Case 4:

Zipcar and UBER – it is about sharing

Imagine a world in which no one owns a car. Cars would still exist, but rather than owning cars, people would just share them. Sounds crazy, right? But Scott Griffith, CEO of Zipcar, the world's largest car-share company, paints a picture of just such an imaginary world. And he has nearly 800,000 passionate customers—or Zipsters, as they are called—who will back him up.

Zipcar specializes in renting out cars by the hour or day. Although this may sound like a minor variation on the established rental car agency business, car sharing—a concept pioneered by Zipcar—is an entirely different concept. As Griffith took the driver's seat of the young start-up company, he knew that if the company was going to achieve cruising speed, it needed to be far more than just another car service. Zipcar needed to be a well-positioned brand that appealed to a customer base with unfulfilled needs.

A Car Rental Company That Isn't About Cars

As Griffith considered what Zipcar had to offer, it was apparent that it couldn't be all things to all people. But the concept seemed particularly well suited to people who live or work in densely populated neighborhoods in cities such as New York City, Boston, Atlanta, San Francisco, and London. For these customers, owning a car (or a second or third car) is difficult, costly, and environmentally irresponsible. Interestingly, Zipcar doesn't see itself as a car-rental company. Instead, it's selling a lifestyle. "It's not about cars," says CEO Griffith, "it's about urban life. We're creating a lifestyle brand that happens to have a lot of cars."

Initially, the Zipcar brand was positioned exclusively round a value system. As an urban lifestyle brand, Zipcar focused on traits that city dwellers have in common. For starters, the lifestyle is rooted in environmental consciousness. At first, Zipcar focused on green-minded customers with promotional pitches such as "We ❤ Earth" and "Imagine a world with a million fewer cars on the road." Zipcar's vibrant green logo reflects this save-the-Earth philosophy. And Zipcar really does deliver on its environmental promises. Studies show that every shared Zipcar takes up to 20 cars off the road and cuts carbon emissions by up to 50 percent per user. On average, Zipsters travel 44 percent fewer miles than when they owned a car, leaving an average of 219 gallons of crude oil in the ground. Multiply all this out by 11,000 cars in Zipcar's fleet, and that's a pretty substantial impact on the environment.

But it wasn't long before Griffith realized that if Zipcar was going to grow, it needed to move beyond just being green. So the brand has broadened its positioning to include other urban lifestyle benefits—benefits that Zipcar appeals to on its site in response to the question, "Who exactly is the car-sharing type?" Zipcar provides these most common reasons for car-sharing:

- I don't want the hassle of owning a car.
- I want to save money.
- I take public transit, but need a car sometimes.
- Once in a while I need a second car.
- I need a big car for a big job.
- I want to impress my boss.

One of most important benefits Zipcar provides is convenience. Owning a car in a densely populated urban area can be a real hassle. Zipcar lets customers focus on driving, not on the complexities of car ownership. It gives them "Wheels when you want them," in four easy steps: "Join. Reserve. Unlock. Drive."

Fulfilling Consumer Needs

To join, you pay around $60 for an annual membership and receive your personal Zipcard, which unlocks any Zipcar vehicle located in urban areas around the world. Then, when you need a car, reserve one—minutes or months in advance—online, by phone, or using a smartphone app. You can choose the car you want, when and where you want it, and drive it for as little as $7.50 an hour, including gas, insurance, and free miles. When you're ready, walk to the car, hold your Zipcard to the windshield to unlock the doors, and you're good to go. When you're done, you drop the car off at the same parking spot—Zipcar worries about the maintenance and cleaning.

Zipcar not only eliminates the hassle of urban car ownership, it also saves money. By living with less, the average Zipster saves $600 a month on car payments, insurance, gas, maintenance, and other car ownership expenses. That's like getting a $10,000 a year raise after taxes. In an era when consumers have become more frugal, this is a big plus, especially for those looking to live more minimally.

Zipcar isn't for everyone—it doesn't try to be. Instead, it zeros in on a narrowly defined urban lifestyle positioning. For starters, Zipcar "pods" (a dozen or so vehicles located in a given neighborhood) are stocked from a portfolio of over 50 different models that trendy urbanites love. The vehicles are both hip and fuel efficient: Toyota Priuses, Honda CRVs, MINIs, Volvo S60s, BMW 328s, Toyota Tacomas, Toyota Siennas, Subaru Outbacks, and others. And Zipcar now has plug-in hybrids, fully electric vehicles, and full-size vans for big jobs. Each car has its own personality—a name and profile created by a Zipster. For example, Prius Ping "jogs in the morning; doesn't say much," whereas Civic Carlos "teaches yoga; loves to kayak." Such personal touches make it feel like you're borrowing the car from a friend, rather than being assigned whatever piece of metal happens to be available.

To further eliminate hassles and make Zipcar as convenient as possible, company promotional tactics are designed to appeal to city dwellers. The company's goal is for Zipsters to not have to walk more than seven minutes to get to one of its car pods—no easy task. "Even with today's highly targeted Web and mobile technologies, it's hard to target at that hyper-local level," says Griffith. "So our street teams do it block by block, zip code by zip code." Thus, in addition to local ads and transit advertising, Zipcar reps are beating the streets in true guerilla fashion.

With its eye sharply focused on maintaining the Zipcar image, the company is consistently developing new features that appeal to the tech-savvy urbanites. Recently, the company has shifted its focus a bit from being a Web-based business to being an overwhelmingly mobile concern. Soon, Zipcars will have in-car device holders for smartphones that will allow for easy plug-in and hands-free navigation. The interface between the cars and the users will allow playlists stored on the phone to be played through the car's audio system. Users will be provided with information specific to the vehicle they are in, a personalized deal recommendation service, and a real-time feedback loop where users can report on vehicle cleanliness, damage, and fuel levels.

Fostering Brand Community

Zipcar's orientation around the urban, environmentally conscious lifestyle fosters a tight-knit sense of customer community. Zipsters are as fanatically loyal as the hardcore fans of Harley-Davidson or Apple, brands that have been nurturing customer relationships for decades. Loyal Zipsters serve as neighborhood brand ambassadors; 30 percent of new members join up at the recommendation of existing customers. "When I meet another Zipcar member at a party or something, I feel like we have something in common," says one Brooklyn Zipster. "It's like we're both making intelligent choices about our lives." And just like Harley owners get together on weekends to ride, the Internet is littered with announcements for Zipster parties at bars, restaurants, and comedy clubs, among other places.

As Zipcar has taken off, it has broadened the appeal of its brand to include a different type of urban dweller—businesses and other organizations. Companies such as Google now encourage employees to be environmentally conscious by commuting via a company shuttle and then using Zipcars for both business and personal use during the day. Other companies are using Zipcar as an alternative to black sedans, long taxi rides, and congested parking lots. Government agencies are getting into the game as well. The city of Chicago recently partnered with Zipcar to provide a more efficient and sustainable transportation alternative for city agencies. And Washington, D.C., now saves more than $1 million a year using Zipcar. Fleet manager Ralph Burns says that he has departments lining up. "Agencies putting their budgets together for next year are calling me up and saying, 'Ralph, I've got 25 cars I want to get rid of!'"

How is Zipcar's strategy of positioning itself as an urban lifestyle brand working? By all accounts, the young car-sharing nicher has the pedal to the metal and its tires are smoking. In just the past 5 years, Zipcar's annual revenues have rocketed nearly five-fold, to more than $270 million. Zipcar has also reached the milestone of being profitable. And with 10 million people now within walking distance of a Zipcar, there's plenty of room to grow. As more cars are added, Zipcar's reach will only increase.

Zipcar's rapid growth has sounded alarms at the traditional car-rental giants. Enterprise, Hertz, Thrifty, and even U-Haul now have their own car-sharing operations. Avis also had one. But recently, Avis decided to shut down its own service and buy Zipcar for nearly $500 million. The Zipcar brand will now benefit from cost savings that the large-scale rental service enjoys. As for the others, Zipcar has a big head start in terms of size and experience, cozy relationships in targeted neighborhoods, and an urban hipster cred that corporate giants like Hertz will have trouble matching. To Zipsters, Hertz rents cars, but Zipcar is a part of their hectic urban lives.

Share your car and earn a few bucks - Uber

Uber is a transportation network company headquartered in San Francisco founded in 2009. Uber operates in more than 425 cities in 72 countries and has around 30m monthly users. In 2016 it will probably have around $4 billion in net revenues, more than double the previous year's. Originally dedicated to connecting customers with limos and other ritzy rides, it has since offered a peer-to-peer service called UberX that lets drivers of all sorts of cars offer rides to passengers using its app. This service now accounts for the bulk of the firm's revenues. The company also offers an UberPool service that allows several passengers travelling in the same direction to share a ride. It does not own its car fleet, but takes a cut of the fare in return for providing the platform that allows the drivers to work—typically 25%, with the rest going to the driver.

Uber app released in 2012 enables consumers with smart phones to submit a trip request which is then routed to Uber drivers who use their own cars. Since Uber's launch, several other companies have copied its business model. Uber is becoming the go-to ride service for many, and is on-demand. You do not have to drive whereas Zipcar needs to be booked in advance and you drive the car yourself. Uber provides you with a car and driver; Zipcar provides you with a car. In addition, there are other differences.

1. Uber can be unpredictable because passenger demand and driver supply as well as the location of the available Uber driver. Customers with scheduled appointment this unpredictability can be a problem. With Zipcar uncertainty is avoided because you can schedule a car in advance , pick it up and run several errands.
2. Uber is a drop off service to destination. Zipcar users have to find a parking place at the destination and return the Zipcar to where they picked it up.
3. Zipcar users have to drive the car and need a driver's license plus no DUIs.
4. The barriers to entry in Uber's business is not high enough to defend it against rivals such as Lyft in America, Ola in India and Grab in South-East Asia, and from future competition from the likes of Alphabet's Google.

Zipcar realized that they were losing 'spontaneous user' business to Uber and similar services and have decided to roll out a *One Way* service in Boston. They plan to start this service in Boston where the company has more than 500 Zipcar locations and 1,000 vehicles. Drivers will select their end destination when they book, guaranteeing a parking spot and taking that space off the grid for other Zipcar users. Zipcar is working on finalizing the rate structure and other details. It is believed that unlike regular Zipcar arrangement, *One Way* users won't be able to book trips very far in advance and have a maximum lead time of 30 minutes on reservations.

Discussion Questions:

1. What are some of the macro/micro- environmental factors that may impact ZipCar/Uber growth strategies?
2. What is Uber's business model? Compare that with ZipCar's business model.
3. Analyze the competitive landscape for Uber and, Zipcar
4. Evaluate Zipcar and Huber based on benefit-based positioning.
5. Describe the beliefs and values associated with Zipcar's vs Huber brand image.
6. Can Zipcar's *One Way* service compete effectively with Uber? What you think are some of the issues Zipcar may encounter in its desire to get a share of the one way service?