The Rideshare Effect

EPSILON CONVERSANT

New market insights show how rideshare services sway loyal car rental customers

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INTRODUCTION

Rideshare companies came to the market and expanded rapidly, significantly changing the industry and redefining on-demand transportation. In response, major car rental companies such as Enterprise, Hertz and Avis launched mobility solutions by experimenting with car-sharing, events, tours and vehicle sales.

Some argue that rideshare and car rental services are each differentiated enough to avoid direct competition, but new research shows that business travelers are using rideshare services more frequently. We wanted to know if this trend was exclusive to business travelers, or if car rental companies are vulnerable to losing even more marketshare to these new competitors.

EXECUTIVE SUMMARY

Using Epsilon's proprietary data assets, Epsilon-Conversant analyzed $140 billion of travel transactions over the past two years to understand the impact of ridesharing on car rental companies: where are they most vulnerable, how much money they're losing, and where they have opportunities to gain—or regain—marketshare.

Our findings show that **car rental companies are losing ground to rideshare services as we found that 63% of car rental customers reduced their spending YoY—a nearly $3.2 billion loss.** Among the findings:

- Rideshare services make up just 2% of all travel spend but 30% of all travel transactions, showing a high frequency of interaction and exposure for those brands.
- Current car rental loyalists are a small group and typically an older demographic, showing a need to win younger audiences.
- In the past two years, 63% of previous car rental customers reduced their spending on car rentals, and 56% stopped using car rental services altogether.
- Car rental customers who moved from high to low car rental spend YoY showed a 68% increase in rideshare spend in Y2.

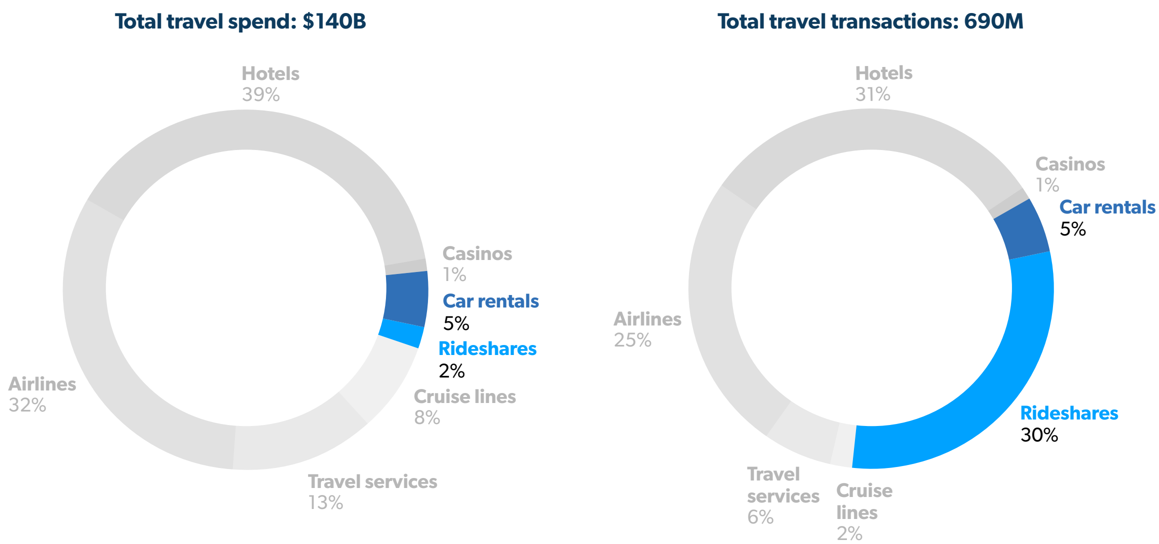
Using this information, rideshare and car rental companies can start to identify vulnerable audience segments and develop a plan of action to either combat decline in those segments or bring new, relevant customers into their audience base. The findings also provide insight for other travel industry sectors to better understand how their travelers use transportation services. Here, we discuss the findings and share actionable insights for brands to consider moving forward.

WHERE DOES OPPORTUNITY EXIST?

Using Epsilon proprietary data assets, we analyzed $140 billion of annual travel transactions to understand recent spending habits with both rideshare services and car rentals. Over a one-year period (fig. 1), car rentals were responsible for 5% of overall travel spend and the same percentage of overall travel transactions. **Rideshares made up just 2% of all travel spend but 30% of travel transactions, supporting rideshares as high-frequency but low-cost services.**

FIGURE 1

Travel industry spend and transactions



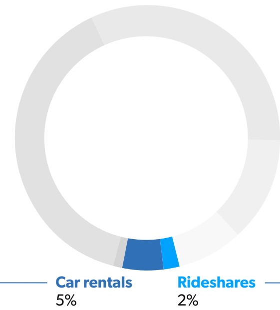
5% of overall travel transactions are for car rentals—$6.8B+ annually

Then we examined customers' spending on car rentals versus rideshares to assess customer loyalty and competitor threats. This helped identify more vulnerable consumer segments that need to be targeted specifically for retention or acquisition initiatives by car rental companies.

FIGURE 2

Customer segmentation

Total travel spend: $140B (58M travelers)



Car rental spend = $6.8B

Rideshare spend = $2.9B

Car rental spend segment		Rideshare spend segment: None	Low	High	Total	
High	# of consumers	2.3M	0.9M	0.6M	3.8M	# of consumers
	Average annual car rental spend per person	$1,121	$1,183	$1,422		Average annual car rental spend spend per person
	Average annual rideshare spend per person	-	$67	$738		Average annual rideshare spend per person
Low	# of consumers	7.5M	2.2M	1.0M	10.7M	
	Average annual car rental spend per person	$213	$217	$229		
	Average annual rideshare spend per person	-	$62	$596		
None	# of consumers	33.9M	7.1M	2.3M	43.3M	
	Average annual car rental spend per person	-	-	-		
	Average annual rideshare spend per person	-	$56	$592		

Likely to be loyal to car rental

Customers to be retained by car rental

Customers to be targeted for car rental

Fig. 2 shows the high and low customer spend segments across car rentals, rideshares and the category overlap. In the high car rental spend segment (about 3.8 million customers total) there are 2.3 million loyal customers who don't spend with rideshare companies. The remaining 1.5 million customers in the high car rental spend category do spend on rideshares, making this a vulnerable segment for car rental companies.

Based on spend and where potential opportunities exist, car rental companies should prioritize developing an understanding of the following segments for differentiated treatment from a marketing perspective:

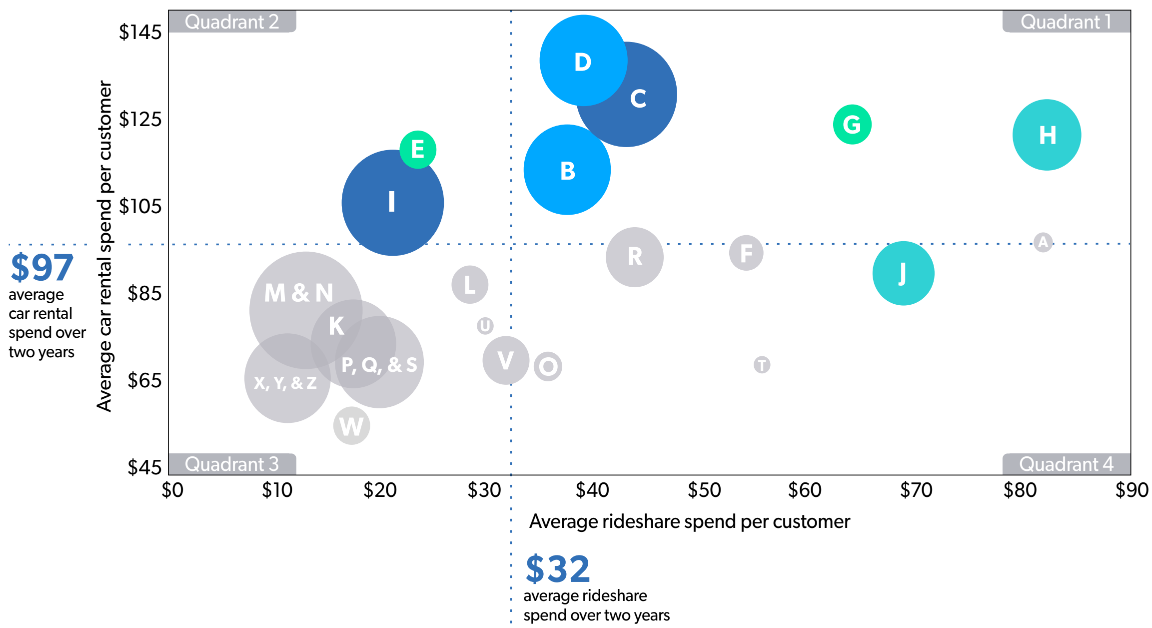
- **High-spend car rental, no-spend rideshare customers.** This group is the most loyal and highest spend ($2.6 billion) segment for car rental companies. They should continually look for ways to provide premium and differentiated treatment for this group.
- **High-spend car rental, low- to high-spend rideshare customers.** This group is important for car rental companies to retain, as they may be vulnerable with their use of both car rental and rideshare services.
- **No-spend car rental, high-spend rideshare customers.** This is a potential expansion group for car rental companies. This segment spends a lot on rideshares, which could signify a large amount of travel and a potential for car rental growth.

CAR RENTAL AND RIDESHARE CUSTOMERS

After first analyzing car rental and rideshare services in the overall travel market, we looked at the past two years of travel transaction data to identity the demographic or life-stage customer segments that tend to over-index in spend on car rentals, rideshares or both.

FIGURE 3

Car rental and rideshare customer segments



Quadrants	**Circles**
1 = High car rental spend, High rideshare spend	**Letter** = Consumer segment
2 = High car rental spend, Low rideshare spend	● = 0–300K ● = 301–600K
3 = Low car rental spend, Low rideshare spend	● = 601–900K ● = 901K+
4 = Low car rental spend, High rideshare spend	

Using Epsilon's MarketView™ data cross-referenced with our TotalSource Plus™ proprietary audience segments, Epsilon-Conversant analyzed car rental and rideshare audiences. The segments (represented on the graph and explained in full in the appendix) are proportionate to the customer base they represent and show each audience's average two-year spend on car rental and rideshare services.

In quadrant 1, we see the customer segments that spend highest with both car rentals and rideshares. This group totals roughly 3 million people and falls under five segments (see full list in appendix on page 11):

- B **Big-Spender Parents:** Affluent Gen Xers with kids.
- C **Chic Society:** Business and culturally oriented households.
- D **Doing Well and Donating:** In executive positions with high net worth and hobbies.
- G **Go-Go Families:** Parents in their 40s with heavy discretionary spends.
- H **Home Hoppers:** Childless adults in their 50s who move homes frequently.

Both car rental and rideshare companies should consider quadrant 1 as their most receptive audiences. For car rental companies, this area has the largest opportunity for revenue loss to rideshare services.

In quadrant 2, we see customers that over-index on car rentals and under-index on rideshare services:

- I **IRA Spenders:** Retired households unlikely to have kids at home.
- E **Easy Street:** White collar, educated baby boomers with grown children and strong discretionary spending.

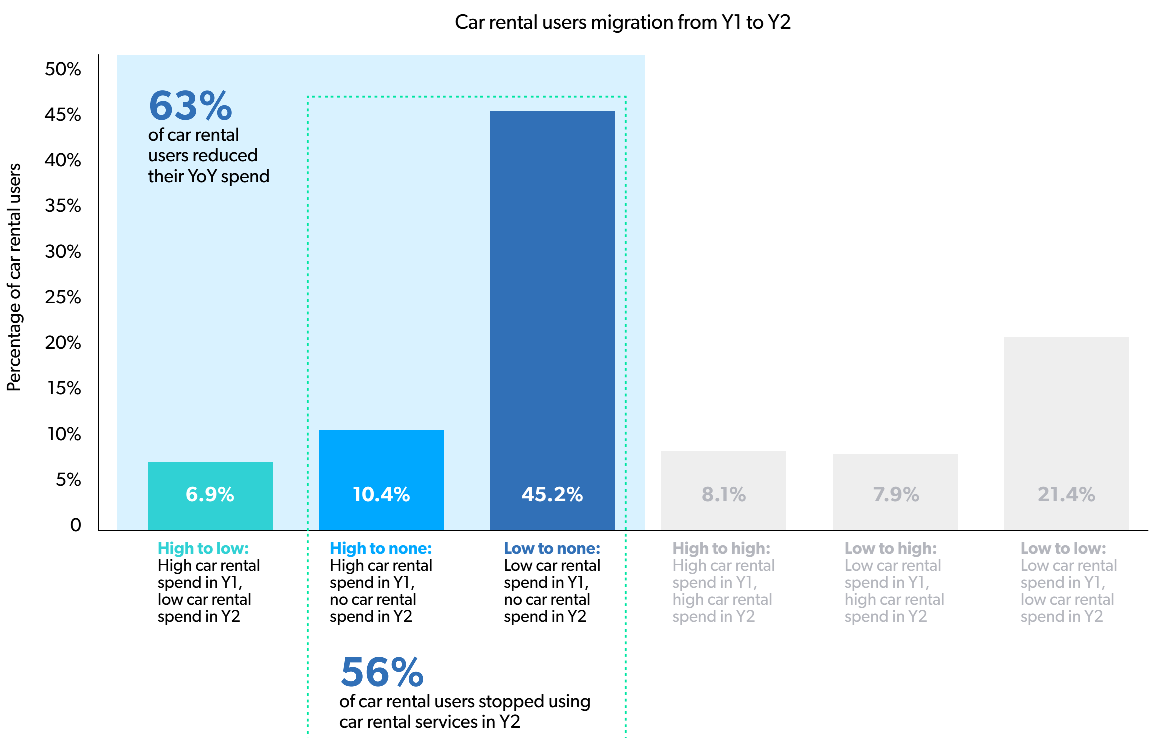
Conversely, in **quadrant 4**, we see customers that over-index on rideshare and under-index on car rentals. Of these, the "Just Sailing Along" segment (adults in their mid-thirties without kids and with lower spend) is the largest.

CONSUMER SHIFTS FROM CAR RENTAL TO RIDESHARE

As rideshare services expand to more markets, the critical question becomes whether or not loyal car rental customers are shifting more toward rideshare services. To figure this out, we looked back at the same two-year period and analyzed year-over-year spending habits of car rental and rideshare customers.

FIGURE 4

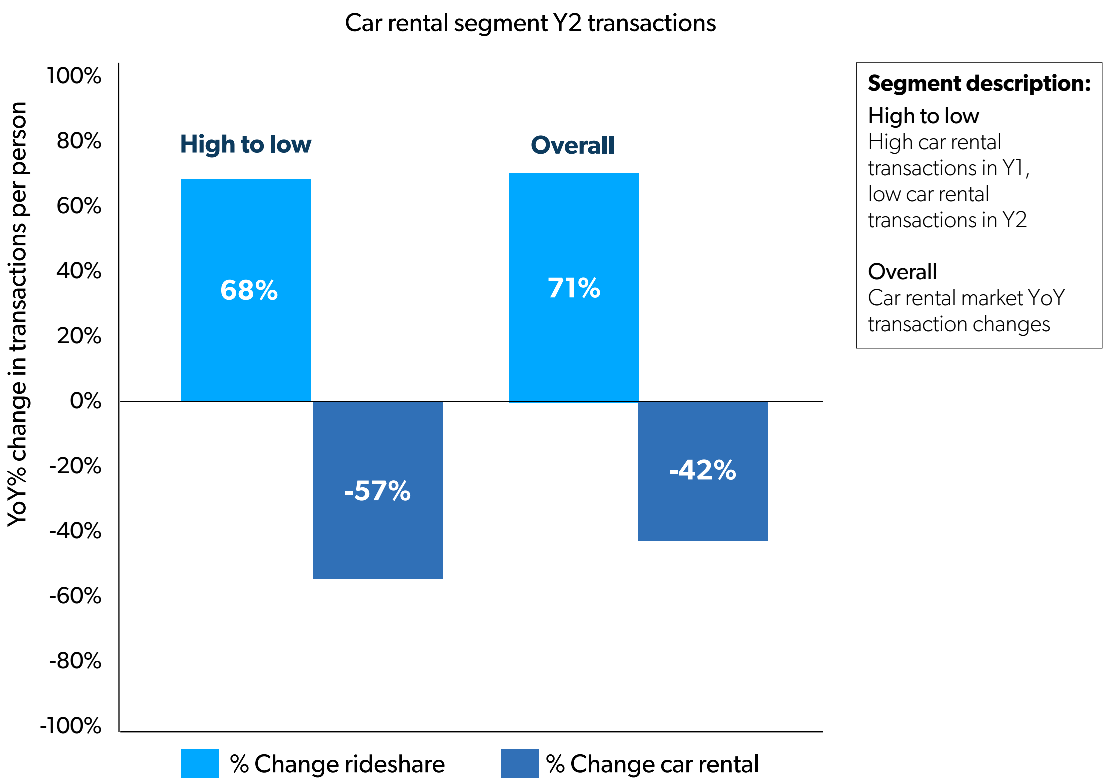
YoY car rental customer changes



We found that **nearly 63% of car rental customers reduced their year-over-year spending—about $3.2 billion—from Y1 to Y2.** Then we compared the year-over-year trends for the same customers between car rentals and rideshares (fig. 5).

For car rental customers, **overall rideshare transactions increased by 71% in Y2 while car rental transactions saw a 42% dip (fig. 5).** Given the decline in car rental transactions and simultaneous increase in rideshare transactions, we can infer that customers who were previously high car rental spenders moved toward increased rideshare activity.

FIGURE 5
Customer migration from car rental to rideshare serivces



The high-to-low group shows year-over-year car rental and rideshare transaction changes for high-spend car rental customers in Y1 who had low car rental spend in Y2. This clearly shows that **high-value car rental customers shifted to rideshare services year-over-year with a 57% reduction in car rental transactions and a 68% increase in rideshare transactions in the second year.**

RECOMMENDATIONS

The ability to analyze historical transaction data and spend across categories allows brands—car rental or otherwise—to have more meaningful interactions with their audiences in a rapidly changing market. They need to identify where past loyalists are moving and also know where their strongest markets for retention and growth lie. Marketers need data that is protected, relevant, actionable and connectable to truly generate insights that will move the market.

With that in mind, here are a few recommendations for how brands can use data to stay competitive:

Tips for car rental companies

Amidst market disruption, car rental companies need to focus on retaining customers that are dabbling in rideshare use and look for ways to bring more non-users into their mix.

- Implement retention strategies for high car rental customers who have started using rideshare services.
  - How can brands reward customers more through existing loyalty programs? Are they truly benefiting from the program's current offerings?
  - If they aren't a member, how can brands incentivize them to join their loyalty program? Look for solutions to activate CRM files to drive loyalty sign-ups efficiently and effectively.
- Talk to high rideshare users about the benefits of car rentals.
  - 9.4 million consumers use rideshare services but have zero spend with car rentals.
  - Understand why they're high rideshare users—do they live in a city where it's more convenient to get around using rideshares?—and offer relevant opportunities to use car rentals instead.

Tips for rideshare services

As a high frequency, low-cost service, rideshares need to focus on increasing use of their platform. This starts with understanding how and when people use rideshare services most often and then being able to connect with them just before peak use times.

- Implement strategies to increase frequency and usage.
  - Analyze the data on current customers—when do they use rideshare services most? How can brands remain top of mind for those customers when they're choosing between rideshare, car rental or taxi services?
- Seek out new users who haven't tried rideshare services quite yet.
  - 9.8 million consumers use car rental services but don't use rideshare services.
  - Understand where and how these people are traveling—are they frequenting cities that have ridesharing opportunities?—and communicate the benefits of using rideshares over car rentals in those instances.

Additionally, there are ways that any brand can leverage this information to stay more relevant to their respective audiences:

Use today's insights to fuel tomorrow's results. For brands to know where to go, they must understand today's reality.

- Brands should emphasize using owned and external market data to inform planning and recommendations for future growth.
- Work with a data partner that has the most accurate historical and persistent data.

Focus on building ongoing relationships with real people. Actionable identity management starts at the individual level. Brands need to know customers across channels, devices and behaviors and then have the ability to interact with them at all stages of their journey.

- When devices are lost, broken or replaced, customer relationships vanish; brands should focus less on cookies and start looking at holistic identity management.
- Each consumer is associated with an average of six points of contact (including devices and browsers). If these aren't connected, brands waste money repeating messages.

Deliver true personalization. Look for solutions that allow personalization at every interaction across email, loyalty, digital media, etc. and stitch them all together into one cohesive solution.

- Every interaction is an opportunity to surprise and delight the most relevant people for every brand. Use dynamic personalization to bring specific, on-brand messages to each individual across interaction points.
- Personalization is about more than just the message; it's about context across channels, devices, time of day, online activity and past interactions and behavior.
- Create cohesive interactions that make people feel recognized, appreciated and connected.

Measure success accurately and in real time. Click-based attribution doesn't tell the full story; in fact, it falls very short.

- Sales are the only true indicator of performance.
- Look for partners that can measure online and offline sales and accurately tie them back to in person and online interactions.

HOW EPSILON-CONVERSANT CAN HELP

At Epsilon-Conversant, we empower brands to place humans at the center of their marketing. Our technology and data-driven insights helps brands make every customer interaction more personal and purposeful to develop relationships that actually mean something. Using our connected suite of products and services across leading-edge identity management and industrial-strength data and technology expertise, we help brands eliminate irrelevant, confusing or unwanted customer experiences and build human connections that drive exceptional business outcomes.

Visit epsilonconversant.com to learn more.

For media and press inquiries, please contact corpcomm@epsilon.com.

EPSILON® CONVERSANT

METHODOLOGY

Using Epsilon proprietary demographic, lifestyle and transactional data assets, Epsilon-Conversant analyzed $140 billion in travel market spend and $9.7 billion in car rental and rideshare market spend from consumers who purchased with car rental and rideshare companies from Q2 2016 through Q1 2018. We looked at both aggregate and YoY spend and transactions and associated changes over time.

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SOURCES

10% sample of TotalSource Plus™, with two-year MarketView™ data, Q4 2016 (April 2016)–Q1 2018 (March 2018), sample is extrapolated to account for complete data set.

External resources:

- http://digital.autorentalnews.com/factbook2018
- https://www.businessfleet.com/279815/market-forces-driving-car-rental-in-2018
- https://www.denverpost.com/2017/08/13/hertz-uber-lyft-car-rental-businesses/
- https://www.forbes.com/sites/christopherelliott/2018/09/23/car-rental-companies-are-in-a-transformative-stage-heres-what-it-means-for-you/#26d9e4836dd5

Learn more

epsilonconversant.com

ABOUT EPSILON-CONVERSANT

Epsilon-Conversant is a leader in interaction management, empowering brands to transform ordinary customer experiences into meaningful, human experiences. Our connected suite of products and services combine leading-edge identity management, industrial strength data and technology expertise with big brand acumen gained over five decades working with the industry's top brands. Our human-powered, data-led marketing delivers unmatched depth, breadth and scale to help brands turn meaningful human interactions into exceptional business outcomes. Epsilon-Conversant employs over 8,000 associates in 87 offices worldwide. For more information, visit www.epsilonconversant.com. Follow us on Twitter at @EpsilonMktg and @Conversant.

APPENDIX

Epsilon Data TotalSource Plus® segments included in car rental market analysis:

Already Affluent

- Extremely upscale households, with respect to their earnings, tastes and propensity to spend. They enjoy the pleasures of high society, and their interests include shopping online, travel, sports, gourmet food and pets.
- Avg. HHI: $161,091, avg. age of HH head: 35, avg. length of residence: 8 years, percent with kids: 21%

Big-Spender Parents

- Middle aged, traditional families with a high likelihood of children and pets present. Significant concentration of Generation Xers in professional, technical and managerial roles, many with post-graduate degrees.
- Avg. HHI: $173,967, avg. age of HH Head: 46, avg. length of residence: 12 years, percent with kids: 88%

Chic Society

- Business and culturally oriented households. There is extensive domestic business and foreign travel and an interest in investing, and they hold many credit cards.
- Avg. HHI: $168,592, avg. age of HH head: 54, avg. length of residence: 16 years, percent with kids: 12%

Doing Well and Donating

- Generation X bachelor's and master's degree holders in executive positions with a high net worth. They're interested in golf, boating and traveling.
- Avg. HHI: $182,047, avg. age of HH head: 50: avg. length of residence: 16 years, percent with kids: 73%

Easy Street

- Older, white collar, educated baby boomers. They have grown children, possibly living with them at home, and strong discretionary spending. They enjoy outdoor activities, make charitable donations and are interested in gourmet cooking.
- Avg. HHI: $170,825, avg. age of HH head: 59, avg. length of residence: 18 years, percent with kids: 42%

Feathering the Nest

- Young professionals who are educated and own their own homes. They often make purchases for their children and have recently responded through all marketing channels.
- Avg. HHI: $163,274, avg. age of HH head: 38, avg. length of residence: 9 years, percent with kids: 72%

Go-Go Families

- Families—adults in their 40s and children—who tend to move around often. They are heavy discretionary spenders, typically renters and interested in outdoor activities with the family.
- Avg. HHI: $151,062, avg. age of HH head: 43, avg. length of residence: 6 years, percent with kids: 82%

Home Hoppers

- Households headed by adults in their 50s who are unlikely to have children, are renting their home, and tend to move every 8 years. They are educated (at least some college) and some work in professional and management fields, while others have careers not requiring a college degree.
- Avg. HHI: $11,032, avg. age of HH head: 50, avg. length of residence: 8 years, percent with kids: 10%

IRA Spenders

- Retired households who are unlikely to still have children in the home. They enjoy leisure activities, spending time with their grandchildren and staying physically active.
- Avg. HHI: $115,319, avg. age of HH head: 65, avg. length of residence: 21 years, percent with kids: 6%

Just Sailing Along

- Adults in their mid-thirties without kids who spend less than the U.S. average. When they do spend, they buy female apparel, recreational and outdoor equipment, arts and crafts, magazines, sports equipment, spas and kitchen décor.
- Avg. HHI: $77,774, avg. age of HH head: 35, avg. length of residence: 5 years, percent with kids: 5%

Kiddie Kastles

- White-collar families with adults in their late 40s and children present. Most are educated and employed in professional, technical or management fields. They like outdoor activities, investing and DIY.
- Avg HHI: $49,668, avg. age of HH head: 47, avg. length of residence: 14 years, percent with kids: 83%

Loose Change

- Households with two Generation X adults and no children. Homeowners who have longer lengths of residence, they're often college educated and have diverse technical and professional careers.
- Avg. HHI: $88,375, avg. age of HH head: 46, avg. length of residence: 10 years, percent with kids: 10%

Mid-Life Munchkins

- Households who are twice as likely as the general population to have at least one child present or to have grandchildren. They have owned homes for 16 years, are educated white-collar employees and are likely to have a military veteran in the house.
- Avg. HHI: $89,616, avg. age of HH head: 52, avg. length of residence: 9 years, percent with kids: 56%

Nice & Easy Living

- Empty nesters who are well educated and employed in professional or management positions, if not retired. They are much more active with their grandchildren than the general population.
- Avg. HHI: $86,541, avg. age of HH head: 64 years, avg. length of residence: 17 years, percent with kids: 5%

Oodles of Offspring

- High school graduates with vocational, technical, clerical, craftsman or sales roles. Most have kids, many are renters and they have fewer credit cards than the average population.
- Avg. HHI: $48,881, avg. age of HH head: 33 years, avg. length of residence: 7 years, percent with kids: 65%

Parks, Parts & Playgrounds

- Single-parent households with high school or vocational degrees. Often employed as healthcare workers, craftsman, small business owners or homemakers.
- Avg. HHI: $40,551, avg. age of HH head: 42, avg. length of residence: 8 years, percent with kids: 55%

Quiet Homebodies

- Middle aged, blue collar households—many with children. They like fishing, automotive work and home improvement.
- Avg. HHI: $69,549, avg. age of HH head: 46 years, avg. length of residence: 11 years, percent with kids: 49%

Resourceful Realists

- Households with one to two adults and no children, and mostly renters. The head of household typically has little more than a high school education and is employed in a clerical, blue collar or service occupation.
- Avg. HHI: $52,423, avg. age of HH head: 45, avg. length of residence: 6 years, percent with kids: 4%

Still Going Strong

- 60 and over households with two adults, many with children. Most have a high school education, and they are considerably more likely to be retired and have a military veteran in the home. They are interested in spending time with their grandchildren, books and knitting.
- Avg. HHI: $47,154, avg. age of HH head: 60, avg. length of residence: 14 years, percent with kids: 49%

Tireless and on the Move

- Young, single, active adults who are frequently renters, with a length of residence of 4 years or less. About half have more than a high school education, and most have military, sales or clerical positions.
- Avg. HHI: $32,558, avg. age of HH head: 31, avg. length of residence: 4 years, percent with kids: 2%

Undaunted Do-It-Yourselfers

- Two adults, no children and several pets. Homeowners who have been living in the same place for 11 years, these high school graduates are generally employed in clerical, teaching or blue-collar craftsman positions.
- Avg. HHI: $41,017, avg. age of HH head: 40, avg. length of residence: 11 years, percent with kids: 8%

Value-Focused

- Renters with no children, these people are highly mobile blue-collar workers with a high school diploma or some college education. They make few purchases, but when they do, they buy automotive accessories, beauty supplies, hunting/fishing equipment, magazines and low-ticket apparel.
- Avg. HHI: $26,949, avg. age of HH head: 39, avg. length of residence: 5 years, percent with kids: 2%

Working Hard

- Hard-working adults with children who have owned relatively inexpensive homes for a short time. While many of these people are high school educated blue-collar or clerical workers, some are small business owners and some work at home.
- Avg. HHI: $27,699, avg. age of HH head: 43, avg. length of residence: 5 years, percent with kids: 2%

X-Tra Time on Their Hands

- Heads of households in their mid 60s, with no children in the household but a great interest in grandchildren. Many are retired, while some hold blue-collar jobs. These people have modest incomes and are not very economically active, with 20% being known credit card owners.
- Avg. HHI: $24,630, avg. age of HH head: 67, avg. length of residence: 13 years, percent with kids: 53%

Young-at-Heart

- Older households who are more than likely to have a retired military veteran in the home. They are interested in grandchildren, bible and devotional reading, contests and sweepstakes, collectibles, music and more.
- Avg. HHI: $39,817, avg. age of HH head: 68, avg. length of residence: 21 years, percent with kids: 18%

Zone of Contentment

- Empty nesters in their late 60s who own homes they have lived in for a long time. They're mostly fond of indoor activities, maintain an interest in health issues and donate to medical-related causes.
- Avg. HHI: $32,452, avg. age of HH head: 69, avg. length of residence: 17 years, percent with kids: 4%