

Evolution of Self-Drive Car Rental Concept in India

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Abstract

A recent trend has been growing in the car rental industry in India and a preferred choice among the Indian consumer base i.e. self-drive car rental concept. Previously this concept existed in an unorganized way in few locations especially tourist in an unorganized fashion and with limited options available for the consumers. The recent development of internet and technology has provided an opportunity for the Self-drive car rental industry in India to grow in a very significant manner. The objective was to understand how an American entrepreneur came forward with this idea and incorporated it in the Indian market as this was a completely unexplored territory. And another motive was to understand the working of this business model through strategies and policies defined by the service providers. We will also see the journey of a startup founded by the American entrepreneur with a humble beginning of only 7 cars in a single city to a fleet size of 10000 cars across 45 cities in a span 4-5 years. This startup laid the foundation stone for this business model and eventually inspired international players to enter the Indian market and hence creating an intense competition in this business. Another objective was to understand the influencing factors which made this idea popular among a certain section of the population.

This article will help in understanding the concept of self-drive car rental like How it works, what are its benefits? and how technology has been instrumental in making this western business model reach a wider consumer base in India.

Keywords

Self-drive car rental, Mobility sharing, Car rental pricing, Rent-A-Car.

Introduction

Originally, this type of business model in car rental industry is observed in western countries. The car rental business began in 1918. It is a simple business where operators provided a set of standard cars to individuals over a fixed per day charge with addition to per KM charges. In 1930 a company called Hertz came with a concept “Rent it here and Leave it There” where a car could be rented in one location and after use return it at another location. By 50s rental companies made available multiple types of cars available at airports, rail road stations and hotels etc. The consumers would be availing services like a specific combination of car type, temporary insurance, pickup-return location and length of keep. In short, a self-drive car on rent offers one the privilege of having his/her own car without having to own it in principle or in other words serves people who require temporary vehicle for commutation in the city or to different cities This business model of organized Self-drive rental cars concept started developing in India in 2013-14. Since then the industry is evolving significantly following the demands of the market. The industry has witnessed remarkable attention among the young generation in the last 5 years. Technology has been the primary contributing factor for the boom in this industry especially in India. The consumers can hire cars through online software applications in mobile or desktops, it allows users to experience hassle free booking and cancellations and even locking and unlocking and locating their booked car from their mobile phone application.

Review of the Literature

Renting a car and driving it yourself is a concept that basically negates the need for buying a car. In India most of the cities are facing issues like traffic congestion and limited parking space. A large proportion of the 25-30 age group population work in non-native cities. Therefore, younger generation is particularly attracted to this idea of car rentals as investing in the liability of a car does not really appeal to them. To cater the demand of this emerging trend, various companies are putting their hands into this business of self-drive rental. These companies have sprung up gradually to provide affordable car rentals for the youngsters who want to get away from the stress of the modern-day work environment at the first chance they can grab – be it long weekends, scheduled breaks or just unplanned trips.

Self-drive cars on rent is a popular concept in the West and like all other things, has been well replicated in India by a few start-up companies like Zoom Car, Voler, Revv and JustRide etc. The year 2013 transformed the rental car industry trend to self-drive rental cars in India. Today, self-drive cars are available in most of the metropolitan cities of India. Delhi NCR, Bangalore, Mumbai, Pune, Hyderabad and Chennai are the major revenue source.

Emergence of the Trend through a startup

In 2012, an American duo Greg Morgan and David Back who studied together had come to India to start a business and after intense homework they finally narrowed down to Zoom Car. They both believed that the transport sector in India needed a disruption because they realized that infrastructure and economic hurdles affected car ownership in India. But at the same time there was a strong sentiment among the masses also to possess a car. This prompted the foundation of Zoom Car which became the India's first self-drive mobility platform.

This idea strikes the right chord with young India who can now rent a car without the hassle of down payments, insurance and documentation process. “The younger population was more inclined towards access rather than ownership” says cofounder Greg Moran.

Working Principle of the Self-Drive Car Rental Service

To hire a self-drive car, an individual must choose a service provider, visit their website or mobile app, register, upload copies of an identity proof and a valid driving license. Some companies require credit card details, while others charge a refundable deposit. Usually, the car is provided with a full tank, and the user has to return the vehicle the same way as taken. Before the car is given the company maintains a checklist where they record every available accessory that has been provided and previous damages has been marked so that the customer is not blamed for that previously occurred damage. The company also records KMs in the odometer before handing over the car to the customer ensuring transparency in the services provided. Also, you are entitled to select the pick-up and drop off locations provided by the company. The customer must check with the company for the most convenient and easy pick-up and drop points. Cancellation charges might apply based on how soon or late you inform them. If you want the car to be delivered to your house or any location other than the designated drop points, there may be an extra charge for it. Payments have to be made online and before hiring the car by debit/credit card or any other online payment method. Deposit is refunded to your account after deducting for damages or maintenance within 2-3 days. If you exceed the agreed time to return the car to the delivery point, there is a late fee charged according to the Terms & Conditions of the company.

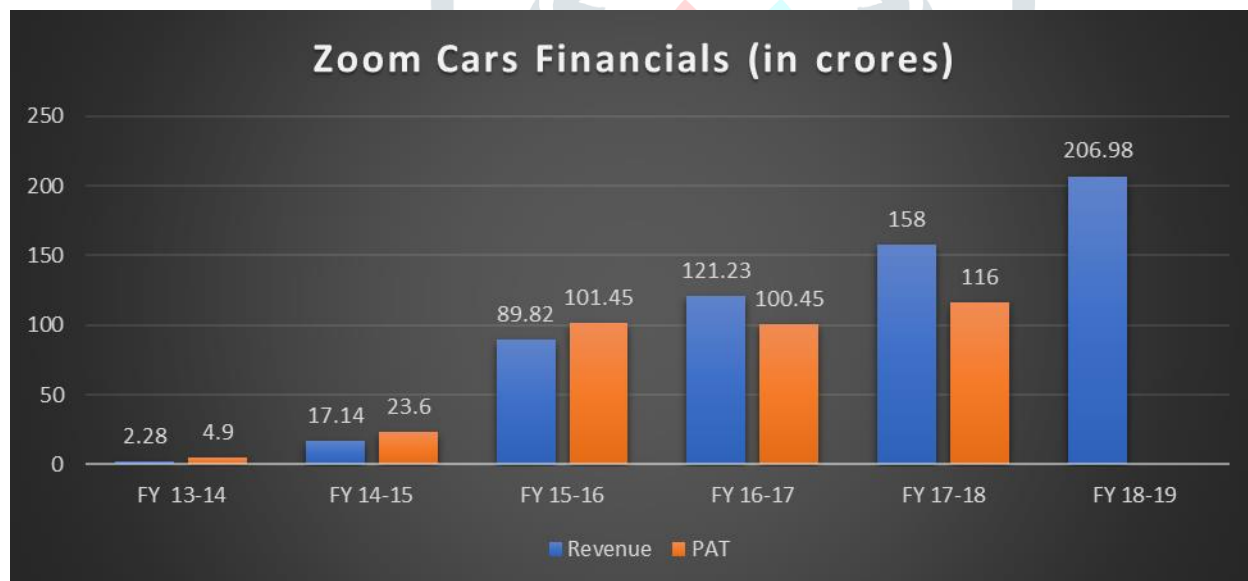
Role of Technology

The self-drive can be acquired through web or through a mobile application. Eventually the mobile application played a great role. Zoom Cars saw an exponential growth in the mobile application usage for their services. As Greg Moran states in a news article “This is something that you see across the entire ecommerce community, the startup community in India right now: this shift to the app and it’s no different for us. We’re seeing very similar trend lines and that’s where most of our engineering focus, product focus, the overall denominator of the business will focus more and center more on the app going forward.”

Journey of Zoom Cars

As the two entrepreneurs founded the self-drive car rental startup in Bangalore in 2013. There was a lack of trust among the vendors due to newly conceived business idea as many of the vendors had an unanswered question that “Whether the Indian population prefer driving a rented car?”. Another roadblock was need to own a yellow board license plate numbers to acquire license to rent vehicles. The funding acquired was entirely invested on Zoom so the founders needed to tie up with an existing player. Many of them rejected it right away and until they finalized a tie up with Ramesh Tours and Travels.

With this tie up the company had started its operation with the platform running manually but later on with additional funding the company hired a strong technical team to cope with its engineering system.



Source: Tofler Business Research Platform, www.thehindubusinessline.com

The company now has fleet size of 10000 cars across 45 cities. There are looking to operate in tier 2 and tier 3 cities keeping in mind the younger population presence.

Currently zoom car has 4.8 million users with an average 3000 rides daily.

Customer Demography of the Users

Age group of 18-30 with majority of active users are in their 20s. As per the 6 major operating Tier-I cities Bangalore, Pune, Mumbai, Delhi NCR, Chennai, Hyderabad users are mostly from engineering backgrounds or other backgrounds working in large MNCs and tech companies etc.

Places of Service

A consumer can pick a car required from specific location points in cities where the service provider operates. A consumer can look for the location points from the company's website. The service provider provides a drop-off option where the company drop-offs the car booked to your specified location for which a certain amount of fee has to be paid.

What if you are new to town? And will be there for business or leisure trip hence will be needed to be guided once you land

While zoom has taken care of this by providing airport pick and drop service to the customers. A traveler is picked up from the airport and taken to Zoom car location where they all need to do is fill in short paperwork and they are all set to go zoom and they can drop-off the car to the same location and dropped back to the airport.

Price Options

They are two types of booking

1. With fuel

If there is refueling while usage when the consumer opts for service with "With Fuel" option then the fuel expense is refunded provided it reconciles reasonably with distance travelled and in pursuance of the standard industry mileage.

2. Without fuel

In this type of booking option, the customer is expected to bring back the vehicle at the same fuel level at the beginning of the trip. There will no reimbursement provided if there is greater fuel than the starting fuel level.

Penalties for Misuse and Violation of Policies

The customer may require to pay the full cost of the damage sustained by the vehicle along with miscellaneous expenses if the incident involved is unattributable to accident. The payment owed will be deducted from the security deposit paid by the customer. Whereas they might have to pay repair cost up to Rs.10,000 in case the damage is accidental.

Zoomcar has set up a speed limit of 125 km/hrs. The user will be charged an over speeding fine max up to Rs.2,500 in case the speed of the vehicle is observed to be above 125 km/hrs. during usage. The user is also liable to be blacklisted if the company finds more than two over speeding cases against the user and also if the speed is over 150 km/hrs.

Use of Sophisticated Technology for Vehicle Monitoring and User-Friendly Features

Internet of Moving Things (IoMT): This technology empowers a keyless entry (KLE) system wherein a user can lock or unlock a car through a mobile app and have a seamless trip experience without any human intervention.

- **Cadabra:** A full-stack solution tracks several items of real-time in-car data and driver behavior, including fuel levels, braking pattern, inconsistent acceleration, seat belt usage and engine health. Any anomaly in driver behavior emits a harsh sound, leading to alertness and reducing accidents.

“We have already been able to reduce accidents by 35 percent over the last three months. That’s something we are truly happy about, and we are actually quite confident that we will be able to reduce accidents by another 50 percent.” says the co-founder on use of IoMT Technology.

Machine Learning: Use of this technology in the following use cases.

- Linear programming-based optimization models help achieve high asset availability at the right place and time in Zoom car’s fleet management system.
- Dynamic pricing, to decide best prices for the prospective renters and subscribers
- Retention strategies are built on the concept of relevance and personalization. So, the company utilizes churn, lifetime value models and customer segmentation.
- Predictive maintenance models are built to service the vehicle at the right time, to minimize breakdowns which helps in reducing the maintenance costs of the cars.

Computer Vision and Deep Learning Algorithms:

- To detect real-time collision warnings and send rash driving alerts to prevent accidents
- To identify fake use of driving license and Aadhaar card to reduce car misuse

Driver Scoring System: Zoomcar is also planning with an indigenous driver scoring system which will rate the renters and assist them with safer driving, which is going to be the first of its kind.

ZAP (Zoom Associate Program) Model of Zoomcars

Zoom car is planning to increase its fleet size through ZAP Model which is a peer2peer based marketplace for cars which allow users as well as other individuals to buy one or more vehicles, which can be leased to Zoomcar on a revenue sharing model. ZAP allows users to buy vehicles on the company’s behalf and earn revenues by renting them when vehicle is not in use. This also allows Zoomcar to have less of self-owned vehicles and more of third-party vendors and dealers’ vehicles to its fleet. This was launched in 2016, as of now vehicle via ZAP model contributes 25% of Zoomcar’s inventory with around 800 cars.

Benefits of ZAP Subscription

- Owner earns 75% of the revenue from every booking of the car.
- Guaranteed demand for the subscriber’s car.
- Zoomcar takes care of the bookings.
- Zoomcar covers all the deductibles when it comes to insurance
- Installation of the speed governors.
- Accountability

At Zap Subscribe, company sold over 3,200 car subscriptions in the month of March 2019 alone, crossing over 7,000 subscriptions in total. “With the figures, we have become 2X larger than the largest car dealership in India,” says the co-founder.

Other Major Players or Competitors

- Myles
- Voler
- Revv
- Selfdrive.in
- MyChoize

- Ola Rentals
- Uber

Research Methodology

This research is based on desk research methodology and non-empirical research. This research includes literature reviews, conceptual articles, author's subjective opinion and journalistic type report featuring the concept of self-drive car rental business model. This paper contributes to the understanding of western business model of hiring cars for self-drive in an Indian market environment. This understanding is important for promoting new business models in an unexplored market with the fusion of technology. As this service sector is very new, number of publications, articles and blogs are from 2013 to 2019.

Conclusion

This article has presented a basic insight on the self-drive car rental industry in India. It is hence found that the industry is growing at an immense rate from past 4-5 years. The large portion of the younger generation preferring this mode of transport and adoption of modern technology by the service providers have contributed towards the growth of this West inspired business model. The companies are expanding their operations by allowing customers to select a wide range of vehicles, car accessories, multiple pick-drop locations in metropolitan cities. Zoom Car is undoubtedly the leader of this business vertical in Indian market. As this is a less explored environment many new players and start-ups are exploring this area to compete with distinct and innovative ideas.

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