

A study on car sharing marketing essay



**ASSIGN
BUSTER**

Car sharing begun as experimental car sharing in 1948 with project Selbstfahrergenossenschaft conducted at Zurich as part of housing cooperative. The modern car sharing project however introduced in 1969 with Witkar or “ White Car” project in Amsterdam. It was the evolution of Luud Schimmelpennink’s “ White Bicycle” program where society could borrow and use any white bicycle located in the city of Amsterdam, and simply leave them at point of destinations. The “ White Bicycle” later evolve into Witkar or “ White Car” when Schimmelpennink introduced thirty-five three-wheeled electric vehicles situated in five different centres around Amsterdam.

Modern-day car sharing is the evolution of Witkar concept, where users were given access key to vehicles which they could use and return at place nearest to them. Advances of technology and communications lead to innovations and car sharing expansion globally. Car sharing was introduced in the US in 2000 by Flexcar and Zipcar. Currently car share operators have presence in 17 countries around the world mainly in Europe and the US.

Analysis of Market

Zipcar

Robin Chase and Antje Danielson founded Zipcar in June, 2000 at Boston, Massachusetts. Zipcar expansions outside the US markets begun with Toronto, Canada in May 2006. Currently Zipcar has the presence in fourteen states and provinces besides London, Toronto and Vancouver. Zipcar is the largest car sharing operator in North America and the world. Zipcar for Business (Z2B) program was introduced in 2004, to provide transportations for businesses around the country. Customers included Whole Foods and

Krispy Kreme. Strategic alliance with universities in the US were developed in the same time. This allowed car to be located on colleges campuses besides giving discounts to students.

The merger of Zipcar and Flexcar in 2007 increase the fleets from 3500 vehicles to 5000 vehicles. It is also the only company that achieve profitability in all the market it operates. Zipcar has the goal of reducing cars on the streets besides reducing the time we drive them. It has managed to reduce more than 20000 cars off the streets.

Car Sharing

Zipcar operations are memberships basis. The start-up membership fee in the US is \$100, and the annual membership fee of \$50. Hourly usage rates start from \$7. 50 per hour or \$56 per day. Members received Zipcard as proof of membership. The card also serves as unlocking device for all vehicles within Zipcar fleet. The key to the vehicle is attached together, and the windshield door will be unlocked when the Zipcard is waved near the windshield.

The technology developed by the Zipcar, used together with Cingular's wireless network allowed alternative options of car ownership while maintaining ease of use, convenient, reliable and secure as a privately owned car.

With the advancement of internet and wireless technology, Zipcar allowed members to reserve car 24 hours a day, seven days a week through internet or automated phone system. The reservation system unlocked the reserved

Zipcar when RFID reader on the windshield received signal from Zipcard flashed by members via Cingular's wireless network. The car sends usage information back to Zipcar at the end of usage to update monitoring system besides charging members for the reservation made.

Members could left behind valuable item in the car after finished using them. Hence, Zipcar created a distributed self-service system, where members are encouraged to leave the items in the vehicle when found the left or lost items, and report them online. Items owner could visit online "lost and found" to check if any member reported the lost. Zipcar details in the report allowed members to reserve the same car again in order to retrieve the lost items.

Competition

With the success at North America, and United Kingdom, Zipcar will be entering Malaysia as an innovative and new concept. Thus there are no direct competitors which already fulfill the need our service provides. With that being said, there are three categories of industries and firms which will indirectly compete with our product and thus are worth being discussed and examined. These three categories include car ownership, car rental, and public transportation. Briefly, as mentioned earlier, utilization of our service can very realistically serve as an alternative to car ownership. In fact two studies in the United States have shown that under moderate to average use, car sharing will prove less costly than ownership. This is especially true in Malaysia, a market with extremely high fuel, car tariff, and toll prices. While our pricing strategy does not consider ownership as a competitor, it is

a note to bring out in our marketing strategy and campaigns. For instance, because land is scarce in Kuala Lumpur, there is a high cost for parking.

The second indirect competitors are car rental agencies. It is again important to clarify the differences, both operational and target market, between traditional car rental firms and Zipcar, a car sharing operator. The two primary distinguishing factors are that our vehicles are available for use on an hourly basis, rather than a daily minimum, and our vehicles are centrally located in various sites around the city, rather than centrally located near an airport. The target market of most car rental agencies are tourists who are visiting the city for a minimum of one day, not the residents who live in the city as is our target market. Major international car rental companies which operate in Malaysia include Budget, Avis, and Hertz. They operate hundreds of outlets across Malaysia, offering cars in all sizes and, in some cases, large vans, and buses. Average rental prices at these firms in RM 120 for a twenty-four hour period, with unlimited mileage are as follows;

Sub-compact for RM 120, Compact for RM 90, Intermediate for RM 150 and Standard RM 200. These prices played a significant role in the hourly pricing structure we ultimately decided on for our service. However competitions from car rental industry is higher among the three as there are car rental agencies that charge hourly rates, besides 8. 00am to 8. 00pm rates like KMT Global.

	Pacific rent a		Budg		Hert
Car rates comparisons	car:	KMT Global	et	Orix	Avis

8. 00 – 8. 00	Dail	Hourl	Dail	Daily	Dail	Dail	Daily
---------------	------	-------	------	-------	------	------	-------

	00	y	y	y		y	y
Perodua Kancil			30	90	108		
Perodua Kelisa			30	140	135		
Perodua Viva			30	120			
Perodua Kenari			30	150			
Perodua Myvi			35	180			
Proton Saga (A)		168	35	170			
Proton Wira (M)	88	178			158		
Proton Wira (A)	108	208	40	180	178	208	219
Proton Waja (A)	138	248	45	230	198	258	218
Proton Gen 2 (A)		248			198		
Proton Persona (A)		248			298	238	
Proton Perdana	168	348	80			358	
Honda City / Toyota Vios		288				288	188 319
Nissan Sylphy		348					
Toyota Altis 1. 8		348				398	359

Toyota Camry / Honda

408 529

Accord

Nissan X-Trail (4WD)

468 389

The final indirect competitor for our product is the public transportation systems. Kuala Lumpur has a network of LRT, bus line and taxis, which are the most convenient means for moving around Kuala Lumpur (see MAP of LRT, RAPIDKL). However, again the target market of this transportation mode differs from ours. The user base of people traveling within Kuala Lumpur using our service will be limited to those needing trunk space or the other conveniences of their own vehicle. Our product is more geared towards those users who will be leaving the city limits of Kuala Lumpur, where mass transit lines are less convenient and available. This also avoids head-to-head competitions with public transportations as government is improving the transportation systems in order to improve target ridership to 600, 000 per day in 2012 compared to 240, 000 currently.

Car Sharing SWOT Analysis

Strength

Klang Valley with estimated populations of 5. 7 million provides huge market for Zipcar. 25% of them are between 18-35, whom are the targeted group for Zipcar members. They consist of students and working adults. Monthly consumption expenditure for this group is about RM2, 300 per month.

There are 14 private and public universities in Klang Valley. These are the excellent hub for Zipcar besides government complex and commercial areas.

Leasing the parking space there allows accessibility to the target group.

Zipcar members contribute to reducing road congestions by car sharing.

Zipcar allowed vehicle to be shared after office hour base on hourly rate, unlike car rental where could be only be reserved on office hour, and rented on daily basis. The flexibility, and savings sets apart Zipcar from car rental agencies. Members could use public transport to commute to work, but have the access to driving when required.

A Zipcar member is also relieved from obligations of paying car insurance, road tax, maintenance of the car, financing cost and car repairs. These give them more financial freedom versus owning a car.

Weakness

GDP for Q3 2009 was -1. 2, while Q4 2009 was 4. 5. Malaysia economy is recovering beginning Q4 2009. However, middle income group besides students has become more prudence in their expenditure, preferring to use public transport when situation permits.

Malaysia is the only nation in Asean producing its own car. Government has policies protecting the national carmakers, encouraging car sales from Proton and Perodua. High car ownership certainly reduces the appeal of Zipcar.

The reservation, pick-up and return Zipcar is self-service, done on website, and depending on hand phone. Members need to have credit card for registration and payment purpose. Those without credit card will be unable

to use Zipcar. Zipcar also cannot be parked at sub-urban where hand phone coverage is inaccessible.

Opportunity

Although with the improving economic outlook, middle income group would still reduce unnecessary expenditure. Instead of buying a car, they could opt for car sharing where savings could be achieved. Studies by AAA in the US showed that sharing a car cost lesser than owning a car when driving less than 30 hours a month.[i]Increasing hidden cost in car ownership also increase the appeal for Zipcar, as parking cost could be avoided besides maintenance and other miscellaneous costs like road tax and insurance. Passenger vehicle ownership in Malaysia is a costly affair as they cost between

Government plans to improve and extend public transportations network would complement for Zipcar. Current public transport ridership in Klang valley is 240, 000 and government plans to increase them to 600, 000 in 2012. This provides huge opportunity for Zipcar as Zipcar strategy is to provide transportation for areas beyond the reach of public transportation coverage. Zipcar will be located at reserved parking lots at the bus stations and railway stations at the end of the route. This serves as a transportation mix for drivers, providing the convenience of driving to members.

Klang Valley car ownership per 1000 people in 2002 was 994. With the growing vehicle sales in Malaysia, the vehicle ownership today is much more, with a person own a car at least. Malaysia has the fourth highest car ownership ratio in Asia Pacific after New Zealand, South Korea and

Australia[ii]. This gives big potential in introducing car sharing concept in Malaysia. Malaysia neighbour in the south has two companies operating car sharing, i. e., Kah Motor Co. and NTUC Car Cooperative[iii].

The experience from the US operations showed that each Zipcar there takes 15-20 personal registered car off the road. Based on that, Zipcar targets to reduce 10 personal cars off the road in the Klang Valley for each Zipcar[iv]. This could reduce carbon emission to the atmosphere, and being environment friendly.

Threat

Increasing petrol cost reduces the appeal for Zipcar. Although members are not charged based on petrol cost, but they are billed according to the mileage, which link directly to petrol cost. Mileage charges by Zipcar are adjusted according to the petrol price set by the government.

Competitions from car rental agency is expected to be high as the industry mature. There are agencies that offered hourly rate besides corporate rate for corporate customers. This could compete with Zipcar.

Zipcar needs lots of parking hubs for its fleet. Increasing parking cost certainly increase operation costs for Zipcar.

<http://www.rapidkl.com.my/network/rail/railmap>

Source: Malaysia Automobile Association[v]

Porter 5 Forces

Source: Ministry of International Trade and Industry, Malaysia[vi]

<https://assignbuster.com/a-study-on-car-sharing-marketing-essay/>

Business Proposition**Measureable and attainable objectives**

Zipcar has imagined a future where major cities in the world will have less car owners compared to car-sharing individuals. Similar to Zipcar of the USA, our mission is to enable simple and responsible living. How? Our Zipcar model is drawn around the notion of providing an alternative to car ownership whereby our customers can retain the convenience provided by owning a vehicle without actually owning one. In our business, we value all drivers as tentative partners in our quest to provide mobility at the best value while reducing the carbon footprint. Therefore, our focus will be to provide our partners with exceptional personalized moving experience in a time and cost efficient manner while contributing to the betterment of the environment at the same time.

Our long term goals

- * To be the catalyst of responsible mobility through the new transportation category called car sharing in Malaysia and ultimately South-East Asia

Our short term goals

- * To educate the public on the carbon footprint and how car sharing and Zipcar can impact it.

- * To achieve 20% of overall market share within the first year, hitting a minimal 10, 000 membership mark

- * Achieving double digit growth within the first three years.

* To achieve breakeven point on our investment within three years of operation.

Target Market

Our intended target market is city residents within the Kuala Lumpur/ Klang Valley area who drives and have intention to own a car. We are targeting such individuals within the age group of 18 to 35 years old.

This age group represents some 25% of Malaysia's population. Individuals within this particular age group may be generally categorised as young adults joining the workforce or still undertaking their tertiary education. Being in the early stages of the product cycle, they are classified as the most likely early adopters, fitting our target market. This age group is also one of the largest contributors to the overall workforce in Malaysia (Department of Statistics Malaysia, 2009) at more than 48%, indicating a large pool of population for setting up a market base. It is anticipated that at this juncture, these individuals may not be taking home a disposable income large enough for car ownership but would still be adequate for renting one instead. This relatively young age group are also being associated with newly acquired independence and active lifestyle, hence the increased need to run errands personally and social outings and therefore the need of affordable mobility.

Taking the cue from our sister operation in the US, we shall also be utilising the internet and other mobile telecommunication gadgets such as smart phones to interface with our customers, setting being IT literate into our target market profile. Hence, bandwidth capabilities and infrastructure adequacy play a key role to our business model. Malaysia, for one, had an

exponential growth in the ICT and telecommunications industry whereby mobile phone penetration rate has increased by some five-folds since year 2000 to 100.8% as of end June 2009 while broadband penetration has also increased from 1.0% in year 2004 to 7.5% of the same period. The Internet World Statistics has further ranked Malaysians to be among the top ten internet users in Asia in the 2nd quarter of year 2009, settling at 9th spot with 16.9 million users. The Malaysian government has further taken steps in improving the current existing internet and broadband services to allow a higher internet penetration rate within the population, providing the people including our target age group easier and faster access to online information.

As for location, there is no clear delineation of the exact location of Klang Valley. Generally, the Klang Valley is taken to also encompass the Selangor districts of Petaling, Klang, Gombak, Hulu Langat and Sepang together with the Federal Territories of Kuala Lumpur and Putrajaya. Situated within the Klang Valley, Kuala Lumpur is the capital and largest city of Malaysia. Kuala Lumpur is home to many commercial and social entities such as governmental agencies, private businesses, places of education, religion and culture, just to name a few. With an overall population of about 1.6 million, about 6.1% of the total population of Malaysia is concentrated in Kuala Lumpur, making it the most populated city in Malaysia. It is also the most densely populated city in Malaysia at around 6600 persons per square kilometre. The Kuala Lumpur Structure Plan 2020 has projected that the population of Kuala Lumpur will increase to about 2.2 million by year 2020 with an estimated employment ratio of about 64%. The dense population count is a crucial factor as our business model relies on placing vehicles at

strategic sites around the city where it is easily accessible by our target market.

It is also notable that in year 2000 whereby the per capita GDP of Malaysia is at RM 14, 584, Kuala Lumpur is already clocking in at RM 30, 727, almost twice the amount of that for Malaysia as a whole (KL Structure Plan 2020). This may also be associated with statistics released by the Malaysian Road Transport Department (JPJ) in year 2010 whereby Kuala Lumpur maintains its position as the state with the most number of vehicles registered, indicating a strong demand for vehicles i. e. transportation solutions.

Coming back to our market target, another affiliation could be with the education line. There are more than 14 public and private universities/ colleges within the Klang Valley, each with a steady flow of student population. On one hand, the students will be able to utilise the benefits available from the usage of the Zipcar services i. e. mobility at an affordable price. From the education provider's point of view, reduced number of motor car inflow/ outflow also reduces the demand for on-campus parking; this in turn reduces traffic congestion and the need to provide a lot of parking spaces within the campus grounds. The indirect benefit from this is the greater space available for other developments such as new learning facilities or even just greenery, which helps to balance the ecosystem.

Our target market however is not restricted to those with potential for retail sales; as such individuals coming into the workforce also open another lucrative sector to be explored that is the corporate or business sector. Corporate sales strategy shall include introducing the Zipcar model to

organisations rather than just individuals for the purpose of business travelling or as an employee benefit. The Zipcar USA portfolio of clients includes Twitter, Shepley Bulfinch and many others and has proven to be very successful so far. Locally, we expect a large following from this target market due to the high density of working class individuals especially within the city centre.

Currently, Singapore is the only city within the ASEAN region to have a car sharing program running with a certain rate of success and profitability. New products such as Zipcar may have the potential to open new markets and future growth opportunity. A successful assimilation of this product into the target market is useful in laying a solid foundation when opening up other new markets in the rest of the ASEAN markets.

Positioning

ZipCar is positioning itself as the best value quality car sharing service provider. In achieve this positioning, ZipCar's competitive advantage lies in ability to provide hassle-free usage of choice vehicles at reasonable prices. The unique selling point which sets Zipcar apart from the other competitors is its business objective of providing car sharing, a step towards environment conservation by reducing the overall carbon footprint rather than just car rental. Individuals and organisations are being offered a venue to do their bit for the environment, apart from reducing traffic congestion by lowering the vehicle count on the road. Also, past performance in the United States of America where some 6, 000 vehicles are shared among 275, 000 drivers in 49 US cities in some 10 years enables post-mortem analysis to be conducted

to identify key areas of strengths and weakness and to address them accordingly.

Strategy Statement

The key to the marketing strategy that we are proposing is to promote the ease of using a vehicle without the usual hassle of owning one. Ease of use at a reasonable price coupled with the changing fuel markets where uncertainty is rife forms an attractive selling point.

Our marketing strategy will first involve introducing ZipCar to the public to create awareness for this product. This will be conducted through setting up of a website whereby extensive information in relation to the product, requirements, promotions etc is published. The website can be listed with the online business directory for even better web coverage. Website advertising is one of the most cost effective and efficient methods to disseminate information to a large group of people. This method will appeal to the net-savvy community. Apart from that, we also propose to advertising in specialty magazines such as the “ Malaysia Car” magazine whose subscribers are mainly motor vehicle enthusiasts. Comparatively more expansive than website advertising, this medium may prove effective as readers of such magazines falls within our target market.

The next step shall to establish alliances with other organisations or education centres. Similar to what is done by Zipcar in its operations in the United States, it has provided its car sharing service to students at reduced rates through partnerships with over thirty universities. Statistics has shown that universities which joined this program has enjoyed lower carpark

requirements, which at the same time providing US Zipcar with some fifteen thousand members which accounts for about one-sixth of its overall US membership. This win-win situation would also very much applicable in the Klang Valley education scene with its high density population and limited parking space provision.

At the same time, alliances with local vehicle producers such as Proton or Perodua or with second-hand car dealers to complement the car fleet that ZipCar is having allows the benefit of enlarging the choice of vehicle available, catering to the differing needs of its customers.

Key Planning assumptions (cite)

Looking at the diminishing trend of fossil fuel, more and more of motor car manufacturers today are now shifting their resources towards the development of alternatives such as hybrid cars and electric cars. Current market has it that such cars are generally much more expensive as compared to a conventionally-fuelled motor car and hence may be out of reach of certain working classes. As our market target generally revolves around young adults soon to be or newly absorbed into the workforce, hence we assume that the increasing introduction of these cars will not affect the sales of conventional cars.

Basing on the table, the total number of motor cars is on the upward trend, indicating that the motor cars are still in demand. However, an issue worth considering is the current traffic condition within the Klang Valley whereby traffic congestion is the norm as with many other major cities of the world. The Klang Valley has been reported in the Economic Report 2009/2010 to

have a lowly ratio of 16: 84 in terms of public versus private transport usage. As there are several upgrading of current infrastructure projects in the pipelines of the Malaysian government, the trend for private car ownership is anticipated to reduce. As the tentative objective of reducing traffic on the road is also achievable through car sharing, in this case Zipcar, it is assumed that our business model should also take benefit from these plans.

On another note, literacy rate in population count has increased from 24. 3 million to about 25. 5 million for the same period. We have assumed from these statistics that our target customer base are also increasingly educated, allowing easier dissemination of new information and introduction of new product. It is expected that this knowledgeable population will be more aware of current environment issues and therefore more receptive to new ideas such as what our business is all about to conserve the environment. At the same time, they are anticipated to be able to judge the right from wrong and hence less likely to utilize these car-sharing services for illegal purposes such as committing crimes.

Action Plan

We will enter the Malaysia market through a subsidiary. There are two main reasons for this plan. Firstly, there is no car sharing operator in Malaysia at the moment. This will rule out the possibility of making an acquisition on current existing operator. Secondly, a subsidiary of ZipCar in Malaysia will allow us to build a localized presence in Malaysia to better serve the Malaysian market which is especially crucial during the start-up stage.

This strategy will allow us to transfer the core competencies, business model, and technology platforms from the HQ ZipCar in US to Malaysia while allowing the subsidiary here to possess the ability to adapt to various localized factors such as pricing, corporate culture, and customer relationship management.

Nonetheless, our entrance into Malaysia will clearly face many first mover challenges especially since the idea of car sharing is a new concept in Malaysia. Typically most Malaysian in Klang Valley travels around in their vehicle such as motorcycle or car since vehicle ownership is very high in Malaysia. For cheaper alternative, they also rely on public transportation such as LRT, busses and taxi to travel cheaply in the city.

Cultural Factors and Adaptations to Service the Market

In Malaysia, there are few celebrations such as the Chinese New Year, Hari Raya, Deepavali, New Year, Merdeka Day and School holidays whereby a large portion of the population will returns to their hometown. This will result in high influx of car usages during this period and in turn causes massive traffic jam in the highway systems in Malaysia.

There are two exclusive outcomes which we would like to capitalize on this opportunity. Firstly, we will either see an increase usage in ZipCar as more people travel during this