



Readiness check for car sharing businesses



Highlight

- Car sharing businesses provide short-term car rental services and have been growing globally at more than 39% per year. The strength of car-sharing services is their ability to fill in the gaps between public transportation networks in densely populated cities with extensive public parking facilities. The nature of car sharing is compatible with the lifestyles of Gen Y, a generation that will become major buyers in the future and that uses more public transportation than previous population cohorts. However, unlike in Europe and the US, car-sharing services in Thailand have a disadvantage in price competition compared to other travel options
- EIC sees car-sharing businesses planting themselves in the tourism sector and flourishing there. Car sharing companies can serve independent travelers who want more flexibility in their travel plans and at a lower cost than what daily car-rental services can offer. Moreover, the rise of car-sharing services will increase demand for parking businesses and allow insurance companies to offer new products

Car-sharing businesses that provide short-term car rental services have experienced continuous growth worldwide. The annual growth of the business-to-consumer type services is 39%. The objective of car sharing is to reduce the number of cars on the road. There are two types of car-sharing services: peer-to-peer (P2P) services and business-to-consumer (B2C) services. P2P services take advantage of the fact that cars are usually parked more than 80% of the day by matching car owners looking for additional income with members looking to rent a car during the same period. Developed after the P2P type is the B2C type of car sharing. B2C services provide short-term car rental services without requiring their members to own a car. The competitive advantage of the B2C business model is its ability to provide one-way-trip services, thanks to multiple parking spots that allow members to rent cars at convenient locations without needing to return the car to the same spot. Currently, the number of those engaging in car-sharing worldwide numbers about 6 million and is expected to increase to 26 million by 2020. Asia Pacific has the most car-sharing members at 2.3 million and enjoyed high annual growth of 65% between 2012-2015. Europe has the second highest number of car-sharing members at 2.2 million persons, while North America follows with 1.6 million members. The number of vehicles in car-sharing services have reached about 100,000 cars. Countries such as Australia and Singapore have adopted national car-sharing projects to help reduce CO2 emissions. Singapore even encourages bringing electric vehicles into car-sharing services.

Countries experiencing substantial growth in car-sharing services have four similar characteristics; 1) High population density is an important factor in a car-sharing project's worthiness. Areas with low population density usually have weak investment in public transportation systems as residents still enjoy a high level of

convenience using personal cars. EIC estimates that the population density appropriate for car sharing should be more than 500 people per square kilometer. Currently, central Bangkok has a population density of more than 3,000 people per square kilometer and its metropolitan area has a density of more than 1,000 people per square kilometer. 2) Extensive public transportation coverage helps reduce the need for personal cars. If a personal car is needed it is only to travel to or from public transportation access points for short periods of around 10-15 minutes. 3) Environmental-friendly policies and campaigns from both the public and private sectors target the reduction of CO2 emissions from land transportation, involving both the supply and demand sides of public transportation. And 4) Public parking spaces dispersed in many areas help provide parking spaces for car sharing, especially if the government assigns spots specifically for car-sharing vehicles.

More Gen Y members in big cities are turning to public transportation and using fewer personal cars. Surveys show that only 15% of Gen Y members, a generation which comprises of 40% of the US population in 2015, see personal cars as a necessity. This correlates with Gen Y members purchasing only 50 cars per 1,000 persons compared to Gen X and Baby Boomers who buy 80 cars per 1,000 persons. In Bangkok, Gen Y makes up 30% of the population, and they have grown up at a time when public transportation like the BTS and the MRT are available (the BTS was opened in 1999 and the MRT in 2004) along with other transportation options like the ride hailing services that entered the market in 2015.

However, car sharing in Thailand has limitations, including insufficient public transportation coverage, scarce parking spots, and its inability to answer to the needs of Thai consumers In Thailand, high population density and extensive public transportation are still limited to big cities like Bangkok and its metropolitan areas. Such public transportation systems include rail transportation like the BTS, MRT, and express boats on the Saen Saep canal and the Chao Phraya river, and buses. Although prevalent, these public transportation networks do not cover every area of the city and are not well-connected enough for consumers to consider reducing their use of personal cars. In addition, there are insufficient parking spots in Bangkok, especially park-and-ride spaces, and they have not spread into suburban areas. Moreover, there are no designated public parking spaces in populated or commercial areas. This shortcoming thus deters B2C car-sharing businesses from providing the one-way rental services that are its business strength. When considering the aspect of last mile transportation, we found that options such as taxis, motorcycle taxis, and ride hailing services are currently more competitive due to higher flexibility in both the processes of acquiring a ride and parking since the services come with a driver. In addition, the fees for these options can be as low as THB 30 when traveling less than 10 kilometers. Another factor working against car-sharing businesses are two types of fees that could be unfamiliar to Thai customers used to only the pay-per-usage model: monthly membership fees and pay-per-usage fees. For example, in the digital music industry that provide the customers as both pay-per-song music download and music streaming services with monthly fees, we found that music streaming businesses could captured only 2% of the digital song market in 2015.

The government's taxi price regulation works against car-sharing businesses and is not conducive to competition in the transportation market, contrary to countries with strong car-sharing businesses as in Europe and the US. A car-sharing business offering car-rental services does not

involve the use of private cars to transport passengers in return for a fee and thus is not against the Vehicle Act¹. However, when competing with other transportation options like taxis having their fees controlled by the Ministry of Transport, car-sharing fees for traveling less than 10 kilometers and within 30 minutes are THB 10-20 higher than those of taxis. In Europe and the US taxi fees are much higher. Their governments provide incentives for people to use car-sharing services instead of personal cars to support their environmental policy goals. For example, in the US the state of Washington gives tax reductions of USD 60 per person per year to organizations that encourage their employees to travel to work by car sharing or other types of public transportation. In Italy, there is a policy scheme to reduce the number of personal cars that exempts car-sharing membership fees in the first year and offers a 50% discount in the second year. The UK and German governments provide special public parking spaces or parking fee discounts for car-sharing vehicles.

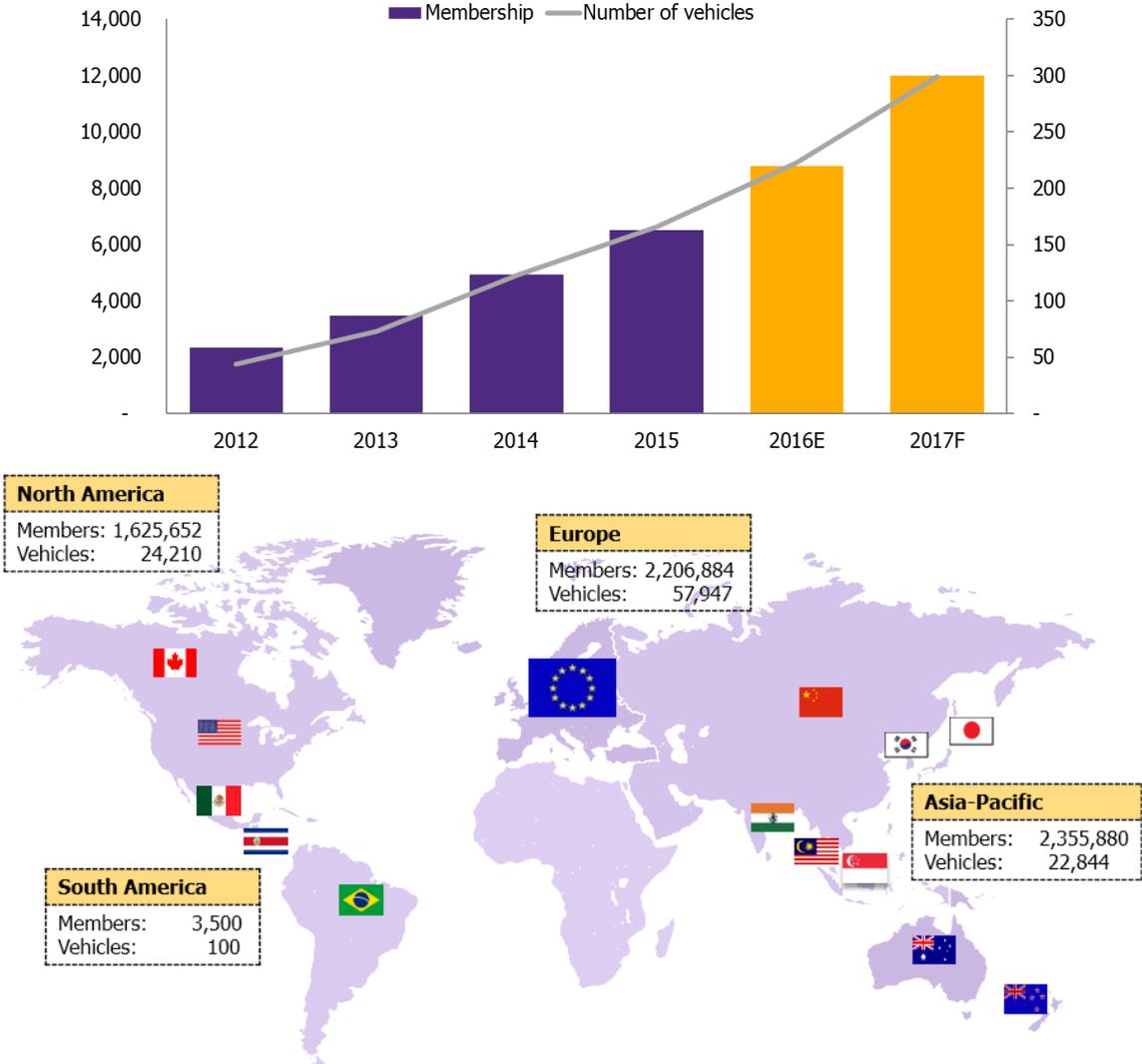
Implication

- EIC suggest that in the initial phase car-sharing businesses that focus on serving travelers in tourist destination cities could capture more business opportunities by providing pick-up and drop-off spots near key tourist destinations or by offering rental services longer than one hour but not more than half a day. This length of service costs less than daily rentals and would be suitable for small groups of independent travelers of not more than five people. These services will help address the limitations of daily rentals that usually require returning a car to an airport or a drop-off location set by the rental agencies and paying a daily flat-rate fee, and give visitors more travel options.
- The growth of car-sharing businesses means more opportunities for parking and insurance businesses. To compensate for higher prices, car-sharing companies should build on their strengths, such as increasing the convenience in accessing their services by partnering with accommodation businesses like condominiums or housing estates, or partnering with office buildings to offer business-to-business car-sharing programs. Car-sharing agencies should also connect with parking businesses to allow network parking and increase convenience in picking up and dropping off vehicles for their customers. Meanwhile, insurance companies have opportunities to offer new products to B2C car-sharing companies as well as car owners in P2P services to create a good image for the service providers and gain the confidence of consumers.

¹ The Vehicle Act B.E. 2522 (1979) defines a “service vehicle for rent” as a vehicle provided for rent, but while rented not to be employed in transporting passengers or goods.

Figure 1: Numbers of B2C car-sharing members and vehicles in service during 2012-2015

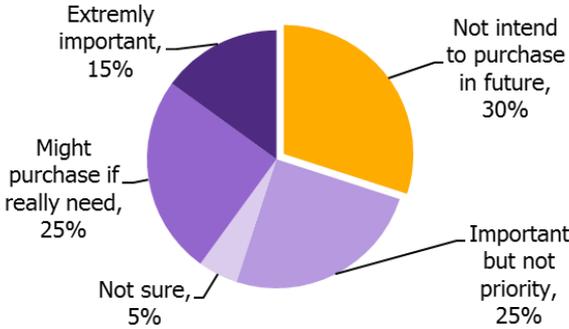
Unit: thousand persons (left), thousand cars (right)



Source: EIC analysis based on data from the Car sharing Association and TSRC

Figure 2: Survey results on the importance of owning a car perceived by Gen Y members in the US

Unit: %



Source: Goldman Sachs

Figure 3: Cost comparison between car sharing and alternatives

	Traveling for 10 km within 30 mins			Traveling for ½ days	
	Taxi	Ride hailing (eg. Uber)	B2C Car Sharing	B2C Car Sharing	Car Rental (eg. Budget, Avis)
Driver	Yes	Yes	No	No	No
Fuel	Included	Included	Included	Included	Not included
Parking	No need	No need	Reserved (End use)	Reserved (End use)	Not reserved
Direction	1 way	1 way	1 way/Round trip	1 way/Round trip	Round trip
Duration	Depend on distance	Depend on distance	Minimum 30 min	Minimum 30 min	Minimum 1 day
Objective	Daily use	Daily use	Daily use / Traveling	Daily use / Traveling	Traveling
Fare	B 80 - 105	B 65 - 125	B 100 - 110	B 550 - 650	B1,000/day Fuel excluded

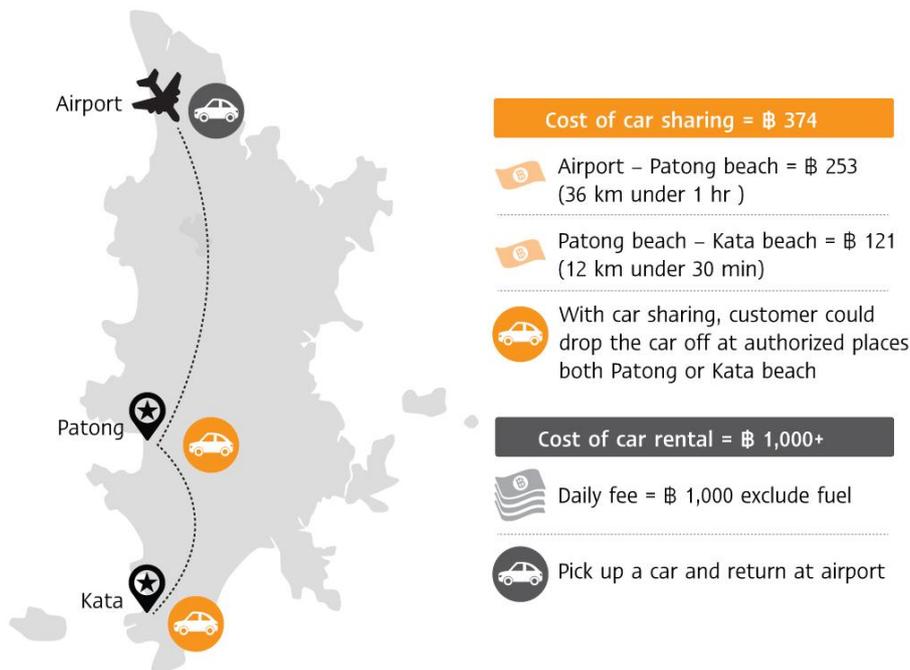
Cost

Source: EIC analysis based on data from the Department of Land Transport, Uber, Haupcar, and Budget

Figure 4: Bringing car-sharing services to support the tourism sector

Example case: Phuket

A group of friends would like to travel from airport to Kata beach and stop by at Patong beach



Source: EIC analysis based on data from Haupcar and Budget

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