

# [Zip car college essay](https://assignbuster.com/zip-car-college-essay/)

1.

Executive Summary Zipcar, a self-service car company with the largest active membership base of any car-sharing service in the United States, is facing a problem with the availability of the vehicle at appropriate time. This situation arises when the customer failed to return its car on time and the next customer is waiting at the parking spot with no car to drive despite following proper procedure in reserving a car online. I have determined that I must investigate and reach recommendation as to what business strategy should Zipcar adopt to operate efficiently in this situation. To reach a recommended course of action, I come up with four criteria : Vehicle availability; customer convenience; financial implications; and market growth. As the vehicle availability is the basic requirement of business such as Zipcar, I base my recommendation on this criterion by assigning double the weight to it as compare to the weights of other criteria.

After the analysis of the case and the information provided by you, I argued that Zipcar should not adopt the status quo and narrowed my alternatives to the following three strategies ·Introduce policies to influence customers behaviour to minimize delay in vehicle delivery ·Increase the vehicles in order to enhance vehicles to member ratio ·Create backup plan for effected customer by forming alliance with the local cab service provider and by leveraging technology After careful scrutiny and evaluation of the alternatives, I recommended that Zipcar should create a backup plan for effected customer by forming alliance with the local cab service provider and by leveraging technology. By implementing this alternative, Zipcar will be able to cover up his key weakness in their operations and avoid any potential damages that could occur from dissatisfied customers. The chief benefit would be a proactive approach, which would guarantee the vehicle availability to all its customers by providing an alternative vehicle. 2. Issue of Concern Zipcar, a self-service car company with the largest active membership base of any car-sharing service in the United States, is facing a problem with the availability of the vehicle at appropriate time. This situation arises when the customer failed to return its car on time and the next customer is aiting at the parking spot with no car to drive despite following proper procedure in reserving a car online.

Since car sharing is among different clients, they are linked to each other’s actions in many ways. If a person books a vehicle, there is a possibility that he might face a situation not commensurate with his plans which makes him unable to return the vehicle on scheduled time. Under these circumstances, anyone who was booked in the same vehicle for next time slot, he will not be able to get the vehicle at the scheduled time, as had happened to Anita Karr in the case. Research findings of “ The Human Behavior Institute” indicate that unexpected time delays will be experienced by over 80% of the customers at some point.

Hence there is ample possibility for majority of the customers of getting extremely dissatisfied and irritated after experiencing such delays in availability of vehicle as per the reservation made, if the problem is not tackled seriously and attended immediately. 3. Recommendation Criteria In order to evaluate the effectiveness of the alternatives and to reach a final recommendation, following criteria is devised: 1. Vehicle availability : It is the basic requirement of the business such as Zipcar. This, being a critical success factor, is an important criterion to evaluate alternatives 2. Customer convenience : It is a prime motive of Zipcar and closely related to customer satisfaction.

Zipcar is making its utmost efforts to better the convenience of its registered members. Hence, customer convenience forms an important criterion to evaluate alternatives. 3. Financial implications : Zipcar is operating in a very competitive market which is very sensitive to the price. It would be hard for Zipcar to pass the financial burden to its customer.

Therefore, any increase in the current operating/fixed costs would have the negative impact on the profitability of the Zipcar. Therefore, alternatives will be evaluated to reach the final recommendation that should have minimum financial implication. 4. Market Growth : Zipcar is growing at very fast pace and would like to continue it in future. Any business strategy adopted by Zipcar at this stage would have long term impact on its growth.

Therefore, market growth become important criteria for basing any recommendation. Of all the criteria mentioned above I have determined that vehicle availability is the most important criterion because it is the basic requirement of Zipcar business. So I would base my recommendation on this criterion. 4.

Situational Analysis Zipcar’s target market is focused on the people living in dense urban residential areas, who do not own a car because of traffic congestions, high parking fees, insurance costs and maintenance costs, and are occasional drivers. Zipcar provides an alternative to car ownership. In these cities, many young professional choose public transportation for their journey to work over fighting the excessive traffic and paying high parking prices. Many university students rely on public transportation to get to school for the same reason of avoiding traffic but also because most university students cannot afford a car.

However the need for car certainly arises at some point. For the longest time the only choices were car rental and taxicabs. However, car rentals required rentals for a full day and taxicabs were convenient but had the drawback of not having the flexibility to stop, stay and go as you pleased. Ideally customers wanted a rental car for a few hours so that a young professional could run some errands or a university student can drive to an important job interview. It was this hybrid rental car idea by ZipCar that filled the customer demand for the need of securing a vehicle for a couple of hours without going through a hassling process. Zipcar is meeting the functional needs of it customer by providing rental cars on hourly basis at conveniently located places which can be reserved either on line or by calling the Zipcar centre, a year in advance or minutes before a car is needed, and the psychological needs by giving its customer a option to select vehicle from its wide vehicle fleet (small cars to luxury cars to SUVs).

Zipcar had positioned itself as a low cost alternative to car rentals and ownership. So it is under constant pressure to operate at high efficiency and to cut costs. In order to increase its efficiency and maximize revenue, Zipcar is trying to fully utilize the availability of its vehicles by reducing the idle time for each vehicle and by minimizing the time gap between two successive bookings. However, the non compliance of its customers in returning the vehicles in schedule time has increased the probability of default by Zipcar in providing vehicle to its customers at the scheduled time. While technological advancements have reduced the need for actual working people greatly in many industries, at some point in the process their needs to be somebody a customer can contact. By allowing the customer to reserve a car for a certain time, there is a certain expectation that the car will be ready to go at that exact time.

It is awfully risky to be solely dependent on the customer returning the car at the required time. In the case, both Sal and Anita were trying to contact customer service rather urgently and both suffered through multiple rings with no answer in sight. This simply cannot happen for a company with a business model that is heavily reliant on its image for quick convenient service. Further, advertisement of the success and fast growth of Zipcar is setting high consumer expectations of its services. Therefore, Zipcar’s underperformance and its services not meeting the high performance expectations will eventually result in dissatisfaction among its customers. This failure has potential for spreading negative word of mouth for Zipcar.

In order to influence its customer behaviour, Zipcar has a policy according to which if any customer fails to extend its reservation time and to return the vehicle on time, a fine of $35 per hour is charged over the normal rent. With this policy in place, the customers are somewhat concerned to return the vehicle within the allotted time period but, at times, it increases their inconvenience when they are forced to do so. Moreover, in an emergency situation which entails inevitable delay (as had happed to Fishman in the case), the problem will remain unresolved. This problem is crucial for Zipcar growth and is only going to compound exponentially with the growth of Zipcar. This issue becomes magnified greatly if the competitors of Zipcar expose this problem.

While ZipCar deserves great credit for identifying a niche market, it is unfortunately not an industry that has a high barrier to entry. Moreover, it is an industry with a low fixed cost and anybody can start their own Zipcar type service by simply buying few cars and renting few parking spots. There are more chances that well established rental agencies like Budget, Hertz, finding it as a profitable business, could get into this industry. Analysis of the case indicates that ensuring vehicle availability as per reservations made by the customer is a critical component because it affects customer convenience, a key indicator which lays the foundation for and decides the success of Zipcar business. Thus, it clearly indicates the requirement of Zipcar to devise an effective business strategy to operate efficiently in this situation. 5.

AlternativesFollowing are alternative course of actions that Zipcar can adopt to alleviate current problem of no availability of vehicle to the second customer, when the first customer is running late in returning its vehicle. 1. Introduce policies to influence customers behaviour to minimize delay in vehicle delivery 2. Increase the vehicles in order to enhance vehicles to member ratio 3. Create backup plan for effected customer by forming alliance with the local cab service provider and by leveraging technology 6.

Evaluation of Alternatives 1. Introduce policies to influence customers behaviour to minimize delay in vehicle delivery : Zipcar can devise policies in two directions to influence customer behaviour to deliver the vehicle in time. One, Zipcar award points to the customers who return vehicles on time which could be redeemed to obtain rebate on future usage. Another, make the current penalizing policy more stringent such as any delay would increase their annual fees beyond hourly charges, and consistent delays without any intimation can even lead to termination of the membership.

The advantage of this alternative is that it does not have any financial implications. Moreover, with this policy in place, people shall become more conscious to return the vehicles within the allotted time period. However, this would not guarantee the availability of the vehicle, as in an emergency situation, the problem will remain unresolved. This would not solve the problem of the customer that has not received the vehicle in time, rather cause the inconvenience to the customer that has pays the fine for delay. Collection of fines will result in increase in revenue of the company, but the amount will be a pittance as compared to the total revenues generated by the company through service sales, and hence shall not have any appreciable effect on the growth of the company. 2.

Increase the vehicles in order to enhance vehicles to member ratio : Zipcar had a fleet of about 400 vehicles and current membership base is about 30000. With the existing membership base, the member to vehicle ratio is 75, which is very high as compare to the industry standards. Thus to ensure that vehicles are almost always available when a member need one, increase the size of the current fleet. The advantage of this alternative is that it would increase the chances of vehicle availability which would lead to high customer satisfaction.

Also, as the company is growing at very fast pace (on average 1500 new members per month), adding more vehicles in the current available fleet would be helpful to meet the demand of its wide customer base. However, this alternative has huge financial implications. Moreover, in the environment with huge possibility of occurrence of emergency situations, big fleet cannot guarantee the availability of vehicle. Also this alternative provides no backup plan for the customer who has not received the vehicle in time. 3. Create backup plan for effected customer by forming alliance with the local cab service provider and by leveraging technology : While this is most likely the future of ZipCar and all rental locations in general, it requires a big capital investment to enhance technological aspect of the business.

The concept behind the technological advancements and its utilization is so as to make all stakeholders fully aware of the status of the situation in crisis situations and to give them the leverage to decide and act according to the urgency of the situation. Hence, as mentioned in the above case, had Fishman, Anita and Zipcar’s responsible person known of the situation well in advance, the results may have been entirely different. However, this only would not solve the problem of the Anita of not having a vehicle. Having an alliance with the local cab service provider, will guarantee the availability of the vehicle and can transfer the customer (in this case Anita) to the another Zipcar spot where some other vehicle is available.

Working with other partners could be beneficial in keeping costs down initially as ZipCar will probably be unsure of how much it will need to spend solving issues with late rentals. By securing access to a car at another rental company, they will be able to measure the cost of providing alternative solution for a customer and then at the end of a year be able to re-assess whether they need to bring the solution in house. This alternative will guarantee the customer with relatively quick access to an alternative vehicle and ensure a smooth transition to calm any anger the customer might have over their car not being available. This simple back up plan shall go a long way in satisfying most of the customers. The initiative taken by Zipcar shall provide tremendous customer satisfaction and have potential to tab the market growth of Zipcar.

While some financial implications is associated with the modification that shall be required to incorporate the system but hese are one time expenditures, and not expected to be a heavy in comparison the revenue generated by the company per year. 7. Recommendations In order to assess the different alternatives I mention in the previous section, I will use the criteria mentioned in section 3: Vehicle availability; customer convenience; financial implications; and market growth. Of all the criteria mentioned above I have determined that vehicle availability is the most important criterion because it is the basic requirement of Zipcar business. So I would base my recommendation on this criterion I set up a chart listing all the alternatives and assign points to each alternative based on the four criteria.

Ranks are assigned with a higher number indicating higher rank i. e. he better the alternative ranked against that specific criteria, higher the number assigned. As mentioned in previous section, I determined vehicle availability as the most important criterion, so I have assigned double the weight as compare to the weights of other criteria.

Finally, the alternative that collects the maximum total points shall be considered as the alternative of my choice. AlternativesVehicle AvailabilityCustomer ConvenienceFinancial ImplicationsMarket GrowthTotal Weight2 x1 x1 x1 x Introduce policies to influence customers behaviour11317 Enhance vehicles to member ratio231311 Create backup plan for effected customer and form alliance with the local cab service provider 322212Based on the analysis of the chart above, it is recommended that Zipcar should create a backup plan for effected customer by forming alliance with the local cab service provider and by leveraging technology. By implementing this alternative, Zipcar will be able to cover up his key weakness in their operations and avoid any potential damages that could occur from dissatisfied customers. The chief benefit would be a proactive approach which would guarantee the vehicle availability to all its customers by providing an alternative vehicle. It would not affect the convenience level of any customer and ensure a smooth transition to calm any anger the customer might have over their car not being available which would increase the customer satisfaction in long run.

8. Action PlanBased on the recommended alternatives, following action plan is required 1. Install a Global Positioning System (GPS) in all vehicles and connect the information received from them to the central computer system 2. Form an alliance with the local cab service providers in each operating city.

Following is a full description of what will happen when a customer is running late when the system would be in place Central computer system would constantly monitor the location of all vehicles and highlight any expected discrepancy (by comparing the approximate time required to reach the designated zipcar spot from the current location and time left for delivering the same vehicle for the next booking) to the Zipcar operator. Zipcar operator would generate mobile message to remind the current user to return the vehicle at appropriate place and request him to respond immediately. The current user can take following actions : ·Intimate Zipcar that he shall be delayed- In such a case Zipcar will immediately make necessary arrangements for a cab to reach the designated zipcar spot in order to give drop the next client to another Zipcar spot where vehicle is available. Then Zipcar should inform the next customer about the expected problem, and the backup plan. This provides an opportunity to the aggrieved client to take a decision based on the circumstances, and well ahead of his deadline.

Does not respond to the phone call – It should be intimated to all customer well ahead of the booking that not responding to the call, Zipcar would automatically extend the booking time by one hours and would charge fine over the normal rate. And for the next client, Zipcar should follow the same course of action as had been taken above. As in the case above, this solution would allow Sal to stay late and pay the extra fine, which he would gladly do if keeping the car landed him a great job and reduce the inconvenience caused to Anita to great extend because she would be aware of the situation and backup plan devised by Zipcar well ahead of time and never had to deal with the anxiety of getting to the spot and not seeing her car.