

Zipcar analysis essay



ZipCar Case Write Up Diagnosis The ZipCar concept shows several favorable data points as a sustainable venture. The data (mostly positive), however, is not the main show-stopper to date. In order to make ZipCar fundable, Robin Chase needs to (1) recruit a capable management team, (2) substantiate her role and that of her partner (give her a non-active role) (3) provide a realistic timeline to develop the IT infrastructure, (4) develop a roadmap to the expansion of ZipCar in Boston, (5) detail a supported analysis on network effects and (5) pinpoint the next target cities and their plans as a venue for fast growth and cash generation.

Right Direction Robin Chase has successfully taken the shared car concept and proved it could work in Boston. Her September operations show that if 40% utilization could be achieved (currently 30%, Exhibit A), revenue ($\$18956 \times 1.3 = \$25,211$) will cover variable cost ($\$9058$), local fixed costs ($\14000) as well as some of the corporate costs as well. Chase additionally has managed her cash flow well, revisited finances to reflect realistic figures, understood the positive network effects of the venture, was flexible to adjust pricing models and finally demonstrated the capability to hire a capable president and release of duty when necessary.

Finally, Chase tried to understand her customers, determined her market size in Boston as well as similar markets where her efforts could be duplicated. The good news As a venture, the new pricing model provides diversification of revenue through yearly fixed fees, hourly revenues, and mileage revenues. As the numbers in Exhibit B show, even with the reduced yearly fee, the increased hourly rate and adding mileage revenue generated 18% more revenue ($\$1696$) than her original model would have.

It also hedges against excessive mileage usage and rising costs. Attrition rates also remained low, decreasing from 6% to 3% in the first four months. With the conversion of certain fixed costs like billing fees (currently high) to variable and addition of reduce weekday daytime pricing (as most of the usage was at nights or during weekends), utilization can be increased and net income could increase as well. Additionally, customer acquisition costs remained very low through viral marketing, press coverage and generalized printed marketing.

Lastly, the September data shows significant cash based revenue. Doubts As stated in the diagnosis, the ZipCar venture needs several changes prior to scalability and consequently, fundability. The first sign of distress is the management team. Currently, Chase is a stay at home mom dedicated to this venture through her home office and her partner Danielson (the idea generator) does not seem to be committed to the venture by keeping her career and being pregnant. Their experience with a new president has not turned out well either.

To bring ZipCar to an operational level, will require a balanced and experienced team. Additionally, as it stands now, the September operations and costs of 44K in fixed costs are not adequately reflected in the business plan forecast. Although the marketing expenditure has been low, Chase has not provided a strategy to continually attract new members or how the network of ZipCars will be optimized to maximize utilization. Growth plans and strategies need to be clearly laid out as well, including next in line target cities and staffing suggestions.

Finally, the \$300K in convertible loans poses another challenge with regards to final equity as they amount to ~25% of the new \$1.3M cash injection

needed, bringing with it issues of controllership for the VCs. Exhibit A Usage

Revenue| 14,644.00 | | Hourly| 9,326.90 | | Daily| 5,317.60 | |

Membership Fees| 1,512.00 | | Application Fees| 2,800.00 | at 40%| Total

Revenue (30% ut)| \$ 18,956.00 | \$ 25,211.48 | | | Fixed Costs – C| 30,

000.00 | | Fixed Costs – B| 14,000.00 | | Variable Costs| 9,058.00 | | # of

cars| 14| | Costs per car| 647| *575+actual ? | Total Cost**| \$ 53,058.00 | |

** Projected costs were lower than actual, adjusted +400 for yearly lease,

and 10% of gas and maintenance Exhibit B # of members (assuming same)|

239| | Hours Billed| 1351| | | Original| New| Hourly rate| 1.50 | 4.50 | Hourly

Revenue| 2,026.50 | 6,079.50 | Late Fees (? from given table)| 1,141.00 |

1,141.00 | Mileage at 0.4| – | 2,106.40 | Annual Fee| 300.00 | 75.00 |

Monthly Fee| 25.00 | 6.25 | Membership Revenue Montly| 5,975.00 | 1,

512.00 | Total Revenue| 9,142.50 | 10,838.90 | Change | 1,696.40 |

Exhibit C Average Members| 190| | | | | | | | | Available days| 439| | | |

Trips| 339| | | | | Trips/member| 1.78| | | | | Anticipated| 4| | | | | Hourly Uses|

218| | | | | Daily Uses| 117| | | | | | | | | Daily Use in hours| 1872| | Daily Use

in Days| 78| | Hourly Use in Days| 56.3| | Usage| 31%| | Target Usage| 40%| |

| | | # of Days| 31| | # of cars| 14| from available days| Cost per car| 647|

excluding mileage, Exhibit 1 + ? s| Revenue per day| 108| | Days to cover

cost| 6.0| | Utilization Needed| 19%| |