

# Trabajo Fin de Máster

Business expansion plan for  
*car2go*, a carsharing company in Europe

by David Reinier VAN DER HORST



UNIVERSITAT ROVIRA I VIRGILI

# Business expansion plan for *car2go*, a carsharing company in Europe

**1. Introduction**

**2. Background**

**3. Market research process**

**4. Strategy**

**5. Conclusions**

# Business expansion plan for *car2go*, a carsharing company in Europe

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## 1. Introduction

- Relevance:  
This original real-case study is a reasonable approach to master the process of constructing a viable business expansion plan.
- Main objective:  
To examine which European country could be the preferred next step for expansion to strengthen the firm's position in the European market.
- Research question:  
What is the preferred next step for business expansion for carsharing firm *car2go*?

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## 2. Background

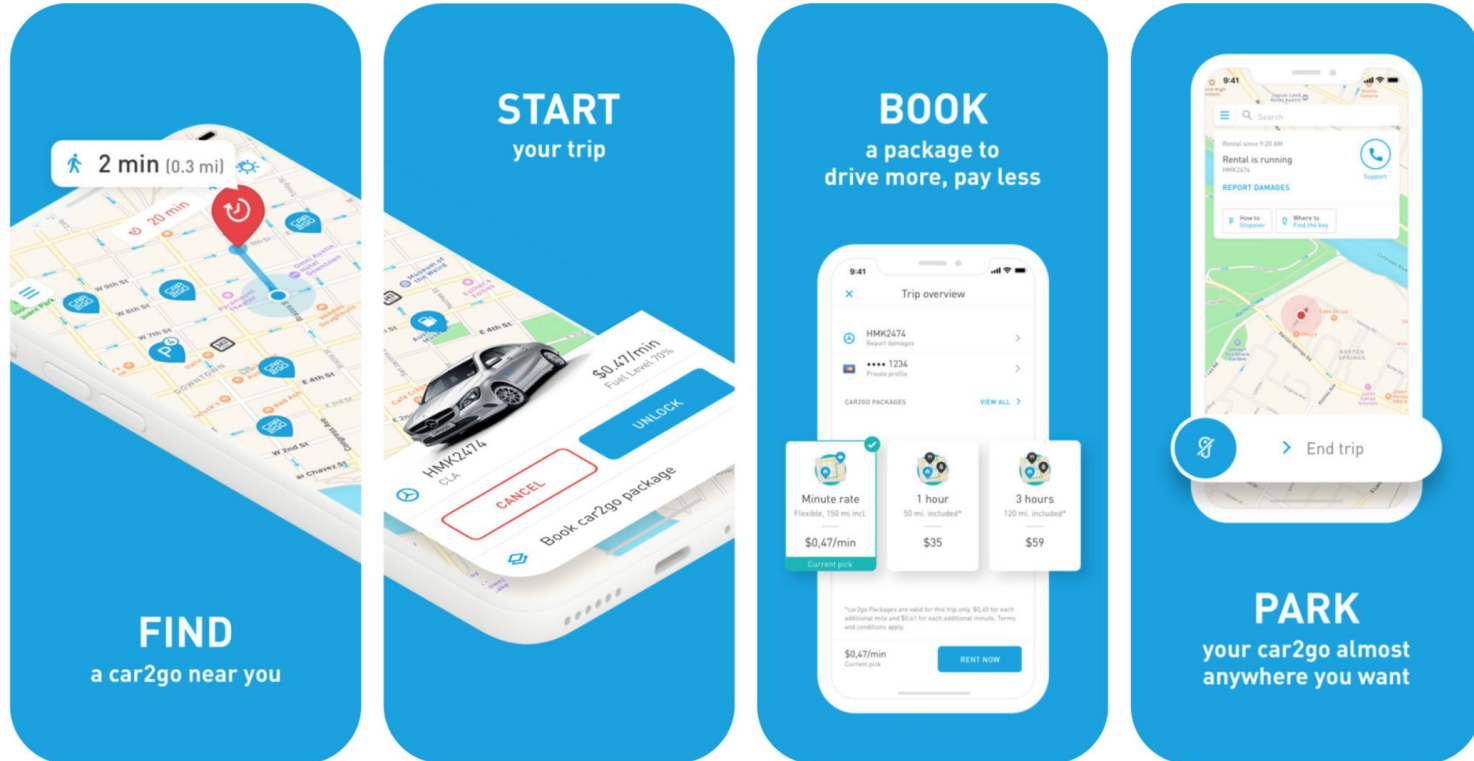


- Founded in 2007 in the German city of Ulm
- Backed by Daimler
- ± 900 employees (May 2019)
- DriveNow (BMW) and car2go became SHARE NOW in 2019
- Active in various international markets:  

Austria, France, Germany, Italy, Netherlands, Spain,	China,	Canada and USA
<hr/>		
Europe	Asia	North America

## 2. Background

The process through car2go's mobile application is as follows:



## 2. Background

A brief history of modern European carsharing:

Millard-Ball et al. (2005) stated that carsharing programs are able to persist in their business activities and become economically profitable, without state funds.

Partner organizations and advancements in technology played a large role in achieving this.



Daimler

Mobile application



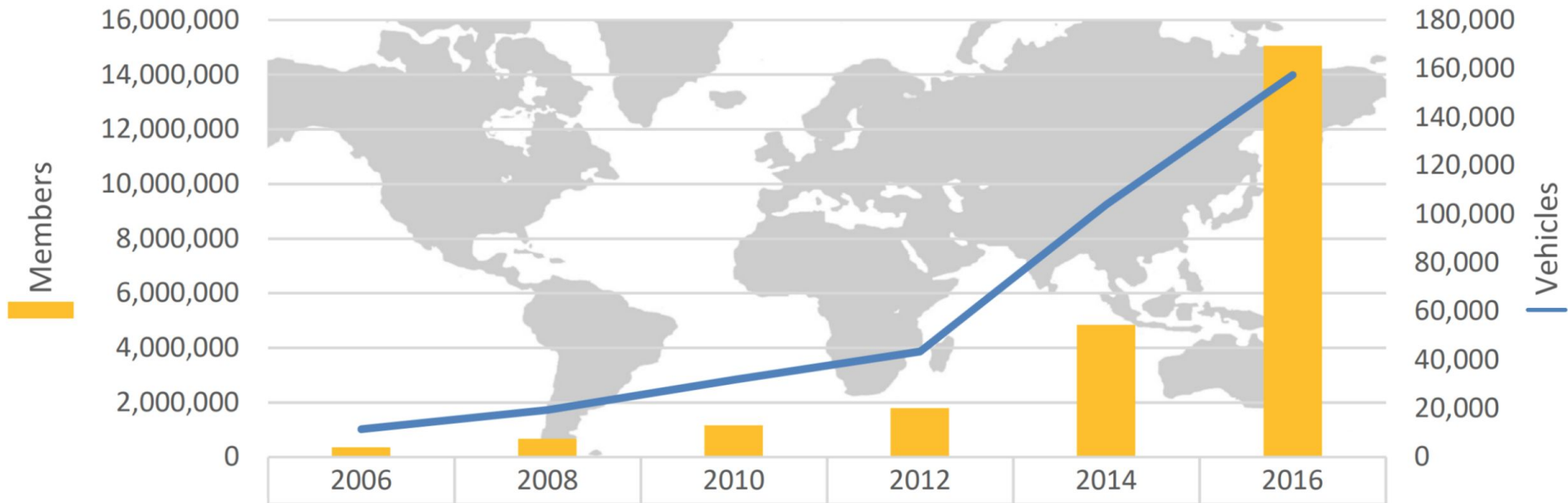
## 2. Background

The current situation and impacts:

- Schiller et al. (2017): Advancements in technology, improvements in operational processes and a growing public interest in carsharing suggest a promising future for the concept of carsharing.
- Shaheen et al. (2018): From a transportation perspective, sharing economies are moving forward in full speed.
- Mocker & Fonstad (2017): Several car manufacturing companies launched successful carsharing programs.
- Loose (2010): The introduction of carsharing comes along with a relevant environmental impact as a result of both reduced travel and the use of newer, fuel-efficient vehicles.

## 2. Background

Global trends in carsharing according to Shaheen et al. (2018):



## 2. Background

There are, however, concerns about the concept:

- Loose (2010) stated there are three types of constraints to the rapid expansion of carsharing with Europe: political, economic and individual.
- Zeng (2015) concluded that an important barrier to the business is the requirement of high capital investment.
- Online newspaper *El Nacional.cat* (2019) concluded the concept still has to overcome challenges such as the legal ones, but also the lack of supply of carsharing vehicles in rural areas.
- El País (2019) indicated that there are on average 33 percent more bacteria in a vehicle from a carsharing's firm than in a privately-owned vehicle.

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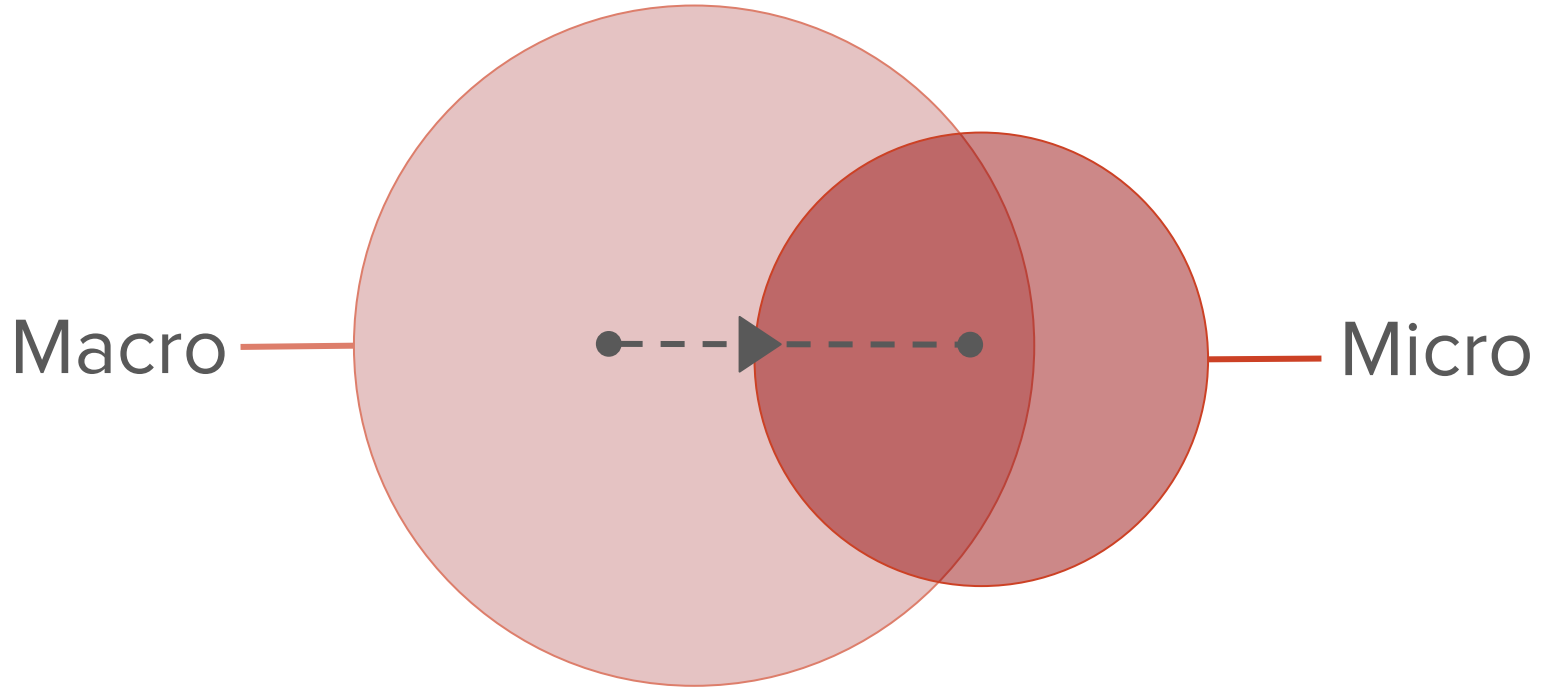
**3. Market research process**

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### 3. Market research process

*car2go*'s international strategy was reviewed in two ways:



### 3. Market research process

Three stages for market selection:

- First stage: Preselecting the most favorable markets
- Second stage: A comparative study of target markets
- Third stage: In-depth study of our selected target market to confirm the selection was right

The considerations made during these stages were suited to the firm's specific needs for business expansion.

### 3. Market research process

The criteria for the preselection of the markets were divided into two separate segments:

- Market dimension

Concerned with the specific processes that establishes a prospective market value of the firm's brand and services as well as those that impact the accessibility of these products to their (potential) customers.

- Access to the market

Focuses on the firm's position to a specific country in terms of culture, location, and the measurement of accessibility of a foreign market.

### 3. Market research process

Table 1. Market dimension criteria.

Which countries have the highest number of carsharing customers? <sup>1</sup>	Which countries have the highest density of the total road network (km road/ km <sup>2</sup> land area)? <sup>2</sup>	Which countries have the highest GDP per capita? <sup>3</sup>
1. Germany 2. Switzerland 3. Great Britain 4. Netherlands 5. Italy	1. Malta 2. Belgium 3. Netherlands 4. Hungary 5. France	1. Luxembourg 2. Ireland 3. Norway 4. Switzerland 5. Netherlands

1. According to *Intelligent Energy Europe Programme (IEE)*.

2. According to *European Union Road Federation (ERF)*.

3. According to *World Bank Data*.



### 3. Market research process

Table 2. Market access criteria.

Which countries are geographically closer to the company?	Which countries are geographically closer culturally? <sup>4</sup>	Which are the most accessible markets? <sup>5</sup>
<ol style="list-style-type: none"><li>1. Netherlands</li><li>2. Czechia</li><li>3. Belgium</li><li>4. Austria</li><li>5. Poland</li></ol>	<ol style="list-style-type: none"><li>1. Netherlands</li><li>2. Denmark</li><li>3. Czech Republic</li><li>4. Finland</li><li>5. Great Britain</li></ol>	<ol style="list-style-type: none"><li>1. Denmark</li><li>2. Norway</li><li>3. Great Britain</li><li>4. Sweden</li><li>5. Lithuania</li></ol>

4. According to *The Patterns of Cross-Cultural Business Behavior* by Gesteland (1999).

5. According to *Ease of Doing Business Score of World Bank Data*.

### 3. Market research process

The foreign markets selected in order of priority were:



### 3. Market research process

Indicators to suggest the most desirable market:

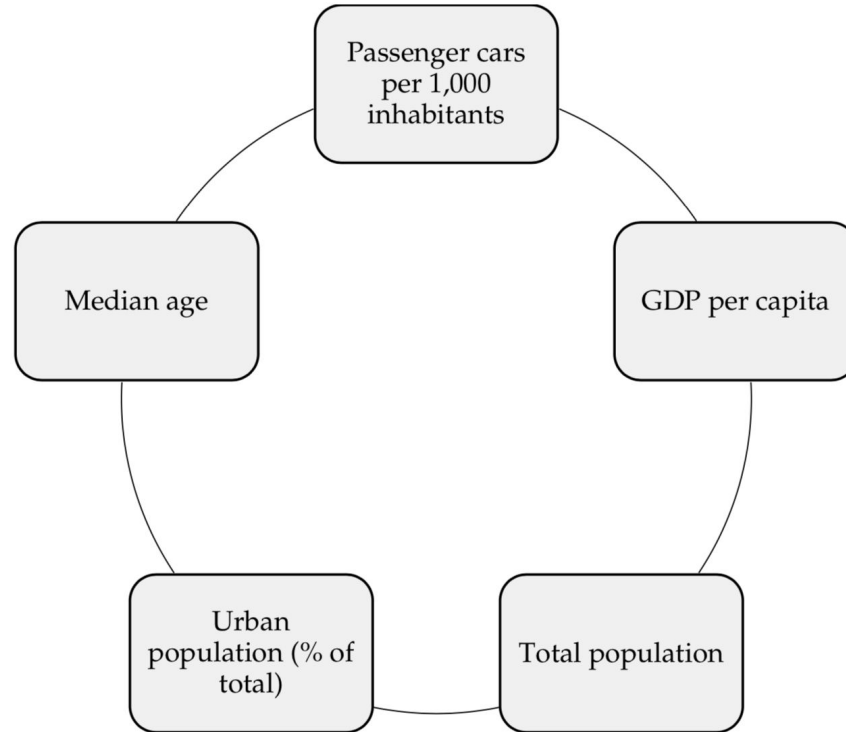


Figure 7. Variables for market selection.

### 3. Market research process

Table 3. Chosen countries and indicators.

	Passenger cars 1,000 inhabitants <sup>1</sup>	GDP per capita in current US\$ <sup>2</sup>	Total population (x1000) <sup>2</sup>	Urban population (% of total) <sup>2</sup>	Median age <sup>3</sup>
Netherlands	543	48,482.8	17,131.3	91	41.8
Great Britain	544	39,953.6	66,023.3	83	40.2
Denmark	508	57,218.9	5,764.98	88	41.1
Norway	616	75,704.2	5,276.97	82	39

1. According to *European Automobile Manufacturers' Association (ACEA)*.

2. According to *World Bank Data*.

3. According to *World Health Organization*.

### 3. Market research process

One country stood out in terms of business expansion: The Netherlands.

This was the:

- Most frequently mentioned country and the one with the highest overall position in the rankings in the pre-selection of markets.
- The country in which the current state of the carsharing industry offered an advantageous business climate for *car2go*.

The next step in the market research process was a more comprehensive study of the country of choice.

### 3. Market research process

Interesting finding in relation to the consumer profile in the Dutch market:

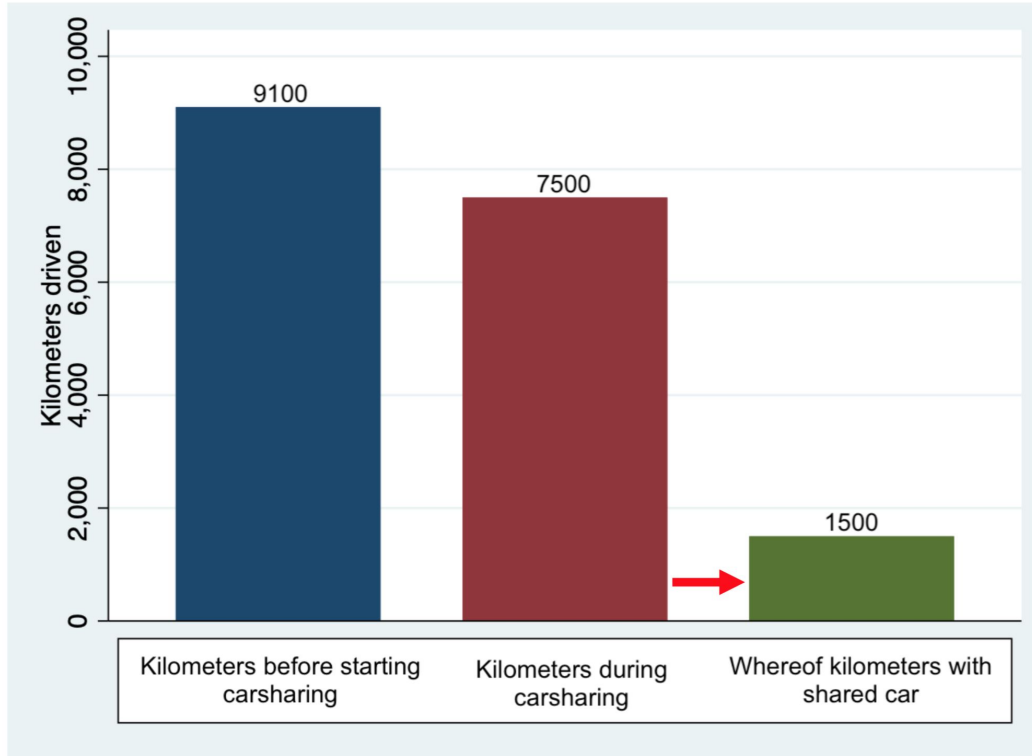


Figure 11. Mobility effect of carsharing on car kilometers.

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## 4. Strategy

One type of corporate strategy was chosen:

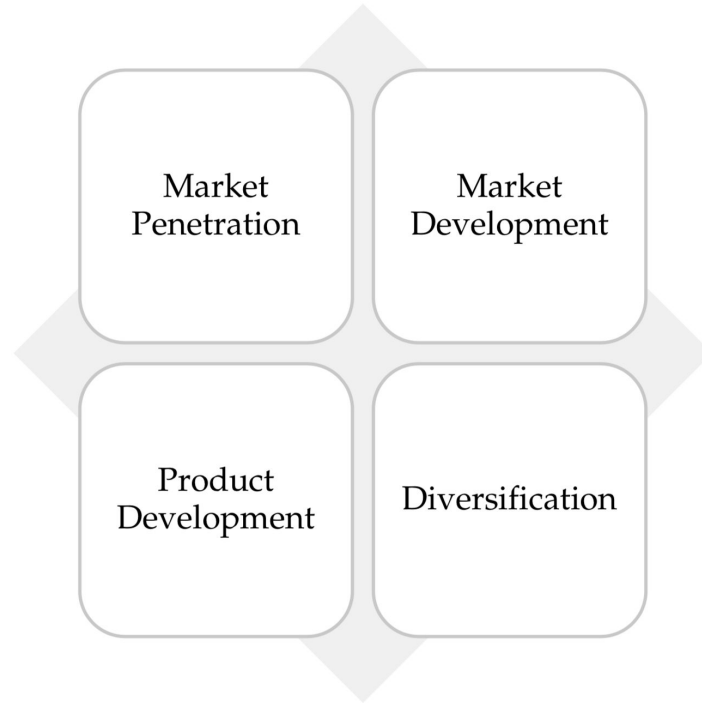


Figure 12. Ansoff Matrix (Ansoff, 1957).



## 4. Strategy

*car2go* offers pay-per-minute carsharing in an all-inclusive cost method.

In order to better understand the Dutch market and to identify possibilities for the business expansion strategy, next up was an examination of the consumer trade-off between carsharing and car ownership.

*car2go*'s all-inclusive cost method:



**Parking<sup>1</sup>**



**Insurance<sup>2</sup>**



**100% Electric<sup>3</sup>**



**Maintenance**

Figure 14. *car2go*'s all-inclusive cost structure (car2go, 2019d).

## 4. Strategy

The main conclusions of the examination of the consumer trade-off were:

- Carsharing seems to be attractive to consumers that drive smaller amounts of kilometers and shorter distances within a city.
- As soon as the number of kilometers increases significantly, the costs of carsharing become higher than the cost of car ownership.
- The tipping point of financial attractiveness of carsharing is strongly related to the price per minute that is quoted by the provider.

## 4. Strategy

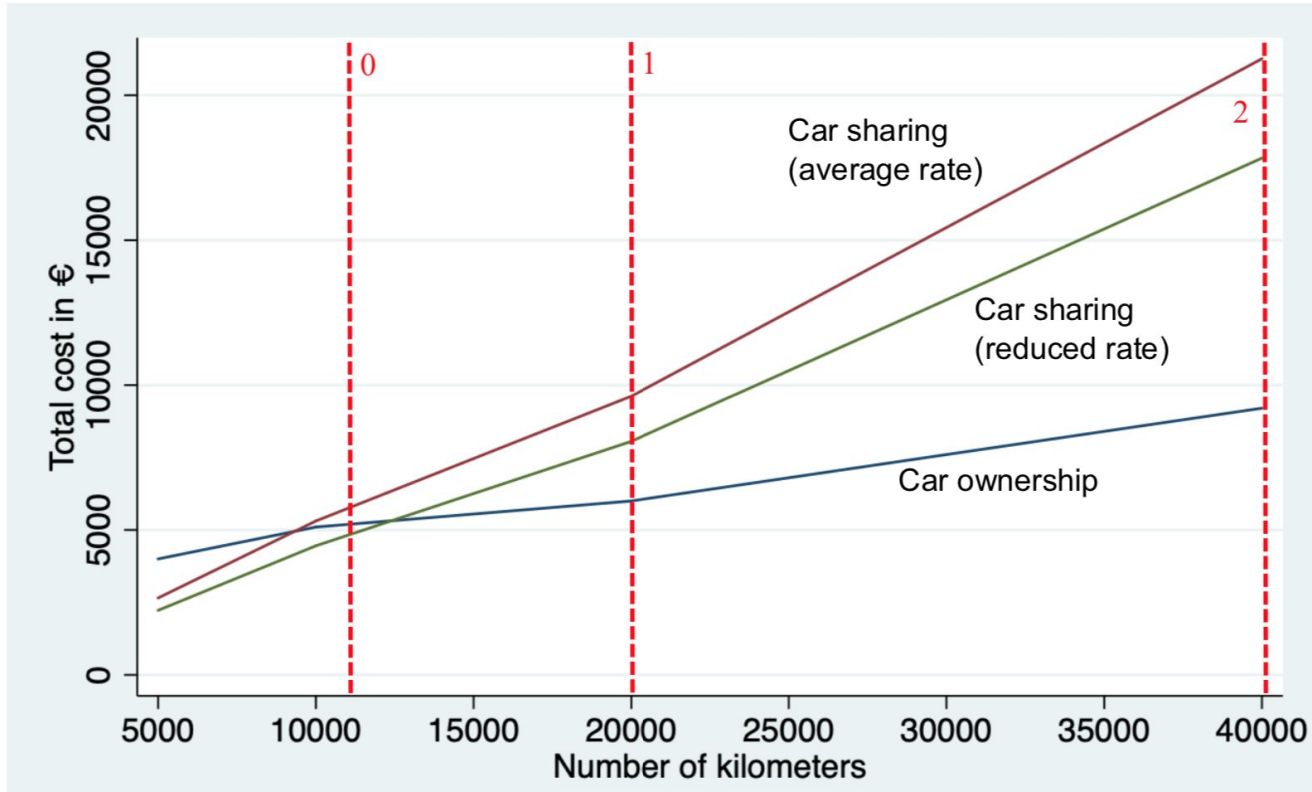


Figure 15. Scenarios at an average speed of 35 kilometers per hour.

## 4. Strategy

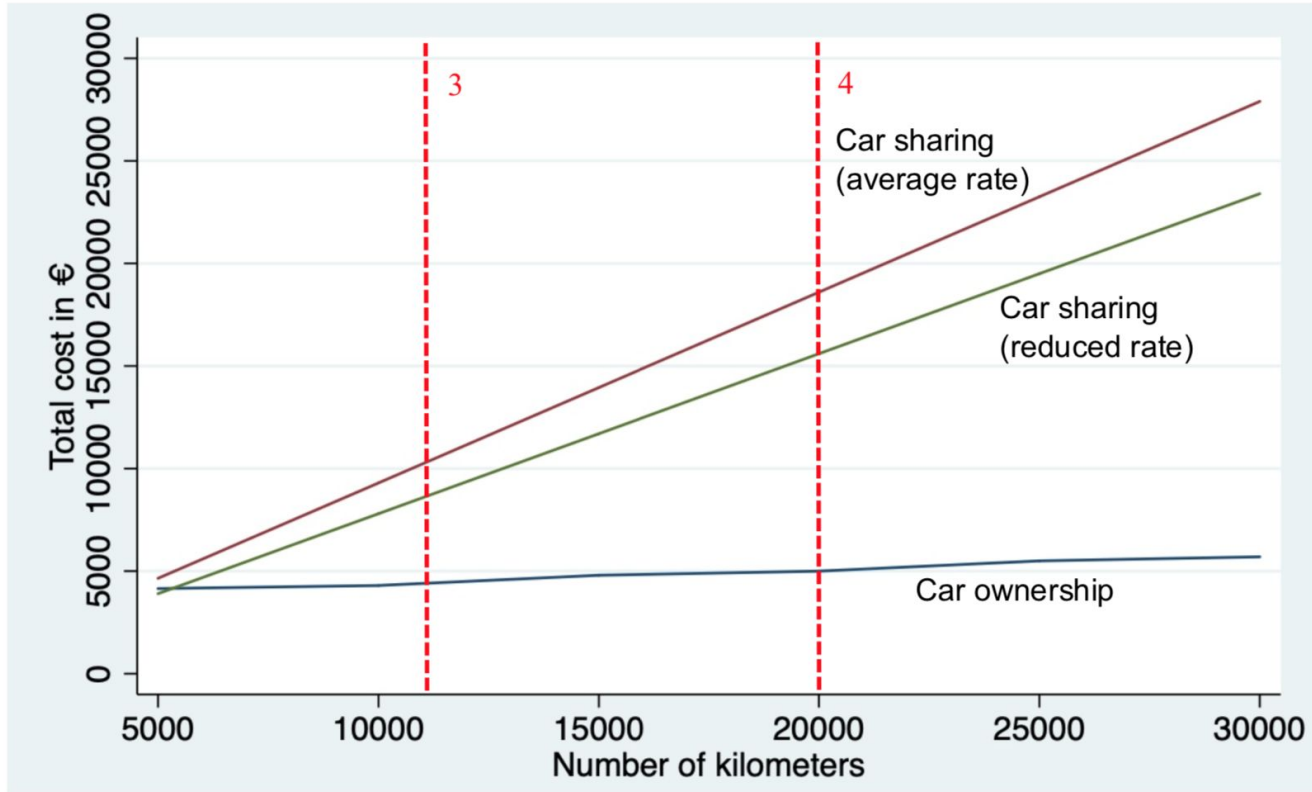


Figure 17. Scenarios at an average speed of 20 kilometers per hour.

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## 5. Conclusions

- *car2go* is a key player in the carsharing concept within Europe. Prospectively enhanced position by the planned merger with DriveNow.
- In regards to the international strategy, *car2go* has a relatively high threat of new entrants and substitutive products. The rivalry amongst firms is low, especially after the merger. Lower rivalry leads to lower bargaining power for the suppliers. Yet, the customers possess a high bargaining power.
- *car2go*'s first-mover advantage and innovative service are the firm's competitive advantages.

## 5. Conclusions

In relation to the research question:

- Expansion within an already operated market (Amsterdam) is the preferred next step for business expansion. Obstacles have already been overcome and the market shows unexploited potential and high prospective growth.
- Within the chosen market, *car2go* is recommended to focus on customers that drive a relatively small number of kilometers (10.000 annually).
- The economic tipping point of the trade-off is strongly related with the PPM quoted by *car2go*.

This justifies recommending an initial (temporary) price drop.

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