOT PROFITABLE**

Car sharing is an industry where is still unclear how successful it can be. “Enterprise Holding Chief Strategy Officer and EVP Greg Stubblefield told in an interview that car sharing is in the early, early stages, and it’s still unclear if it will become more than a niche market. (<http://gigaom.com/cleantech/the-economics-of-car-sharing-still-unclear-to-rental-car-giant/)>”. It is too early to compare it with the car rental service; In fact, it is an alternative for individuals who want to avoid owning a car. Zip car, leader of the market has been attacked by the press. “Zipcar generated revenue of $186.10 million, with a net loss of $14.12 million. As of December 31, 2010, they had an accumulated deficit of $65.4 million, and in the company’s risk factors in its S1, it says, “We expect to incur a net loss in 2011. We do not know if our business operations will become profitable or if we will continue to incur net losses in 2012 and beyond (<http://gigaom.com/cleantech/the-economics-of-car-sharing-still-unclear-to-rental-car-giant/)>”. In the car sharing industry is an advantage to works as partners with other organization to avoid some cost and with a bad review of your company; this can reduce chance of partnership. The idea of car sharing is not making profit, it is helping the environment.

**LACK OF DATA**

As car sharing is relatively new business model, potential partners doubt about the potential of this service due to the lack of information available about car sharing. Gaining credibility by showing the car sharing business model and the impact it can have in the market is not enough for agencies. Agencies need prove of how profitable this service can be either for investing at the company financially or through giving resources such as advertising and parking. In order to have a better understanding of the potential of this service is important to develop a performance and a cost data by the agencies. Current partners said “It’s one of those ‘good to have’ things that does make a difference, but is difficult to quantify” This show the lack of involvement of the partners to develop a better measurement of the effect of car sharing. Many agencies that want to change to car sharing do not have good data to compare their fleet vehicles to car sharing cost. “The City of Berkeley started its fleet program by identifying underused department vehicles. Because data was manually collected by departments and assumptions had to be made about costs and utilization, it took a year to determine the first 15 vehicles that would be replaced by car-sharing (<http://onlinepubs.trb.org/onlinepubs/tcrp/tcrp_rpt_108.pdf>)”. This is a threat for Zip car and the car sharing industry because the lack of information could delay future partnerships, investors, and members who want to change to this service but do not have the exact measurement to compare it with their actual service.

REFFERENCE

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| --- | --- | --- |
| |  |  | | --- | --- | |  | Internal Factor Evaluation Matrix (IFE)ZIPCAR | |
| |  |  |  |  |  | | --- | --- | --- | --- | --- | | **KEY INTERNAL FACTORS** | **WEIGHT** | **RATING** | **WEIGHTED SCORE** | | | ***Strengths*** | | |  | | | 1. Position in the market | .15 | 3 | .45 | | | 2. Innovative Technology | .15 | 4 | .60 | | | 3.International recognition | .10 | 2 | .20 | | | 4. Innovative Partnership | .10 | 3 | .30 | | |  | | | | | | ***Weaknesses*** | | | |  | | 1.Managing international issues | .10 | 2 | | .20 | | 2. Dependency on third parties | .15 | 2 | | .30 | | 3. High debts amounts in ratios | .20 | 1 | | .20 | | 4. Lack of person interaction | .05 | 2 | | .10 | | **TOTAL** | **1.00** |  | | **2.35** | |

**STRENGHTS**

**POSITION IN THE MARKET**

Zip car has the competitive advantage against their competitors for being the innovators of this service. They are the leaders of the market with 186.1 million in revenues and with more than 45% of the share. Their brand recognition has created Zip car the first word that pops out to consumers about car sharing companies. With more than 605,000 members, “The Company operates a fleet of over 9,000 vehicles in 15 major metropolitan areas and on more than 230 college campuses in the United States, Canada and the United Kingdom (<http://zipcar.mediaroom.com/index.php?s=23)>”. For this factor the weight is 0.15 because they are the leaders of the market and the rate of 3 due to the brand recognition in consumers’ mind that they have created.

**INNOVATIVE TECHNOLOGY**

In 2005, Zip car was in the top two companies for customer service in internet innovation by the BusinessWeek. Their service model is the attraction for their consumers due to the rapidly way to book for a car. Cars can be reserved in a minute or with a year of advance online, by phone, and by mobile apps for Androids or iPhones. “Zip car members have automated access to Zip cars using a keyless entry card (called a “Zip card”) to simply unlock the door and drive away. Zip sters choose the make, model, type and even the color of the Zip car they want depending on their specific needs and desires for each trip and the available Zip cars in their neighborhood (<http://zipcar.mediaroom.com/index.php?s=23)>”. Zip car is always trying to get easier ways for members to use their service and they have gone beyond other car sharing company. They have introduced their service on Facebook, where members can reserve vehicles too. Social network is a 24/7 service use for most of our society today and a great way to interact with consumers for any firm. For this factor the weight is 0.15 because of the importance of technology on their business and a rate of 4 due to their superior service on the web.

**INTERNATIONAL RECOGNITION**

Zip car operates the world leading car sharing service. In order to growth, companies have to enter new market and that has not been the exception for Zip car. They operate in 15 major cities and more than 230 colleges in USA, Canada, and Europe. “In December 2009, Zipcar acquired a minority interest in Catalunya Carsharing S.A., a Spanish limited liability company, known as Avancar, based in Barcelona, with the option to extend its ownership stake to a majority interest through the end of 2011. In April 2010, the company acquired Streetcar Limited, the largest car sharing service in the United Kingdom (<http://zipcar.mediaroom.com/index.php?s=23)>”. We can see that Zip car is reaching new markets focusing on urban cities around the world and that has made Zip car a strong brand globally. For this factor the weight is 0.10 because they have work hard to enter new international market and the rate is 2 because as it is a niche market, it is recognized only in urban cities worldwide.

**INNOVATIVE PARTNERSHIP**

Car sharing is a business that works better with other organization in order to avoid expenses. This business model has been the succeed strategy for making the firm gain revenues. Zip car work together with Business and Universities where both of them gets something to win. In some states they have reduce the minimum age for using their service to 18 years old for college programs. Working with universities and businesses will lead to word mouth marketing that can benefit the recognition of the brand. “Zipcar now provides a self-service, on-demand car sharing program at Stanford University. To use it, simply register as a member, reserve a car online or by phone, use your Zipcard to enter the car, and drive away (<http://transportation.stanford.edu/alt_transportation/zipcar.shtml)>”. At this program they provide students and faculty members an affordable price for their use. For this factor the weight is 0.10 because they are trying to work together with other organization and the rate is 3 due to the company succeed in doing it.

**WEAKNESSES**

**MANAGING INTERNATIONAL ISSUES**

The effort of expanding to other international market can cause a lot of risks that could affect the financial condition of Zip car. The need to invest significantly amounts on a market where car sharing would be something new is a big risk. Zip car financial condition is not the best at the moment to make a huge risk to invest in other markets. Some difficulties that can occur are the length of time in acquiring massive members; convenient parking lots; the adaptation of the service to their native language, currency, and financial regulations; transits and insurance regulations; staffing new operations; and most important adapting to the culture where in some cases firms have to change their entire business model to succeed in foreign markets. For this factor the weight is 0.10 because is important to consider this risk before entering a new market. Rate is 2 because their work is average because they haven’t yet accomplished their goals in the foreign markets.

**DEPENDENCY ON THIRD PARTIES**

Zip car succeed has been due to the team work among other organization and has lead it to have revenues. This model creates a high dependency on third parties where zip car has not the entire control of the entire service. For example, third parties are the ones that provide gas credit cars on the vehicles to the members. A third party controls most of the member support calls and general maintenance of the vehicles. If the other organization does not provide the service Zip car expect, it could damage the reputation of the company. Also, they rely on technology the entire service. Customer service, reservations of vehicles and maintenance are made by the web, apps, or by phone. If there is a technical difficulty, computer viruses, low speed internet access, or a use of fraudulent credit cards can affect the business operation. For this factor the weight is 0.15 because they rely to other organizations their service and could harm the organization. Range is 2 because it seems they are controlling this factor as they should.

**HIGH DEBT AMOUNT IN RATIOS**

Car sharing is a market where is not proved profitable yet. Zip car has been the leader of the market but since the creation of the firm, it has experienced net losses. “As of December 31, 2010, we had an accumulated deficit of $65.4 million. We expect to incur a net loss in 2011. We do not know if our business operations will become profitable or if we will continue to incur net losses in 2012 and beyond. We expect to incur significant future expenses as we develop and expand our business, which will make it harder for us to achieve and maintain future profitability (<http://files.shareholder.com/downloads/ABEA-48TM4M/1511660047x0xS1193125-11-97522/1131457/filing.pdf)>”. Zip car market is still considering a niche where you can’t compare it with other rental car service. Most of their profit margins ratios are less in compared with the industry. Their growth profit margin is 44.10 (Industry 46.6), net profit margin is -0.06 (Industry 0.07), return on investment -4.00 (Industry 9.5), and a Net income -23,236.00 (Industry 8,044.00). The main reason of the debt in the ratios is because the acquisitions of other competitors like Flexcar, Inc, Streetcar Limited, and Catalunya Cars sharing S.A. For this factor the weight is 0.20 because I consider is the biggest issue they are dealing now. The rate is 1 because they haven’t come with a solution to solve their financial problems.

**LACK OF PERSON INTERACTION**

As they rely on technology their service, there is a lack of person interaction that for new members could become an issue. It is important sometimes to have a person interaction in order to understand the whole concept of the service. Zip car concept is on self-service, where members have to practically do everything by their own. I believe for early adopters, they should encourage a person interaction for better understanding of their business model. The rate is 0.05 because I consider is the factor with the least of importance. The rate is 2 because, they have control it and is not yet a big issue, where it can be a greater issue on future foreign markets where car sharing is not common.

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### TOWS MATRIX

|  |  |  |
| --- | --- | --- |
|  | **Strengths – S** | **Weaknesses - W** |
|  | 1. Position in the market 2. Innovative Technology 3. International recognition 4. Innovative Partnership | 1. Managing international issues 2. Dependency on third parties 3. High debts amounts in ratios 4. Lack of person interaction |
| **Opportunities – O** | **SO Strategies** | **WO Strategies** |
| 1. Consumer trends in green brands 2. Government support for the adoption of electric cars 3. Building Partnership | 1. Government got Zip (O2, O1,S1, S4) 2. Zipsters to Wal-Mart (O3,S4,S1) 3. Introduce Zip Car to India market (O1, S1, S3) | 1. Aim for subsidiary agreement to reduce cost   (O1, O2,W3) |
| **Threats – T** | **ST – Strategies** | **WT – Strategies** |
| 1. Battery electric vehicles 2. Insurance and claims 3. Press considering car sharing not profitable 4. Lack of data | 1. Alliance with public sectors, insurance companies to avoid claims and insurances fees. (T2, S4,S1) | 1. Selling a part of the company to a big car rental firm to avoid debt(T3, W3, W1) |

**SO STRATEGIES**

1. GOVERNMENT GOT ZIP (O2,O1, S1, S4)

Zip car needs to use its strengths to take advantage of the opportunity. The good reputation of the firm, its service network, and the effective on its industry gives them the competitive advantage against any other car sharing company. As innovators of the service in the US, and the ability to develop strategic alliances that has become successful agreements, Government should be the next target of their new partnership. Obama’s administration declared that they will support the adoption of electric vehicles in the next years with the grant of thousands of networked charging stations in different regions around US. Also, based on the survey 2011 green brands survey, it stated that for the next years, consumers will focus their purchases on green automobiles, and energy products. With the support of the government and the application of a market penetration to create an intensive marketing campaign, it will create a competitive advantage against other main competitors like Enterprise and Hertz. In the long term working together with the government to promote the important of helping the environment, it could lead to agreements to get parking for Zip car for free or discounted prices around main cities and to subsidize some cost for the car sharing business in order to create a new lifestyle in America to stop the massive use of oil.

1. ZIPSTERS TO WALLMART (O3,S4,S1)

Wal-Mart is the biggest wholesaler in the world and the top company of the 500 fortune companies. The opportunity of building partnership among with the strengths of the position of Zip car in the market and the innovator partnership, another big target alliance is Wal-Mart. As the target market of Zip car are in urban cities like New York, Wal-Mart location are far from Manhattan due to regulation against the introduction of Wal-Mart in the city of New York. There is no urban transportation that can take you there. This is a great opportunity to advertise a weekend for shopping at Wal-Mart. Create an agreement that both parties can gain something from it. The idea is to get parking lots and advertising on the Wal-Mart parking space for Zip car member and develop a one way trip to reduce cost for members. Zip car can provide discounts for Wal-Mart employees to become members and also to promote the eco-friendly campaign to reduce the use of car ownership. For this strategy I will recommend the use of product development which is modifying the existing service to increase sales. This is a great opportunity for Zip car to market a grocery day and give better rates to encourage members to shop at Wal-Mart.

1. INTRODUCE ZIP CAR TO INDIAN MARKET (O1, S1, S3)

Zip car have strong brand recognition globally. They operate in US, Canada, and Europe but in my opinion, there are markets where is a great opportunity to enter. They have the competitive advantage against other car sharing companies because they the most market share in the industry. On 2011 green brands survey, they stated that India was the only country that said air pollution is the most important green issue. For the next year, 28% of consumers said that they will buy green auto products. India is expected to be one of the potential countries is the next years due to their economic development. The founder of Car sharing Portland said “The transportation system in India was already at capacity- trains were long and very crowded; buses were packed for 12 hours a day; roads were narrow, bumpy and travel was slow. And we could see that even relative prosperity was resulting in rapid expansion in the number private cars (<http://carsharingus.blogspot.com/2009/06/carsharing-in-india.html>)”. This is a great market sector Zip car can target in the future. Only Mumbai, one of the main cities of India, has a population of 20, 748, 395 million habitants, were habitants are concerned on environmental issue. For this strategy, I recommend the use of a market development that is the common strategy firms use to introduce their existing products to new geographic areas.

**WO STRATEGIES**

1. AIM FOR SUBSIDIARY AGREEMENT TO REDUCE COSTS(O1, O2,W3)

Car sharing business model has not yet proved how profitable it can be, Zip car as the leader of the industry had losses since the introduction to the market. It is a business models were they prioritize environmental issues other than profit. They have dedicated their service to help the community and to encourage individuals to avoid the car ownership to reduce cost and help the Mother Nature. Based on the response of the 2011 green brand surveys, consumers have understand the importance in using green products and services. Also, Government has declared to support the use of electric cars to decrease the use of oil. Zip car, as leader of the market, should discuss a subsidiary agreement with the government to encourage the use of car sharing. This is a niche business model that has a high dependency on third parties and costs are very high, having a net profit in a short term is impossible. The strategy that I recommend is market penetration in order to develop a massive advertising campaign for government understand the importance of the use of car sharing business model to decrease pollution.

**ST STRATEGIES**

1. ALIIANCE WITH PUBLIC SECTORS, INSURANCE COMPANIES TO AVOID CLAIMS AND INSURANCE FEES( T2,S1,S4)

Zip car should alliance with insurance companies to reduce the risk of fees that involve in this service. Zip car has to pay insurance more in the universities programs because they lower the age for driving to 18 years old to attract college students. Working among with a Insurance company where they can agreed in both parties to get something in favor each one, this will lead to avoid insurance cost. Zip car can give their insurance employees transportation and encourage them to join their service which could include discounts. For this strategy I recommend the use of market penetration in order to advertise future alliances.

**WT STRATEGIES**

1. SELLING A PART OF THE COMPANY TO A BIG CAR RENTAL FIRM TO AVOID DEBTS(T3, T4,W3, W1)

In order to avoid the managing international issues, costs, investments, loans, lack of data about car sharing, and the high debt Zip car had accumulated that even the top executives of Zip car does not know if they will continue next year, a solution to stop all the press considering car sharing not profitable, is with the use of divestiture to sell a part of the company to focus on the firm’s strengths or core strength. A big rental firm like Budget will want to enter to a market where other car rental companies already did.

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