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Zipcar: Unlocking the Keys to Alternative Mobility for Aarhus University Students and Professionals of the Community

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Zipcar: Unlocking the Keys to Alternative Mobility for Aarhus University Students and
Professionals of the Community
An honors thesis submitted in partial fulfilment of the requirements for the degree of Bachelor of
Science in International Business Emphasis in Marketing

By:

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May 2015
University of Arkansas

ABSTRACT:

Zipcar is a company which has revolutionized the mobility of its users and is currently the world leader of car-sharing networks (Zipcar, 2015). A member of the industry powerhouse, Avis Budget Group, Inc., with operations currently in the United States, Canada, UK, France, Spain, and Austria, Zipcar is looking to expand its market share and total sales internationally. This report sets forth to analyze the potential market of Aarhus, Denmark for Zipcar. The report is essentially a marketing plan for Zipcar to enter the community of Aarhus, Denmark which contains competent cultural, economic, industry analyses for the intended product and its marketing. Cultural analysis proves Denmark to be a country of highly educated individuals who value the arts, modern design, and a healthy balance of work and their personal lives. Furthermore, after careful investigation of the economic aspects of the country one finds that it is a wealthy nation, a world leader in science and technologies, with a low Gini coefficient similar to those of other Nordic countries (World Factbook, 2014), and supports healthy equitable relations within the workplace. Lastly, the industry analysis for the car rental/sharing industry is characteristic of a highly competitive environment. Zipcar will not be subject to such a high level of competition due to the uniqueness of the service and product innovations, in comparison with traditional car rental agencies. Zipcar will occupy a niche in the market and fulfills a particular unmet transportation need for the weekenders (university students, young professionals) and the business/professionals (university, government, and corporate accounts).

This honors thesis is approved for recommendation.

Faculty Advisor

Second Reader

EXECUTIVE SUMMARY

The main purpose of this report is to identify whether or not Zipcar, Inc. should expand their business operations to include the country of Denmark. The intent was to provide AVIS Budget Group, Inc. with a detailed and analytical marketing research proposal, which would ultimately annotate a final Marketing Plan for the product of Zipcar, Inc. to enter the proposed region of Aarhus, Denmark. The methods used were a combination of comprehensive cultural, economic, and marketing research to fully divulge the benefits of the proposed market. Denmark is an attractive option of international expansion for the AVIS Budget Group, Inc. due to numerous factors.

Culture of Denmark

Culture is a relevant part of any marketing research and is a valuable way to assess the potential needs and receptiveness of a community towards a proposed product. The Danish culture scores highly on Individualism and Indulgence according to Geert-Hofstede criterion (The Hofstede Centre, 2015). High Individualism signifies that the culture puts importance on taking care of one's self and one's family. Indulgence means that Danes rarely restrain themselves in regards to finances and leisure time. Both of these measures indicate that the Danish people would be receptive to a car sharing service such as Zipcar, Inc., which employs the values of leisure time and fulfilling one's needs as part of their marketing scheme.

Economic Analysis of Denmark

The economy of Denmark makes it one of the top world powers and their Gini coefficient signifies that inequality among the citizens is significantly low. The Gini coefficient is 24.8, similar to the average of its fellow Scandinavian countries (World Factbook, 2014). The relative equality of all citizens makes a much larger potential target market for the industry of car-sharing. The majority of the citizens have the financial means to subscribe to the services of Zipcar, Inc.

The Marketing Plan

The results of this study indicate that there is a need for affordable, simple, and convenient transportation for the Danish population. According to the Danish Ministry of Transport, over 18% of the population uses buses, trains, and taxis for their transportation needs (Ministry of Transport, 2010). A 2 km trip on a taxi usually amounts to 120 Danish Krone. Buses and trains can become equally expensive to use, unless one is enrolled in a monthly subscription. Buses, trains, and taxis cannot provide the simplicity, ease, independence, economy, and control that Zipcar will give to the consumer for a short term excursion need. As evidenced in Figure 2, page 41 of the proposal, the rental car companies of Aarhus are costly and do not fulfill the short term needs of the consumer.

Recommendations

Zipcar, Inc. should exploit the unfulfilled transportation needs of the consumers in Aarhus, Denmark. Primarily, the unmet needs belong to the market segments of the weekenders (university students, young professionals) and the business/professionals (university, government, and corporate accounts). Further expanding the international operations of Zipcar will increase market share, sales, and total revenue of AVIS Budget Group, Inc. (page 43-44).

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DEDICATION:

I dedicate this work to the Bunner family, who has always been there for me and always will be, near or far.

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INTRODUCTION

I. Zipcar is a company which was founded in 2000 in Cambridge, Massachusetts (Zipcar, 2015). Since then, they have quickly become a world leader in car-sharing networks. Zipcar boasts a total of over 990,000 members and a grand total of 10,000 vehicles in airports, college campuses, and city centers in United States, France, Spain, Austria, Canada, and the United Kingdom (Zipcar, 2015). Zipcar is a service which provides its customers with a vehicle at their convenience without the difficulties of actual ownership. They have found their niche in the market segments of university students, businessmen traveling, and anyone in need of low-cost transportation. They fulfill the many and diverse needs of the consumer by providing hourly and per day rental with a variety of 30 different makes and models (hybrid, SUV, cargo van, minivan, pickup truck). Zipcar has made it their purpose to help businesses, governments, and consumers make transportation more efficient in cities across the world (Zipcar, 2015). Zipcar is a subsidiary of the AVIS Budget Group, Inc. of the Nasdaq exchange (CAR) (Zipcar, 2015). Their mission as a company is the following:

"1. Obsess about the member experience
Build trust and confidence among our member community by delivering leading convenience, dependability and service excellence
2. Be the best we can be
Support personal growth, impact, and excellence
3. Deliver results
Create enduring value through growth
4. Keep it simple
Win through simplicity and continuous innovation
5. Have an impact
Change the world through urban and environmental transformation"
(Zipcar, 2015)

It is quite evident that Zipcar amply fulfills their mission above, based on research by (Bukhardt et al., 2005), which concludes that each Zipcar takes fifteen vehicles off the road. Vehicles off the road mean faster, more efficient, and easier transportation for everyone. Faster, more efficient, and easier transportation is of the highest importance in large cities. Also, according to a Zipcar press release, the company has succeeded in lessening CO2 emissions by 1.4 billion pounds (Martin, Shaheenm, 2010). The above findings prove that Zipcar is a company which is dedicated to satisfying their mission. Their attractive business model is something to be admired and is easily internationalized and exported to other countries. If Zipcar, Inc. were to export their business and services to include the country of Denmark, then they would experience great growth in their company in terms of market share, sales, and profit. Denmark is a country which prides itself in environmental responsibility and sustainability. These attributes fit well with the company mission and culture of Zipcar, Inc.

II. Denmark is a nation which evolved from a great Viking power to a civilized and integrated part of the diverse European-political and economic environment. After the Roman Empire, Denmark had been a hostile neighbor of the north for Europe. This continued until the gradual assimilation of Christianization which occurred approximately one thousand years ago (Jespersen, 2011). Despite the eventual Europeanization of this Viking nation, Denmark has a continuing rivalry with Sweden, the other great power of the Baltic. Up until the mid-nineteenth century Danish kings received much of their wealth from taxes received from ships passing through the Øresund (Jespersen, 2011). Starting in 1380, the Kingdom of Denmark was extended to Norway, Iceland, Greenland, and Faroe Island including

nationalities of German, Dane, Norwegian, and Eskimos (Jespersen, 2011). At present, Denmark has reduced its dominion to the territories of the Faroe Islands and Greenland.

III.

A. Denmark is located in northern Europe on what is called the Jutland peninsula- north of Germany. The country borders the Baltic and Northern Sea and includes the islands of Sjaelland, Fyn, and Bornholm. Denmark is approximately twice the size of Massachusetts at 43,094 square kilometers in area (World Factbook, 2014).

B. The climate of Denmark can be said to be “temperate, humid, overcast, and mild, with windy winters and cool summers” (World Factbook, 2014).

C. The topography is relatively flat with low sloping hills. The highest point is Mollehoj/Ejer Bavnehoj at 171 m (World Factbook, 2014).

IV.

A. The average size of families in Denmark consists of 1.73 children born per woman (2014 est.) (World Factbook, 2014). Dwellings of Denmark are typically one-family and multi-family houses, both amounting to 82% of the total households (Statistics Denmark, 2013). Furthermore, women at the age of 30 are only 41% likely to be married and the average age of marriage for men and women is 35 and 32, respectively (Statistics Denmark, 2013). In 2011, there were 14,484 divorces in Denmark. People in Denmark are marrying at an older age, yet this does not signify that they stay together longer.

B. Education is seen as an important part of becoming a functioning member of society. Education expenditures account for 8.7% of the total GDP and Denmark boasts being the 8th in the world for this particular measure (World Factbook, 2014). The literacy rate is characteristic of a developed nation, 99% of the population based on a 2003 estimate

(World Factbook, 2014). As a general trend, women seem to pursue higher education to a greater extent than men. Almost 32 % of the population of 25-64 year olds has achieved higher education status as of 2012 (Statistics Denmark, 2013). Also, according to Statistics Denmark "a child in nursery school will spend on average 17 years studying before obtaining the final exam certificate" (Statistics Denmark, 2013) of high school course work. Obtaining an education is something that one must work longer for in Denmark.

C. The official name of Denmark is the Kingdom of Denmark and their government is a constitutional monarchy. Their legal system is "civil law, based on judicial review of legislative acts" (World Factbook, 2014). The political parties are numerous and include the following: Conservative People's Party, Danish People's Party, Liberal Alliance, Liberal Party, Red-Green Alliance, Social Democratic Party, Social Liberal Party, and the Socialist People's Party. The stability of government is extremely high and consequently, Denmark is the country with the lowest corruption in the public sector according to Transparency International (Transparency International, 2014). The taxation in Denmark is based off of a progressive model, wherein the higher the income, the more the individual citizen is taxed (SKAT, 2015). Denmark has one of the highest tax rates and most prevalent public sector in the world (SKAT, 2015). The special taxes all citizens must pay include: "A-tax (income tax), B-tax, State Tax, Municipality Tax, Health contributions, Church tax, Labor market contributions, ATP contributions, Property value tax-based on public property assessment, and Property tax (land tax)" (SKAT, 2015). The role of local government is to make sure that the resources of the state make it to the

citizens successfully (health care, libraries, etc.). Tax on personal income is said to account for 26.4% of the total GDP for Denmark according to the Organization for Economic Co-operation and Development (OECD, 2015).

D. The legal system of Denmark is one of civil law, with judicial review of legislative acts (World Factbook, 2014). The Supreme Court includes the court president and 18 judges (World Factbook, 2014). Patents and Trademarks are registered through the Danish Patent and Trademarks Office which is part of the Danish Ministry of Business and Growth (DKPTO, 2015).

E. According to Geert-Hofstede Centre, Denmark ranks as a society which scores significantly high in the areas of Individualism and Indulgence (The Hofstede Centre, 2015). The exact scores for all areas of Denmark's culture are as follows: Power Distance at 18, Individualism at 74, Masculinity at 16, Uncertainty Avoidance at 23, Long Term Orientation at 35, and Indulgence at 70 (The Hofstede Centre, 2015). Denmark scores significantly low on Power Distance due to the fact that the business and government culture revolves around an egalitarian style of management (The Hofstede Centre, 2015). The work environment is very informal and one gains respect based on knowledge and experience. Superiors empower and coach their employees instead of control and mandate. Next, Individualism scores very high due to the fact that the Danes believe in the importance of taking care of one's self and immediate family. (The Hofstede Centre, 2015). Therefore, doing business is quite simple because there is no need for personal relationships to be created beforehand. Also, Danish people are known for their very direct communication or, low-context communication skills. Masculinity is low on the index which indicates that standing out from the crowd is not admirable and quality of

life is how one measures their success. Danes value a healthy balance of work and personal life). Reaching a consensus is a very important aspect of conducting business in Denmark (The Hofstede Centre, 2015). Fourth, Uncertainty Avoidance is ranked as low because of the ability of Danes to adjust quickly to change. Danish people value innovation, technology, and unique designs. Another, Long Term Orientation deals with the extent to which a society is steeped in tradition and time-honored values (The Hofstede-Centre, 2015). Denmark scores relatively low in this measure which denotes that they are a “normative” society (The Hofstede-Centre, 2015). A normative society is one which places importance on the past and present, with little concerns for thrift and the future. Lastly, Indulgence was a high scoring measure due to their low Long-Term Orientation (The Hofstede- Centre, 2015). The Danes allocate worth to the areas of: leisure time, spending money as they wish, enjoying oneself, and giving in to impulses. They do little to control themselves in these aspects. This ‘impulsive’ society is comprised of an ethnic mosaic of groups which include: “Scandinavian, Inuit, Faroese, German, Turkish, Iranian, and Somali” (World Factbook, 2014).

V.

A. Religion plays a very small and minimal influential role in Danish culture. The official religions of Denmark include Evangelical Lutheran (80%), Muslim (4%), with the rest being 1% or less of Roman Catholic, Jehovah’s Witnesses, Serbian Orthodox Christian, Jewish, Baptist, and Buddhist (World Factbook, 2014). Christianity has a solid institutionalized meaning for the Danes, much like the other Nordic countries, but plays little role in day to day life. According to Denmark.dk (2015), Denmark is one of the most secularized countries in the world. Christianity is only practiced in the birth and

death of each citizen, in a ritualized format. Article 4 of the Constitution of Denmark states that the Evangelical Lutheran Church is the official church of Denmark and is therefore, supported by the state (Denmark.dk, 2015). Many countries have encountered stresses on the church/state relationship due to immigration, civil war, and other factors, yet the relationship of the church/state in Denmark has remained solid.

B. Denmark is famous for its modern arts, architecture, design, and fashion. Danish design is focused around the concept of Neo-Modernism which focuses on functionality, design, and sustainability (Denmark.dk, 2015). Danish architects are building with special concern for daylight and reduced energy use. An example of famous Danish architecture is the Sydney Opera House designed by Jørn Utzon also, the “world’s best residential house in 2011” designed by Bjarke Ingels for ‘8 House in Copenhagen’ (Denmark.dk, 2015). It is quite evident that the Danes put great influence on the functionality, sustainability, and simplicity of their design. The Danish film industry is rising in prominence and they take great pride in its accomplishments. The most robust industry of culture has to be the museum industry which has experienced steady growth in admission rates (Statistics Denmark, 2013). Fashion is a very important industry for Denmark and Copenhagen is the fourth most notable fashion city in Europe (Denmark.dk, 2015).

VI.

A. Breakfast, lunch, and dinner are the three main meals of Denmark with the first and last being consumed in the home. Breakfast consists of coffee, tea, oatmeal, granola, and some kind of dairy product (yogurt, milk). Lunch is brought from home and consists of traditional Danish meats, sausages, and liver paste on dark rye bread. Dinner is a hot

meal consumed with the entire family present. Danes are highly concerned with a healthy lifestyle and eating habits.

B. Housing is available in various types and forms in Denmark. There are single family homes, multi-family buildings, terraced houses, and student hostels. Most of the population occupy single family dwellings and the next highest is multi-family buildings (Statistics Denmark, 2013). The average household size has decreased from 2.7 to 2.1 persons in the years of 1970-2012 (Statistics Denmark, 2013). More students live in publicly owned buildings than in 1981 in the year of 2012. In 1981, 53% of 18-29 year olds lived in private dwellings; in 2012 only 33% reported living in private accommodations (Statistics Denmark, 2013). The trend for owning and renting at the age of 25 is 20% and by the age of 32 to 80 years old 70% own their dwelling.

C. Danish leisure activities include handball, soccer, basketball, and other sports. Almost 2/3rds of all children and youth participate in some form of organized sport as reported by Denmark.dk (2015). The Danes have a strong welfare society which focuses on a healthy balance of work and personal life. All wage earners are guaranteed a five-week paid vacation. The welfare system includes universal health care and social security (including unemployment) for all; funded by income taxes of all citizens. Danes are communicating more on their mobile phones than fixed phones (Statistics Denmark, 2013). A reported 55% of the population accesses the internet through their mobile phone as of 2012 (Statistics Denmark, 2013). Also, 92% of individuals have access to internet from home and 60% of purchases are made online as of 2012 according to Statistics Denmark (2013).

VII.

The languages of Denmark are Danish, Faroese, German, Turkish, Iranian, and Somali (World Factbook, 2014). The predominant second language is English.

Part II: Economic Analysis of the Country

I. A. The population of Denmark is 5, 569, 077 according to an estimate of July 2014 (World Factbook, 2014). The population growth rate of Denmark is 0.22% based on a 2014 estimate (World Factbook, 2014). The birth rate is 10.22 births out of a 1,000 based on a 2014 estimate (World Factbook, 2014).

B. The distribution of the population is stratified as follows: 0-14 year olds are 17%, 15-24 are 13.1%, 25-54 are 39.2%, 55-64 are 12.4%, and 65 years and over are 18% of the population (World Factbook, 2014). Among the ages of 0-24 there are more males than females, after this age the total population is female dominant. Denmark has a high rate of urbanization with 86.9% of the population living in an urban area and the annual rate of change being .5% (World Factbook, 2014).

II.

C. The Gross Domestic Product (GDP) of Denmark is \$211.3 billion (World Factbook, 2014). The real growth rate of the GDP is 0.1% as of 2013 (World Factbook). The personal income per capita is recorded at \$37,800 (World Factbook, 2014).

D. To truly measure the level of equality in Denmark one should look at the Gini coefficient. The Gini coefficient is defined as measuring the degree of inequality in the distribution of family income in a country, according to the CIA World Factbook website (2014). The Gini coefficient reported in Denmark is 24.8 which signify that inequality measures are low. Their Gini coefficient is typical for a Scandinavian country. The top 20% of the country live on an adjusted disposable

income of \$43, 644 a year (excluding taxes and transfers) while the bottom 20% live on \$ 12, 183 a year (OECD, 2015).

E. The industries of Denmark include: iron, steel, nonferrous metals, chemicals, food processing, machinery and transportation equipment, textiles and clothing, electronics, construction, furniture and other wood products, shipbuilding and refurbishment, windmills, pharmaceuticals, and medical equipment (World Factbook, 2014). The agriculture industry is comprised of barley, wheat, potatoes, sugar beets, pork, dairy products, and fish (World Factbook, 2014).

F. The primary forms of transportation are plane, train, bus, car, or bicycle. There are 2,600 kilometers of railway, more than 70,000 kilometers of road, and 1,100 kilometers of motorway (Denmark.dk, 2015). Also, there are long distance and regional buses throughout the country and 23 airports (5 international) (Denmark.dk, 2015). Bicycling is a very common and popular form of local transportation with over 10,000 kilometers of bicycle tracks and 4 million bicycles in Denmark. Danish Ports reports 68 full members in total and boasts that 80% of all Danish foreign trade goes through the ports of Denmark (Danish Ports, 2015).

G. Communications systems of Denmark include internet, mobile phones, and fixed net phones. The usage rates of internet access from home are 92% of the population, mobile phones are present 148 per 100 persons, and fixed net phones are 26 per 100 persons (these figures are based on the first six months of 2012) (Statistics Denmark, 2013).

H. Employer-Employee relations in Denmark can be seen as more informal than countries with higher Power-Distance measures. As referenced in the Introduction section of this paper, managers and supervisors play the role of coach and instructor for their employees, rather than authoritarian. Employees are encouraged to reach consensus and work together, rather than a competitive environment. The salaries and benefits of businesses in Denmark include a five week paid vacation for all wage earners, unemployment benefits, and universal health care (all paid for by the state).

I. GDP composition of each sector based on 2013 estimates is as follows (World Factbook, 2014): agriculture 1.5%, industry 21.7%, and services at 76.8%.

According to Statistics Denmark 30.6% of the labor force is employed by the public sector (Statistics Denmark, 2012). Therefore, that leaves roughly 69.4% to be employed by the private sector.

I. Denmark has positive external net assets since 1990 and is a country which lends more often than it borrows (Statistics Denmark, 2012). Most of the surplus on the balance of payments comes from the goods and services industries. Danish exports that are the most vital include: medical products, crude oil, machinery, mink skin, wind turbine parts, and processed food. Danish imports include: crude oil, cars, electronics, and garments (Statistics Denmark, 2012).

J. Foreign investment opportunities can be seen in the areas of all the key industries of Denmark (iron, steel, nonferrous metals, chemicals, food processing, machinery and transportation equipment, textiles and clothing, electronics, construction, furniture and other wood products, shipbuilding and refurbishment,

windmills, pharmaceuticals, and medical equipment). Foreign investment opportunities can be seen in the oil industry, medical products, machinery, and processed foods more specifically. Denmark shows evidence of a strong financial structure through their prestigious trading partners and external net asset surplus. The trading partners of Denmark include Germany, Sweden, USA, UK, Norway, and the Netherlands. Germany is the leading country in exports and imports with Denmark, accounting for 14.1% and 17.4 respectively. Denmark has substantial Foreign Direct Investment at home amounting to 146 billion USD. The Foreign Direct Investment abroad amounts to 248.3 billion USD and clearly shows that Denmark is highly active in Foreign Direct Investment and is a competitive global economic power.

K. The major exports of Denmark include medical products, crude oil, machinery, and processed foods. Exports of goods and services in Denmark sum to \$882,427 in Danish Krone millions (DKK millions) (Statistics Denmark, 2012). A current trend of Denmark's exports in services is a steady increase since 1990 from 24% to 39% in 2010 (Statistics Denmark, 2012).

The major imports of Denmark comprise of crude oil, cars, electronics, and garments. The total value of imports of goods and services is \$766, 915 in Danish Krone millions (DKK millions) (Statistics Denmark, 2012).

As mentioned above, Denmark has positive current external net assets as of 1990 and posted a positive external net asset measure, which is also described as a surplus in the balance of payments in 2010 (Statistics Denmark, 2012).

The Danish Krone is part of the ERM II, Exchange Rate Mechanism, exchange rate which was created in 1999 as an insurer against fluctuations of currency within the European Union market (European Commission, 2015). Denmark joined the ERM II in 1999 and has a central rate of 7.46038 against the euro (European Commission, 2015). Denmark displays little to no fluctuation with a slim rate of +/- 2.25% (European Commission, 2015). As of March 24, 2015 the current exchange rate against the dollar of the Danish Krone is 6.8343 according to BloombergBusiness.com (Bloomberg Business, 2015).

L. Trade restrictions such as: embargoes, quotas, import taxes, tariffs, licensing, and customs duties can be significant barriers to entry for a company. Denmark is a part of the European Union and therefore included in the free movement of goods, services, and people which guarantees this membership. According to the Center for Global Development, Denmark has the same trade restrictions as the European Union countries. Denmark imposes low tariffs on agricultural products (wheat, dairy, meats) textiles, and apparel (Center for Global Development, 2015). Alternatively, high tariffs are imposed on rice, sugar, and beef (Center for Global Development, 2015). Some strengths of trade in Denmark include: “few documents required for importation (5 days), three days importing a shipping container, and low costs to import a shipping container (\$744 per container)” (Center for Global Development, 2015). The rules of licensing in Denmark are relatively strict. Innovation remains a vibrant force in the fact that government supports Research and Development and provides patent exceptions for research purposes (Center for Global Development, 2015). A weakness of the stringent

licensing regulations according to the Center for Global Development website includes:

“Allowing patents on plant and animal varieties, extending intellectual property rights in bilateral trade treaties that restrict the flow of innovation to developing countries, strict limitations on anti-circumvention technologies that can defeat encryption of copyrighted materials, and patent-like proprietary rights to developers of data compilations, including those assembled from data in the public domain.” (Center for Global Development, 2015)

M. 2.653 million men and women are in the labor force of Denmark according to Statistics Denmark (2013). This number is so large due to the fact that Denmark is one of the European countries with the highest employment of women in the labor force. Statistics Denmark goes further to point out that one-fourth of the working age population (16-64 years of age) are receiving early retirement, pensions, or are students. The unemployment rate of Denmark is at 4.1% as of 2011 (Statistics Denmark, 2013).

N. The inflation rate of Denmark as of 2013 is 0.8% according to the CIA World Factbook (2014).

III.

Denmark is a country which possesses all the science and technology of a first-world power. According to BBC News, Denmark has surpassed all others as the world-leader in technological advancement (2007). According to the World Economic Forum, Denmark has benefitted from effective government, e-leadership, early liberalization in the telecommunications sector, efficient regulatory environment, and a large availability of e-government services (BBC New, 2007).

IV.

Retailers and points of purchase for rental cars in Aarhus, Denmark include the airport, city center, and near various points of interest. There are 8 car rental agencies in Aarhus, Denmark; five of these agencies are present at the Aarhus Airport. A typical retailer site contains about 15 cars and the building size is usually 1,200 square feet, with a mechanic garage at the end of the lot. The customary markups and pricing for car rentals are as listed in Figure 1 below.

Figure 1: Car Rental Pricing of Competitors in Aarhus, Denmark

*(Book Now, Online Pricing) DKK=Danish Krone

**AVIS, Budget, and Zipcar are all part of Avis Budget Group, Inc.

EuropCar: Ford Fiestas (supermini car)	1 day (100 km) 3 days (300 km) Weekend (275 km) (extra miles 1.95 DKK)	580 DKK 1305 DKK 870 DKK
Hertz Car Rental: VW Mini	1 day (100 km) 3 days/weekend (300 km) (extra miles 2 DKK)	780 DKK 756 DKK
Sixt: Rent a Car: Toyota Aygo	1 day (100 km) (extra miles 3 DKK) 3 days/weekend (extra miles 2.85 DKK, 300 km free)	845 DKK 1,250 DKK
AVIS: Toyota Aygo	1 day (100 km) 3 day/weekend (300 km)	539 DKK 747 DKK
Budget: Toyota Aygo	1 day (100 km) 3 days (300 km) Weekend (300 km)	481 DKK 1, 158 DKK 836 DKK
Autolej Aarhus	3 days (free mileage)	447 DKK
PS biludlejning Aarhus: Toyota Aygo	1 day (100 km) 3 days/ weekend (300 km)	315 DKK 840 DKK

	(extra miles 1.95 DKK)	
Pink Wheels Biludlejning	1 day (100 km)	500 DKK
Aarhus (Fiat 500)	2-30 days (100 km per day)	400 DKK
	31+ days (100 km per day)	250 DKK
	(extra miles 1.75 DKK)	(prices per day)

IV. (Continued)

Figure 1 of page 25 includes all the car rental agencies in the city and their characteristic markups when comparing across a similar make and model (mini). The industry is overwhelmingly completed online with customers booking services instantly, using their credit/debit cards. Although, the local Danish chains insist on the customer providing their CPR number for booking and encourage the consumer to call to book (Pink Wheels, PS biludlejning Aarhus, 2015). The scale of the operations of most of the branches seems to be mid-size scale. Most operate with 15-25 cars in the lot. The role of the outlets is to house the cars, process the paperwork, and pickup/drop-off of reservations. The outlets are the main place of business for the car rental operations.

The definition of marketing, as approved by the American Marketing Association, is:

“Marketing is the activity, set of institutions, and processes for creating, communicating, delivering, and exchanging offerings that have value for customers, clients, partners, and society at large.” (American Marketing Association, 2013)

To put it simply, marketing implies meeting needs profitably. The importance of establishing a Zipcar subsidiary in Aarhus, Denmark is to fulfill a current need of the community and deliver value to the consumer. Although, the typical place of business for the car rental industry is a brick and mortar store, Zipcar Aarhus will not be using this strategy. The Unique Selling Point (USP) (Business Case Studies LLP, 2015) of Zipcar is to bypass the middleman and have the consumer experience take place completely online,

by telephone, smart phone, and through mail. Zipcar Aarhus will have a branch headquarters where 10-20 employees will manage the city operations, logistics, and customer service. Also, car maintenance and check-up will take place on a rotation system of every 3 months at a company owned garage next to headquarters.

V.

Denmark possesses all the available media of a developed nation. The media that has been elected to be implemented for the promotional mix of Zipcar Aarhus is an assembly of TV commercials, Spotify (internet radio), Facebook, Youtube, Aarhus University campus, bus station/stops, and cinema advertising. Facebook advertising costs at a minimum \$1 per day and 1 cent per click (Facebook.com, 2015). On average, according to FitSmallBusiness.com, US advertisers will have to pay \$24.00 to get 100 people to click on their advertisement and also to have it shown 36, 364 times (Prosser, 2013). The standard for cost of advertising tends to be much lower for food/beverage companies compared with retailers (Prosser, 2013). Spotify, for example charges \$8.92 per thousand impressions for display ads and \$ 14.87 per thousand impressions for audio ads (IKROH, 2013). Youtube costs are estimated at an average of \$ 0.10 -0.30 per view of ad (Alleger, 2014). The in-display (in video) ads range to be \$ 0.30 per view while the ads in the search are closer to \$ 0.10. Bus-stop and other outdoor advertisements throughout Aarhus are managed under the French and Danish conglomerate, AFA JCDecaux. AFA JCDecaux offers reasonably priced advertisement spaces to the city of Aarhus free of charge. The fee advertisers receive from AFA JCDecaux pays for the outdoor furniture and upkeep of the advertisement. AFA JCDecaux installs advertisement-laden automatic toilets, bus shelters, buses, information stands, and more at the full expense of the

advertiser. These advertisements become more than marketing, they become a public service to the surrounding population (AFA JCDecaux, 2015). It would be a competitive strategy and highly effective to employ the aid of AFA JCDecaux to advertise the services of Zipcar. Placing Zipcar advertisements in the areas of transportation centers targets the intended audience of people who require a variety of transportation options. This said population requires transportation that is affordable, convenient, and smart-phone compatible. The TV, radio, and regional TV stations of Denmark are run by Danish Broadcasting Company (DR). These are public services owned by the state provided by licensing fees and advertising income (European Journalism Center, 2015). To advertise on the Aarhus University campus it is only necessary to ask permission from the University campus student office wherein the advertisement will be placed.

Overall, for all these mediums of online advertising the cost is higher when the audience to be targeted is highly specified. The advertising potential for all these mediums is tremendous. The population of Aarhus, Denmark is 315,000 within the city center, while 1.2 million live in the greater Aarhus area (Visit Denmark, 2015). Over 13% of the Aarhus population is students with the total enrollment of Aarhus University being 32,304 students as of 2010 (Aarhus University, 2015). As of the beginning of 2015, there are 1.39 billion active users of Facebook, with 890 million of them being active daily, and 745 million mobile and active daily (Facebook.com, 2015). The advertising coverage of Youtube is quite vast as well, there are over 2 billion Youtube videos streamed every day (Alleger, 2014). Also, mobility of Youtube users is on the rise with 25% of Youtube users operate on a mobile device (Youtube, 2015). Spotify initiated a study with

comScore, Inc. on the impact of mobile music streaming and preference for brands (Spotify & comScore, Inc., 2014). According to the findings of the study 74% of listeners are likely to listen via smartphone and 61% of them are likely to refer a brand to their friends (Spotify & comScore, Inc., 2014). Spotify users are more likely to be willing to pay more for a brand and become loyal to said brand. There are 15 million paid subscribers to Spotify as of 2014 and over 60 million active users (Spotify, 2015). In regards to targeting the student population base, primarily, 50% of Spotify users are between the ages of 18-24 as of 2011 (Lipsman, 2011). According to the Media Development study of 2012 by DR Denmark, on average, Danes watch 3 hours and 15 minutes of television each day (Thunø, 2012). Using the same study, 60% of Danes use the internet from their mobile phone daily and 92% use it with other devices (Thunø, 2012). Buses, taxis, and trains represent how 18% of the population of Denmark uses transportation (Ministry of Transport, 2010). However, outdoor advertisements are visible to a much larger audience; those who may or may not use public transportation can view advertisements of the outdoor furniture of AFA JCDecaux.

Part III: Market Audit and Competitive Analysis

I.

Zipcar is now operating successfully in the United States, France, Spain, Austria, Canada, and the United Kingdom. The goals of Zipcar for Internationalizing are to increase their market share and grow their total sales. Zipcar will be implementing a Market Development Strategy according to Ansoff's matrix (Business Case Studies LLP, 2015). According to the Annual Financial Report of AVIS Budget Group, Zipcar realizes that there are "substantial unmet transportation needs of the Europe and Asian-Pacific Regions" (page 6, AVIS Budget Group, 2014). This proves that there is a vast amount of growth potential for the Zipcar subsidiary of Avis Budget Group.

II.

A. Zipcar is described as the "first car sharing company in the United States to develop a self-service solution to managing the complex interactions of real-time, location-based activities inherent in a large scale car sharing operation, including new member application, reservations and keyless vehicle access, fleet management and member management" (page 4, Avis Budget Group, 2014). Zipcar was also the first company to allow consumers to reserve specific make and model by phone, internet, or internet capable device (Avis Budget Group, 2014).

1. The relative advantage of Zipcar is providing a low-cost alternative to owning a car for the consumer. Zipcar puts the power of car rental/sharing into the hands of the consumer and this sense of power and control can be seen as a relative advantage. Zipcar is an innovation

which brings car rental/sharing into the 21st century and the 21st century consumer is all about information and empowerment.

2. The compatibility of Zipcar can be seen as high due to the fact that many students within the community of Aarhus wish for a car but do not possess the financial resources to obtain one. There is little chance of loyalty to certain car rental brands in this case; Zipcar will be creating a whole new consumer base whilst utilizing the market development strategy.
3. The complexity of introducing this product as an innovation can be seen as medium. It takes 3-7 days to receive your membership card after applying online. Also, one must have a relatively competent knowledge of the internet or smart phones to reserve a Zipcar. It is possible to reserve by telephone, but Zipcar charges a small fee of \$ 3.50 to use this service. In terms of paperwork, Zipcar has low complexity when compared with traditional car rental agencies. Zipcar completes all paperwork for the consumer in the beginning and thereafter, members do not have to complete additional paperwork for each rental. Traditional car rental agencies require paperwork to be completed at each time of purchase of the consumer in the brick and mortar retailer.
4. There is a high trialability of the Zipcar service. Zipcar offers a 30 day trial period in which the membership fee can be waived, the application fee and driving fee are still charged to the consumer.

Zipcar offers the 30 day trial period to new members only. The trialability of Zipcar is a competitive advantage which does not exist for the other companies in the industry.

5. The observability of the positive innovations of this product is highly perceptible. The benefits of Zipcar include flexibility of time, low cost of rental, and ease of purchase. These three innovations are new to the car rental industry. Traditionally, the act of renting a car is full of paperwork, formalities, and complexity. This ease of access will attract the Y generation of millennials who prefer low commitment simple transactions.

B. Resistance to the product as an innovation in the intended market could come in the form of the population disliking a membership fee. An important way to make Zipcar membership seem beneficial is to keep yearly membership cheaper than the monthly annual rate of the pay-as-you-go plan. Yearly membership should be marketed to the consumer as the premium membership plan. The proposed plan is to give yearly membership a special name and attach certain benefits to the service in the form of: driving discounts, free hours, and discounts at local hotels & restaurants. The name proposed in this plan is: "Zipclub Premium". As of now, the price differential between the most popular yearly plan "Zipclub Premium" and the monthly plan is a margin of 21%. The consumer is being rewarded in choosing the yearly plan by a 21% price reduction in membership. The recommended pricing for the yearly commitment is to raise the margin from 21% to 30% for the

introduction year. The illusion in price reduction will come from the actual raising of the price of the monthly pay-as-you-go plan, and not the lowering of the yearly annual rate. Zipcar This reduction will raise product awareness and create rapid market share growth for Zipcar, Inc. in the community. They will benefit from subsequent guaranteed revenue from an abundant number of consumers for one year

III.

1.The locations outside of the United States and Canada are run through the providing and licensing of the company's brands to third party operations for car rentals. The intended geographic location of Zipcar Denmark will be in Aarhus, Denmark. Outside of France, United Kingdom, Austria, and Spain Zipcars can be driven to the countries of: Germany, Italy, Liechtenstein, Switzerland, Slovakia, Slovenia, Czech Republic or Hungary without additional consent needed (Zipcar.com, 2015).

2.The forms of transportation available in Aarhus, Denmark include: bus, taxi, train, car rental, and bicycle rental. Aarhus also is equipped with all the modern forms of communication. A large part of the population has access to internet from home, 92% (Statistics Denmark, 2013), 148 out of 100 persons has a mobile phone (Statistics Denmark, 2013), and there are numerous low cost mobile phone providers throughout Denmark.

3. The product use patterns of Zipcar tend to be high volume of demand on the weekends (Avis Budget Group, 2014) and low demand during the week. However, car rental product use patterns tend to be high demand during the week, for example: businessmen, vacationers, and corporate leasing. The target market segmentation for Zipcar includes weekenders (university students, young professionals) and the business/professionals (university, government, and corporate accounts). The needs of the business/professional target market segment are currently being met by the EuropCar, Hertz, Sixt, AVIS, and Budget. Product feature preferences for the car rental/sharing market are functionality, reliable insurance, comfort, ease of access, and affordability. The needs of the “weekenders” marketing segment are currently being unmet by the car rental industry. Shopping habits of the car rental/sharing market tend to include low cost and a certain degree of research before purchase of the product. As of 2012, 60% of the Danish population made purchases online (Statistics Denmark, 2013). This figure shows that Danes are more likely to compare prices online before making a purchase. A Postnord study of 2014 indicates that 53% of Danes research a product online before buying it (Postnord, 2014). The increased amount of e-commerce throughout Denmark indicates that Zipcar will be a well-received e-commerce innovation to the car rental industry. Primarily, the plan is to exploit the unmet needs of the weekenders marketing segment by providing a

low-cost service which gives the consumer total technological control over their experience. Secondly, to focus on the business/professionals market segment and steal the market share of the traditional car rental agencies. This will be done by providing a cost-efficient, simple, professional, and ecologically friendly alternative to a traditional car rental service.

4. Retailers and points of purchase for rental cars in Aarhus, Denmark include the airport, city center, and near various points of interest. Product sales of car rental contracts are usually completed by middlemen, or ground level employees. Ground level employees are supervised by low-tier management of (managers, supervisors). Zipcar is a product innovation to the car rental industry in the fact that, retailers and points of purchase will be utterly removed from the consumer experience. When regarding the four P's of a product: this innovation will be seen as a Place benefit to the consumer. Car rentals won't be restricted to a brick and mortar establishment, the consumer can choose the time and place of their rental, at their own convenience. Place may be consumption barrier for the potential market segment, and the implementation of a flexible place of consumption will remove the barrier for many.

5. Advertising and promotion used to reach the target market include TV commercials, print ads, outdoor furniture, Facebook, Youtube, Spotify, and email campaigns. Sales promotions for the industry include

discounts for universities (faculty/staff/students), corporate accounts, and government agencies. Coupons are customarily used as a way to reward existing customers and to bring in a new customer base. Seasonal discounts and special weekend offers are a typical way that EuropCar brings in the adventurous and vacationing family demographic. There are no similar triability options for the market that Zipcar possesses in its 30-day free trial period. It is suggested that Zipcar utilize a promotional mix of TV commercials, print ads, outdoor furniture, Facebook, Youtube, Spotify, and email campaigns to reach the primary target market. The primary target market segment is the aforementioned “weekenders”; therefore Zipcar should concentrate on student discounts, special weekend offers, and coupons to remain competitive with the industry. In the secondary market of business/professionals, the promotional mix will consist of corporate and government agency discounts. The secondary target market will require a personalized marketing tactic with company representatives making sales in person, in combination with an email/mail campaign.

6. Due to the highly competitive nature of the car rental/sharing industry, businesses must remain viable in terms of pricing. Zipcar presents an advantage over the typical retailer in terms of product uniqueness and innovation. Therefore, Zipcar doesn’t need to adhere so strictly to the low pricing of the industry in order to remain sustainable. The customary markups of the industry can be viewed in the table of Part II

Section V, page 25. The typical markup for 1 day rentals with 100 km included is around 580 DKK, which is the price of EuropCar, the industry leader. Zipcar starts at a much lower price of 448 DKK per day. EuropCar offers a free Privilege Loyalty program and after 3 rentals in one year, members are eligible for a free weekend, redeemable worldwide (EuropCar, 2015). For corporate rates, EuropCar offers a free weekend rental after 40 rental days or 10 rentals and upgrade to Privilege Executive membership status (EuropCar, 2015). EuropCar Privilege Loyalty includes frequent traveler miles, express pickup/reservation service, and 10% discounts to Accor hotels. Hertz has a loyalty program called Gold Plus Rewards which is free of charge. Gold Plus Rewards guarantees ease of reservation similar to the EuropCar Privilege Loyalty program (Hertz, 2015). Members are given a membership ID so that all that is required upon arrival is to show their driver's license. Sixt has a loyalty program named iPrefer Loyalty which gives 10% off rental prices online, easy pickup and drop-off, Sixt mobile check-in, and kiosk check-in. Additional benefits are discounts on various hotels worldwide. Budget has an individual and business loyalty program with three different levels of loyalty, both free of charge. Level 1: RapidRez/FastbreakService, Level 2: RapidRez basic and Level 3: Rent More, Save More (Budget, 2015). Level 1 stores your credit card information and enables quick pick up of reservations, Level 2 stores some of the rental preferences of the

consumer and saves time, and lastly, Level 3 is the level which all former Budget rental consumers are automatically enrolled in. The more one rents with Budget.com, the more one saves. Avis Preferred is free of charge and guarantees priority service, pre-prepared paperwork, and no signature required when making reservations (Avis, 2015). Although, the loyalty programs of these companies are intelligent ways of advertising their product, Zipcar should focus on the simplicity of their business as their competitive advantage. Therefore, Zipcar will provide coupons and special offers on a personalized basis to the consumer based on their needs and frequency of product usage. These coupons will be available to consumers in the Zipclub, corporate, and government accounts. This tactic is similar to that of Kroger, which also sends personalized coupons to their consumers subscribed to their loyalty program. This strategy is highly effective in generating high consumer loyalty.

B.

1. The competitor's products which will be used in this analysis include the market leaders of Europcar, Hertz, and Sixt. Budget, Avis, and Zipcar are all part of Avis Budget Group, Inc. therefore will not be included in the following competitor's analysis. EuropCar is a budget car hire service which also strives to offer quality to its wide range of consumers. Sixt executes the world's largest Mercedes Benz and BMW fleet. Sixt pride themselves in being the world leader in luxury car rentals. Last, Hertz is considered to have a diverse marketing mix. It employs a variety of services to the

consumer of the business/luxury segment and has a chauffeur drive service, yet has low cost options as well. Hertz employs a confusing mass marketing strategy and focuses mainly on their leisure/business clients of South Africa (Hertz, 2015). Zipcar is a car sharing service which strives “to enable simple and responsible urban living” (Zipcar.com, 2015). Zipcar offers a useful product and at the same time is selling a lifestyle to its customers, while car rental is simply fulfilling a transportation need. Zipcar’s product creates a whole new market which did not exist previously, the market of sustainable car rentals in the form of car sharing.

2. Zipcar is a low-cost alternative to car ownership, AVIS is seen as a premium luxury brand for the upscale consumer (corporate and leisure traveler), and Budget is seen as a mid-tier brand for the value conscious consumer. A cost-effective strategy for Zipcar that will be implemented is to share facilities, fleet management, and technology services with Avis and Budget. Attached is Figure 2 on page 41 which is an updated table of competitor’s prices in Aarhus, Denmark with those of Zipcar: Edinburgh. Edinburgh has a similar population to Aarhus, Denmark and is consequently a suitable comparison. It is recommended in this proposal that Zipcar, Inc. of Aarhus, Denmark maintain these prices after the introduction year. The introduction year will feature the monthly plan to be 30% more expensive than the annual membership of the “Zipclub”, as mentioned in Part II, page 33. Then, the margin of price differential will be lowered to the standard 21%, as seen on page 41, Figure 2: Zipcar of Edinburgh.

Figure 2: Car Rental Pricing of Competitors in Aarhus, Denmark

*(Book Now, Online Pricing) DKK=Danish Krone

**AVIS, Budget, and Zipcar are all part of Avis Budget Group, Inc.

EuropCar: Ford Fiestas (supermini car)	1 day (100 km)	580 DKK
	3 days (300 km)	1305 DKK
	Weekend (275 km) (extra miles 1.95 DKK)	870 DKK
Hertz Car Rental: VW Mini	1 day (100 km)	780 DKK
	3 days/weekend (300 km) (extra miles 2 DKK)	756 DKK
Sixt: Rent a Car: Toyota Aygo	1 day (100 km) (extra miles 3 DKK)	845 DKK
	3 days/weekend (extra miles 2.85 DKK, 300 km free)	1,250 DKK
AVIS: Toyota Aygo	1 day (100 km)	539 DKK
	3 day/weekend (300 km)	747 DKK
Budget: Toyota Aygo	1 day (100 km)	481 DKK
	3 days (300 km)	1, 158 DKK
	Weekend (300 km)	836 DKK
Zipcar: Edinburgh	1 year membership	606 DKK
	1 hour	51 DKK
	1 day	448 DKK

	3 days	1,344 DKK
	Monthly Membership	61 DKK
	program: 1 month (12 months commitment)	732 DKK
	(*Same prices per hour and day as annual membership)	

3. An aspect of the strategic advertising and promotion of AVIS Budget Group is to increase the number of Zipcar memberships to international travelers, small businessmen, businesses, government agencies, and universities (AVIS Budget Group, 2014). Another interesting aspect of growth for Zipcar would be the implementation of airport and one-way rentals. To effectively introduce Zipcar into the market, this proposal advises the usage of the existing AVIS Budget Group car rental agencies (AVIS, Budget) to create a co-marketing partnership. Also, to combine the car-sharing (Zipcar) and car rental fleets would effectively utilize unused Zipcars during the week and meet high demand on the weekends (AVIS Budget Group, 2014). When sharing marketing and car fleets, AVIS Budget group could cut costs significantly. Sven Hollensen has further thoughts on the implementation of a promotional strategy in new international markets (2011). For the first year, or planning year, of product entry it is important to keep the current advertising media, the second year is crucial to initiate an email campaign, and finally, the third year should be set aside for personal selling (Hollensen, 2011, p.10). Zipcar Aarhus will borrow from Hollensen's theories for a promotional mix in the first three years of

introduction. EuropCar's promotional strategy is focused on the adventurous, budget conscious and fun-seeking family. Sixt's promotional mix is focused on the luxury consumer, professional, and affluent millennials. Hertz is the utilitarian brand, focusing on businesses, professionals, and the fringe consumer. AVIS Budget Group, Europcar, Sixt, and Hertz all utilize a promotional/advertising mix which include: TV commercials, print ads, outdoor furniture, Facebook, Youtube, Spotify, and email campaigns.

4. The fleets of Budget, Avis, and Zipcar all are mutually shared, managed, and facilitated under the supervision of Avis Budget Group, Inc. (Avis Budget Group, Inc., 2014). The fleets of Europcar are controlled throughout their massive network of Western and Eastern Europe. It is possible with this system to pick up a car in one country and drop it off in a completely different one (Europcar, 2015). Zipcar currently has one-way restrictions in which cars must be returned to the same location from whence they came, while Avis and Budget are relatively flexible across country borders. Sixt distribution specializes in one-way travelling and is offered in the same capacity as Europcar (Sixt, 2015). Hertz offers one way travelling and has a massive distribution network throughout Europe (Hertz, 2015). This report suggests further research into developing one way usage of the Zipcar fleets, similar to those of Europcar, Sixt, and Hertz. This change in distribution would be a competitive advantage to the Zipcar subsidiaries of Europe.

C.

1. According to the Annual Report of 2014 by Avis Budget Group, Inc. the total rental days of the International Market in 2014 was 37 million (excluding Zipcar from the figures)

(Avis Budget Group, 2015). Estimated Industry sales for the planning year of the Avis Budget Group, Inc (2015) are approximately \$ 9 billion USD in revenue (Avis Budget Group, 2014, p. 37).

2. Total revenue for the Zipcar subsidiary in 2013 was \$246 million USD (Avis Budget Group, 2014, p. 44). The pricing strategy for Zipcar is one which is highlighted in the work of Sven Hollensen in *Global Marketing: A Decision Oriented Approach 5th edition*, which is a three year plan (Hollensen, 2011, p.10). Year one begins with keeping the skimming price of the product in the new market, in year two Zipcar should lower the price, and finally, year three will see a stabilization in its prices within the market (Hollensen, 2011, p.10). With the market entry of Zipcar into Aarhus, Denmark, the estimated revenue for Zipcar in the year 2015 should come to approximately \$ 300 million. This number accounts for 10% revenue growth each year which is consistent with the amount of growth shown before their merger with Avis Budget Group, Inc. (Zipcar, 2013).
- D. An important government agency which can aide Zipcar in their market entry is the Danish Ministry of Transport (Ministry of Transport, 2010). The Ministry of Transport is in charge of overseeing the public transportation and logistics of the entire country and has published the following statement as to its official duties: “The Danish State has made large investments in new technologies, in modernizing and updating existing infrastructure and to develop new infrastructure and services.” (Ministry of Transport, 2010, page 5).

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