1. Car sharing case

Read the following case about peer-to-peer (p2p) vs traditional car sharing markeplaces, and then answer the questions at the end of the case.

Car ownership is down, public transportation and car sharing is up, and people (especially young people) are working out collaborative consumption solutions to their transportation needs. While biking, walking and public transit can take you a long way, in most places in America, regular access to cars is still vitally important.

A new report on car sharing by Susan Shaheen, Mark Mallery and Karla Kingsley has investigated the possibilities and boundaries to direct, P2P car sharing, which has different business modeling and planning from "traditional carsharing" (i.e., Zipcar)

As they write, since 2009, car ownership has gone down for the first time since recordkeeping began (in 1960). This signifies an epochal shift in attitudes towards car ownership and transportation. While many factors are at play (increasing urbanization of the American population, the recession, etc.) it also correlates with a growing prevalence of car sharing organizations.

Traditional car sharing companies provide 24-hour access to a fleet of cars for short trips or errands. These companies rely on a large outlay of capital to build the fleet of cars that will be available, and complex technological set ups to organize insurance and car availability. Still, even for major multi-city car sharing businesses like Zipcar, car sharing relies on an intensely local economy of scale: "a carsharing business is contingent upon gaining approximately 25 active members living within 0.40 km/0.25 miles of each point of departure (POD)".

But "personal car sharing" or peer-to-peer (P2P) car sharing (Turo, Ryde, GetAround), can rely on an even more localized community. In personal car sharing, an owner puts her private car up for use through a company which organizes access to rentals. While traditional car sharing companies provide everything from infrastructure to cars to insurance, personal vehicle sharing companies usually just help to broker transactions. As a result, personal car sharing rates tend to be slightly lower than traditional car sharing.

Another major difference, and perhaps one that has the most potential for the transformative power of P2P car sharing, is that while traditional car sharing requires high population density to be profitable, personal car sharing can work even in the suburbs. The need of traditional car sharing companies to find a parking spot and maintain it, and to distribute their fleet, makes large, distributed neighborhoods in the suburbs very hard for them to enter: the cost is too high, and there are not enough people within close range of the vehicle. But with personal car sharing, the car's owner already lives in the neighborhood and already keeps it there. Even if they have potentially fewer customers, that does not hurt their ability to offer the service.

Shaheen et. al. discovered some major barriers to personal car sharing however. The major problems were insurance questions and fear of sharing personal vehicles. Because it's a new model of car ownership that fits into neither standard commercial insurance regimes or basic personal ones, insurance is very expensive for personal car sharing–improvements in risk assessment are needed to make it cheaper and more reliable.

The other major problem to overcome with personal car sharing is less tangible. It's lack of trust: people's cars are very valuable to them, and it is difficult to share that with strangers.

The need for the owner to deliver the key to renters—called attended access—can be another great hindrance to development of easy car sharing. That's why "unattended access mechanisms such as lockboxes, key fobs, smart cards, or smart phone applications become so important." But much of the technology needed to make a car available for 'unattended access' is expensive to produce and install, and is often aftermarket and can void warranties or decrease the resale value of cars.

Still, as car sharing technologies improve and become cheaper, it seems likely many of these problems will be overcome. And the benefits of car sharing that Shaheen et. al. revealed are powerful: "A 2008 survey of more than 6281 carsharing members in North America found car ownership among the survey population dropped by approximately 50% due to carsharing participation." Average monthly transportation costs also decreased dramatically, as did environmental impact. Americans in car sharing programs save $154-435 a month on transportation costs!

Questions

1) In chapter 5 we discussed the marketing analysis, which is very important to understand consumers and their wants and needs. What are some of the important factors that led to the creation of car sharing companies and their success?
2) Identify the key differences between traditional car sharing (Zipcar), p2p car sharing (Turo, Ryde), and traditional car rental (Avis, Hertz). **Hint: Think about their business model. Who owns the car? Who sets the prices? How many different products (cars) do they offer? Etc.**
3) How do P2P car sharing companies create value for consumers?
4) Which consumer needs do P2P car sharing companies satisfy?
5) Identify the different parts of the marketing product mix for p2p car sharing (e.g., Turo).
6) The article mentions that one of the problems of P2P car rentals companies is the lack of trust. How are companies like Turo, Ryde, GetAround solving this problem?
7) Do traditional car sharing and car rental companies have the same trust problem? Why?