Executive Summary: Carsharing Programs

Carsharing Membership and Vehicle Fleets, Personal Vehicle Reduction, and Revenue from Carsharing Services: Global Market Analysis and Forecasts

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Section 1

EXECUTIVE SUMMARY

1.1 Introduction

Carsharing, an alternative to personal vehicle ownership, grants drivers convenient and affordable access to a range of vehicles on an hourly or daily basis. The services, which follow a range of business models, offer members the ability to enjoy mobility without the expense and hassle of owning a car or the need to frequently rent a vehicle from a traditional car rental agency. Membership in a carsharing program usually requires an annual and/or initiation fee, and the vehicles carry hourly or daily rental costs. Although carsharing services appeared in Europe during the 1940s, they did not emerge in key markets such as the United States – or grow significantly in any market – until the 1990s. At that time, however, carsharing was still considered a nascent industry.

Since then the carsharing market has grown tremendously. As of 2012, approximately 1.8 million carsharing members were using services in 27 countries across 5 continents. The market has grown from an informal network of small companies and organizations to a market driven by major multinational corporations. Moreover, strong partnerships have been forged between young carsharing companies, major well-established car rental agencies, top-tier automotive manufacturers, and a range of public institutions including municipalities, universities, and public transportation agencies.

1.2 Market Growth

According to the experts interviewed for this study, no one factor accounts for the global expansion of carsharing services or explains why they are expected to proliferate. Instead, growth has been and will continue to be driven by a confluence of factors. Note, though, that such growth will continue to be counterbalanced by the higher level of convenience made possible by a privately owned vehicle. Additionally, consumer attitudes about cars as symbols of status, success, privacy, and freedom persist. Moreover, carsharing growth is constrained by the ability of carsharing companies to achieve sufficient revenue per vehicle in order to create a sustainable, profitable business. Regardless, multiple factors will continue to push the development of the carsharing industry. A few of these dynamics are discussed in the following sections.

1.2.1 Urban Congestion

Cities across the world are facing the prospect of global gridlock as populations shift to megacities and the increasing number of consumers entering the middle class purchase private vehicles. The social impact of too many cars fitting into packed roadways is accompanied by the contribution of auto emissions to climate change and air pollution. Governments around the world, to varying degrees, are responding by mandating higher levels of vehicle fuel efficiency through the use of alternative fuels and electric-drive vehicles (and related efficiency
Carsharing Programs

strategies). They are also creating traffic-reducing protocols such as car-free or car-light zones, bicycle-friendly roads, and fee-based congestion zones. Municipalities, urban planners, and car companies are focusing on reducing emissions and creating more livable cities. Carsharing is viewed by both public and private entities as a powerful tool to meet these goals. In fact, every vehicle employed in a carsharing fleet is credited for taking approximately 5 to 11 vehicles off the road.

Urban congestion also increases the cost of owning a private car to city residents. Carsharing attracts new members by presenting a less expensive option than private car ownership in that a driver only pays for vehicle use as needed, does not need to pay for or worry about parking, and may be somewhat protected from rising operating costs – although carsharing rates will take actual operating costs into account.

1.2.2 Shifting Generational Mindsets

Owning a private automobile has long represented a means of status and freedom. However, that perception has started to change, most significantly among people 35 years and younger. What has emerged in its place is a new ethos of collaborative consumption, where access rather than ownership has become paramount. This new generation of consumers wants the ease and convenience of using a product but is willing to give up a modicum of flexibility in exchange for shedding the burden of 24/7 ownership. They have entered adult life in the Internet age – an age where services that substitute access for ownership are commonplace (e.g., streaming music from an expansive library is a better experience, and often less costly, than owning a collection of vinyl records or CDs). Cars have joined the list of things that can now be shared from a common pool or between peers. It should be noted that the trend away from individual car ownership is also related to the global economic downturn that began in 2008. In challenging economic times, fewer people, especially younger people, are able to afford buying and maintaining a car, and that is a contributing factor to the shift.

1.2.3 Convergence of Business Models

The emergence of the two previous factors has not escaped the attention of carsharing pioneers and venture capitalists. In the past decade or so, these entities started carsharing programs with small fleets of cars. Traditionally in carsharing there have been low barriers to entry but high barriers to scale. Those barriers are being overcome by major corporations – such as traditional car rental agencies and automotive original equipment manufacturers (OEMs) – that have noticed shifts in urban congestion, connectivity, and ownership models. They have entered the carsharing space with the scale, sophistication, and capital needed to bring down costs and increase market presence. At the same time, new business models such as peer-to-peer (P2P) have been applied to carsharing. These models are being supported by investments from larger auto and rental companies that feel compelled to participate in carsharing, even if they are not fully aware of how it will affect their mature business lines.

Today, the availability of enterprise-level logistics and capital is continuing to help carsharing programs build increased momentum and reach beyond initial markets in the world’s largest cities into smaller cities, suburbs, and rural locales. This trend will be spurred by continuing
consolidation in the carsharing industry as larger players (such as traditional car rental companies) acquire carsharing services or as smaller carsharing companies merge.

1.3 Market Forecasts

Navigant Research projects that global carsharing services revenue will approach $1 billion in 2013 and grow to $6.2 billion by 2020 at a compound annual growth rate (CAGR) of 30.9%. North America and Europe will maintain their leading positions as the two largest carsharing markets. Both regions have the necessary conditions to spur growth in carsharing, including the presence of large and growing urban areas, high personal transportation costs, and adequate public transit in many urban areas. However, these two regions will have lower growth rates than the other three regions. The potential for expansion in Asia Pacific is more limited due to the smaller number of countries with the right characteristics for carsharing. Nevertheless, the region will have a higher CAGR than North America and Europe because it got a slower start in the carsharing market and is just now going through a major expansion. Latin America and the Middle East & Africa will also have higher growth rates for carsharing services than North America and Europe, but their total revenue will be far below that of the other regions.

Chart 1.1 Annual Revenue from Carsharing Services by Region, World Markets: 2013-2020

(Source: Navigant Research)
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SCOPE OF STUDY

Navigant Research has prepared this report to present an analysis of the global carsharing market. The report examines the primary drivers behind the growth of carsharing services, the increasing segmentation of the market, and the growing role of automakers and traditional rental car agencies. It also covers the logistical issues facing the carsharing industry, as well as interest in electric vehicles for carsharing, the impact of mobile apps and greater connectivity, and consumer attitudes that act as a driver or a barrier to market growth. Short profiles of key companies involved in the carsharing industry are included.

The report’s purpose is not to offer an exhaustive assessment of all carsharing markets and segments. Rather, it aims to present a strategic examination of the global market with a focus on key drivers, barriers, and societal benefits. Forecasts of carsharing membership, vehicles in carsharing programs, and carsharing revenue for all major global regions through 2020 are provided. The report also forecasts the reduction in personal vehicles on the roadways due to carsharing services.

SOURCES AND METHODOLOGY

Navigant Research’s industry analysts utilize a variety of research sources in preparing Research Reports. The key component of Navigant Research’s analysis is primary research gained from phone and in-person interviews with industry leaders including executives, engineers, and marketing professionals. Analysts are diligent in ensuring that they speak with representatives from every part of the value chain, including but not limited to technology companies, utilities and other service providers, industry associations, government agencies, and the investment community.

Additional analysis includes secondary research conducted by Navigant Research’s analysts and its staff of research assistants. Where applicable, all secondary research sources are appropriately cited within this report.

These primary and secondary research sources, combined with the analyst’s industry expertise, are synthesized into the qualitative and quantitative analysis presented in Navigant Research’s reports. Great care is taken in making sure that all analysis is well-supported by facts, but where the facts are unknown and assumptions must be made, analysts document their assumptions and are prepared to explain their methodology, both within the body of a report and in direct conversations with clients.

Navigant Research is a market research group whose goal is to present an objective, unbiased view of market opportunities within its coverage areas. Navigant Research is not beholden to any special interests and is thus able to offer clear, actionable advice to help clients succeed in the industry, unfettered by technology hype, political agendas, or emotional factors that are inherent in cleantech markets.
NOTES

CAGR refers to compound average annual growth rate, using the formula:

\[ \text{CAGR} = \left( \frac{\text{End Year Value} + \text{Start Year Value}}{\text{Start Year Value}} \right)^{\frac{1}{\text{steps}}} - 1. \]

CAGRs presented in the tables are for the entire timeframe in the title. Where data for fewer years are given, the CAGR is for the range presented. Where relevant, CAGRs for shorter timeframes may be given as well.

Figures are based on the best estimates available at the time of calculation. Annual revenues, shipments, and sales are based on end-of-year figures unless otherwise noted. All values are expressed in year 2013 U.S. dollars unless otherwise noted. Percentages may not add up to 100 due to rounding.