



# Zipcar Case Study

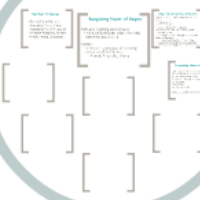
## TheCaseSolution.com



### Company Overview



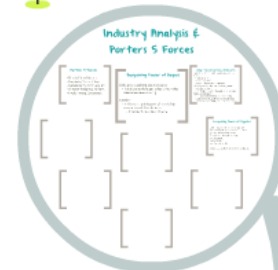
### Industry Analysis & Porter's 5 Forces





# Zipcar Case Study

## TheCaseSolution.com



# Company Overview

## Company Overview

- Zipcar, subsidiary of Avis Budget Group, is a car rental company that provides automobile reservations to its members, billable by the hour or day.

### Car Sharing:

- application fee
- annual membership fee
- reservation fees for reserving Zipcars
- Fleet of approximately 11,000 cars throughout major cities in the US, Canada, and Europe

### FastFleet

- Proprietary software, monthly licensing fee
- provides business with fleet of cars to avoid costs

## Mission Statement

"To enable simple and responsible urban living"

Members, or "Zipsters" do not worry about:

- Gas
- Insurance
- Mileage/ wear and tear
- Parking
- 24/7 Road side assistance
- No car payments, insurance payments

Reducing the number of cars on the road means less congestion and pollution

## Brief Business History

**1999:** Antje Danielson and Robin Chase come up with the idea of Zipcar in Cambridge, Massachusetts

**June 2009:** The Zipcar iPhone app is announced at the Apple Worldwide Developer Conference. This year, Zipcar becomes the world's largest car-sharing service.

**April 2011:** Zipcar goes public, earning a market valuation of more than \$1 billion

**July 2012:** Expands European presence. By now, Zipcar has 767,000 members, more than 700 employees and 10,000 cars available in the U.S., Canada and Europe.

**January 2013:** Avis Budget Group buys Zipcar, which will operate as an Avis subsidiary

## Avis Acquires Zipcar for \$500 million

Prairie United States Securities and Exchange Commission attorney Willie Bricewood the securities litigation firm of Powers Taft, LLP are investigating the sale of Zipcar, Inc. ("Zipcar") (trading 20% to Avis Budget Group, Inc. for shareholders. Under the terms of the proposed deal valued at approximately \$500 million, Zipcar shareholders will only receive \$12.25 in cash for each share of Zipcar stock owned, which is below the 52 week high of \$30.25 per share.

The Zipcar sale investigation centers on whether Zipcar's shareholders are receiving adequate compensation for their shares in the buyout, whether the transaction undervalues Zipcar's stock, and whether Zipcar's board attempted to obtain the highest share price for all shareholders prior to agreeing to the deal.



## Apple and Android Applications

Find the nearest Zipcar

- Reserve a Zipcar
- Extend/Change reservations

Zipcards

- Used to unlock and lock Zipcars

Gas Cards

- In every Zipcar's driver's side visor

## Interesting Facts

Every Zipcar takes between 10 - 15 cars off of the road  
Zipcars have been driven over 100 million hours  
Zipcars have been driven over 600 million miles

## Company Overview

- Zipcar, subsidiary of Avis Budget Group, is a car rental company that provides automobile reservations to its members, billable by the hour or day.

### **Car Sharing:**

- application fee
- annual membership fee
- reservation fees for reserving Zipcars
- Fleet of approximately 11,000 cars throughout major cities in the US, Canada, and Europe

### **FastFleet**

- Proprietary software, monthly licensing fee
- provides business with fleet of cars to avoid costs

# Mission Statement

“To enable simple and responsible urban living”

Members, or “Zipsters” do not worry about:

- Gas
- Insurance
- Mileage/ wear and tear
- Parking
- 24/7 Road side assistance
- No car payments, insurance payments

Reducing the number of cars on the road means less congestion and pollution

## Brief Business History

**1999:** Antje Danielson and Robin Chase come up with the idea of Zipcar in Cambridge, Massachusetts

**June 2009:** The Zipcar iPhone app is announced at the Apple Worldwide Developer Conference. This year, Zipcar becomes the world's largest car-sharing service.

**April 2011:** Zipcar goes public, earning a market valuation of more than \$1 billion

**July 2012:** Expands European presence. By now, Zipcar has 767,000 members, more than 700 employees and 11,000 cars available in the U.S., Canada and Europe.

**January 2013:** Avis Budget Group buys Zipcar, which will operate as an Avis subsidiary

## Avis Acquires Zipcar for \$500 million

Former United States Securities and Exchange Commission attorney Willie Briscoe and the securities litigation firm of Powers Taylor, LLP are investigating the sale of Zipcar, Inc. (“Zipcar”) (Nasdaq: ZIP) to Avis Budget Group, Inc. for shareholders. Under the terms of the proposed deal valued at approximately \$500 million, Zipcar shareholders will only receive \$12.25 in cash for each share of Zipcar stock owned, which is below the 52 week high of \$16.25 per share.

The Zipcar sale investigation centers on whether Zipcar’s shareholders are receiving adequate compensation for their shares in the buyout, whether the transaction undervalues Zipcar’s stock, and whether Zipcar’s board attempted to obtain the highest share price for all shareholders prior to agreeing to the deal.



## Interesting Facts

Every Zipcar takes between 10 - 15 cars off of the road  
Zipcars have been driven over 100 million hours  
Zipcars have been driven over 600 million miles



# Apple and Android Applications

Find the nearest Zipcar

- Reserve a Zipcar
- Extend/Change reservations

Zipcards

- Used to unlock and lock Zipcars

Gas Cards

- In every Zipcar's driver's side visor

# Industry Analysis & Porters 5 Forces

## Porters 5 Forces

- Threat of New Entrants
- Bargaining Power of Buyers
- Bargaining Power of Suppliers
- Threat of Product Substitutes
- Rivalry Among Competitors

## Bargaining Power of Buyers

- Little to no bargaining power of buyers
- This is due to the large number of individual users who use car sharing

### FastFleet

- Moderate bargaining power, loss of a big contract could affect business
- Example: Twitter, Clear Channel

## High Threat of New Entrants

Hertz and Enterprise quick to jump into attractive industry

- Hertz on Demand
  - Enterprise VeCar
  - Size and fleet to run the operation
  - BMW also created their own car sharing service
  - BMW Drive Now
  - BMW Hybrids located throughout various cities
- Product Differentiation
- Little product differentiation in car sharing
  - Zipcar differentiates themselves through R&D, their ease of use, and types of vehicles provided

## Bargaining Power of Suppliers

Little to no bargaining power of suppliers  
Car sharing companies have a variety of car manufacturers to choose from  
Zipcar keeps strong relationships:  
manufacturers  
fuel companies  
technical companies

Example: Strategic Alliance with Ford Motor Co.

# Porters 5 Forces

- Threat of New Entrants
- Bargaining Power of Buyers
- Bargaining Power of Suppliers
- Threat of Product Substitutes
- Rivalry Among Competitors

# High Threat of New Entrants

Hertz and Enterprise quick to jump into attractive industry

- Hertz on Demand
- Enterprise WeCar
- Size and fleet to run the operation

BMW also created their own car sharing service

- BMW Drive Now
- BMW Hybrids located throughout various cities

Product Differentiation

- Little product differentiation in car sharing
- Zipcar differentiates themselves through R&D, their ease of use, and types of vehicles provided

# Bargaining Power of Buyers

Little to no bargaining power of buyers

- This is due to the large number of individual users who use car sharing

FastFleet

- Moderate bargaining power, loss of a big contract could affect business
  - Example: Twitter, Clear Channel

# Bargaining Power of Suppliers

Little to no bargaining power of suppliers  
Car sharing companies have a variety of car manufacturers to choose from  
Zipcar keeps strong relationships:  
manufacturers  
fuel companies  
technical companies

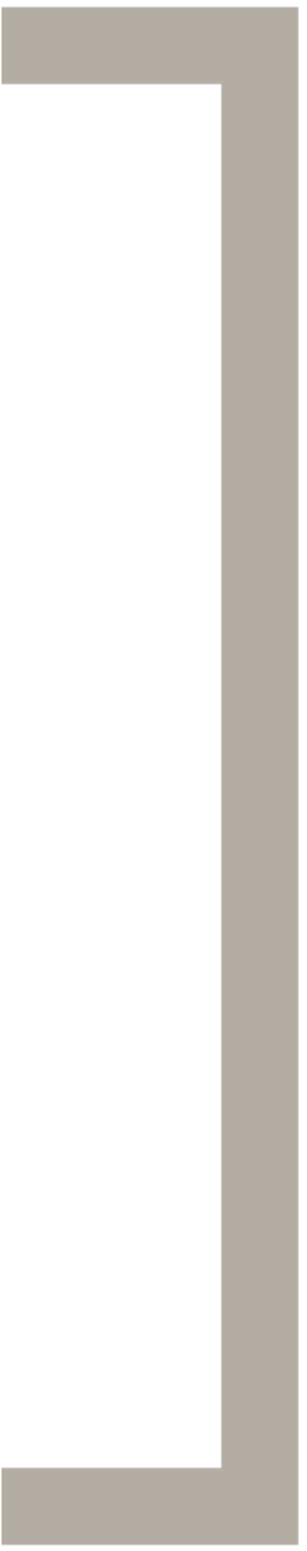
Example: Strategic Alliance with Ford Motor Co.















## Industry Analysis & Porter's 5 Forces

### Porter's 5 Forces

- Threat of New Entrants
- Bargaining Power of Suppliers
- Bargaining Power of Buyers
- Threat of Substitution
- Industry Rivalry

### Bargaining Power of Suppliers

- High concentration of suppliers
- High switching costs for buyers
- High value of the inputs
- High threat of forward integration

- High threat of backward integration
- High threat of substitution
- High threat of forward integration

### Bargaining Power of Buyers

- High concentration of buyers
- High switching costs for suppliers
- High value of the outputs
- High threat of backward integration

- High threat of forward integration
- High threat of substitution
- High threat of backward integration

### Threat of Substitution

- High threat of substitution
- High threat of backward integration
- High threat of forward integration

### Industry Rivalry

- High threat of substitution
- High threat of backward integration
- High threat of forward integration





# Zipcar Case Study

## TheCaseSolution.com

