Car Sharing Service Outlook in China
With an increasing awareness of car-sharing services among Chinese consumers, many auto manufacturers are also considering to explore this space. Chinese consumers, however, are different from their counterparts in mature markets in terms of car usage habit, car cost structure and alternative pricing. It is therefore essential for domestic auto manufacturers to think about how to position their car-sharing service and adapt their operating models to the specific requirements of consumers in China.

Drivers in the car-sharing market

Consumer demand and awareness are the main factors for the rise in car sharing. According to Accenture research, the following three factors are driving car-sharing services among domestic consumers:

**Lower mileage and increasing car usage cost**

In a study, Accenture took a typical car priced at RMB300,000 as an example (see Figure 1) to elaborate that if the annual driving mileage is below 10,000 kilometers, the total travel cost-calculated basis car sharing-will be lower compared to purchasing the vehicle. Considering the ever-increasing parking costs, license fees and the congestion tax—which may be introduced in the future in large cities—opting for car sharing can become one of the preferred economical and effective car use plans for regular commuters or even for consumers who are considering buying a second or third car.

**Shortage of taxis**

Unlike developed countries, China has an edge due to its high population, which keeps domestic taxi prices low (Figure 1). According to Accenture research, regulatory restrictions in the fleet size, along with the rising income level of consumers, have led to a demand-supply gap of about 100,000–200,000 units in the Chinese taxi market. This will be applicable to large cities, where it will be even more difficult to find a taxi in extreme weather conditions, peak hours or zones that require such service. In the future, car sharing will act as a good alternative to taxis.

**Presence of number-plate restrictions**

At present, licensing is a common problem across eight major cities—Beijing, Shanghai, Guangzhou, Shenzhen, Tianjin, Hangzhou, Guiyang and Shijiazhuang—due to number-plate restrictions in China. For instance, only 0.15 percent of the applicants win the number-plate lottery in Beijing, while the success rate is only 3.8 percent in Shanghai. As a result, consumers who want to purchase a car, gradually turn to alternative means of transportation such as car sharing that has become popular among younger generation. Accenture research shows that as high as 70 percent of the target consumers are interested in the car-sharing service in Beijing and Shanghai.

Outlook for the car-sharing market

The car-sharing business started late in China. Car makers, such as Mercedes Benz and SAIC, have already piloted it in both tier 1 and 2 cities. According to Accenture statistics, currently, close to 3,000 shared cars are operating in the domestic market, accounting for 0.2 out of 10,000 of the overall car ownership. In the mature markets (see Figure 2), for example, in the United States (US), car sharing penetration raised to 1 out of 10,000 following a decade of promotion. Accenture predicts the car-sharing fleet size in China to reach close to 10,000 units by 2020.

Types of car-sharing services

In the mature markets, there are mainly two types of car-sharing services: station based and free floating. In the station-based service, a consumer takes and returns the car at shared car stations, usually the same site in the early stage to avoid substantial vehicle scheduling. With the gradual development of the service, well-defined data about consumer demand and car flow at different sites will be available. Based on this data, the inter-site network will be built, and the remote car pick-up and return services will be made available.

The free floating service amplifies the convenience of car sharing, where a consumer only needs to find an idle vehicle.

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in the dedicated parking space, order and unblock it through a mobile terminal before using the service. To return the vehicle after use, the consumer just needs to park it in a dedicated space, settle the account and then leave. The free floating service has higher requirements in terms of operation and vehicle scheduling. It also requires a strong operating team to support vehicle maintenance, fueling/charging and other services at non-fixed sites.

Challenges created by Internet companies
Online car rental services, which have emerged in the recent years, have hindered growth of car sharing. Online platforms offer coupons, and convenient booking service and payment channels, while at the same time, consumers are becoming more and more demanding—preferring the chauffeur-driven service. These have turned the special car service—a variant of the emerging car rental service—into a challenge that the car makers have to deal with immediately to promote car-sharing services.

Currently, the domestic car-sharing market is gradually shifting from the stage of exploration to that of industrialization, with auto makers trying a variety of commercial and cooperative models; at the same time, digital rental platforms and technologies are facilitating business expansion across China.

Implications of the car-sharing market on auto manufacturers

The car sharing is still a new service in China. But many auto manufacturers are eager to provide the service for the following reasons:

**Transitioning from production to service**
Based on frequent interaction with consumers in providing them car-sharing service, auto makers have turned into service providers—offering consumer travel solutions rather than remaining mere traditional vehicle manufacturers. In this process of transition, the auto makers can better understand the consumer behavior regarding car use and then provide value-added services to them. This is a way to expand business that can save car makers from being marginalized in the Internet context.

**Enhancing vehicle utilization**
Accenture research shows that the actual utilization of private cars in China is only 7 percent. Car sharing helps raise the utilization rate to 40–60 percent, mitigating the traffic congestion in big cities. At the same time, in a country where the car usage cost is increasing, enhancing the vehicle utilization can reduce the unit cost of vehicle use (see Figure 3).

**Driving collaboration among multiple departments of auto makers**
Car sharing calls for in-house strategic collaboration between multiple departments, including new car sales, after-sale service, second-hand cars, key accounts and financial products, across luxury car manufacturers. The car-sharing service can help rationalize the in-house collaboration mechanism and pave way for multiservice development in the future.

**Delivering product experience for potential consumers**
Unlike auto purchase that involves tens or even hundreds of thousands yuan, car sharing—which costs less than one hundred yuan—attracts potential consumers to experience the variety of car models, which will help increase the car consumer base. One of the interesting findings of Accenture research is that in tier 1 cities, subject to licensing restrictions, many white-collar workers are trapped in the license-plate lottery system. High maintenance and depreciation expenses for luxury cars also suggest that car sharing can be a better alternative for potential auto buyers.

The factors discussed above suggest that car sharing is imperative for domestic auto manufacturers; however, a gap exists between Chinese and mature markets in respect of the overall customer behavior and usage environment.
Key success factors for the car-sharing business

Based on its deep understanding of the Chinese market and consumer characteristics, Accenture believes the following five factors are essential for the success of car sharing in the domestic market:

City selection and coverage

The Chinese leasing market is highly centralized. According to Accenture research, Beijing and Shanghai account for 50 percent of the luxury car rental market. The top six cities—Beijing, Shanghai, Shenzhen, Guangzhou, Hangzhou and Chengdu—account for 85 percent of the market share in China. Due to constraints in tier 1 cities, such as number-plate restrictions and limited parking spaces, auto makers may consider piloting car sharing services in other tier 2 cities. For example, Chengdu and Hangzhou are home to R&D divisions or headquarters of many domestic and foreign enterprises. The cluster of target users, in addition to the relatively high consumption level and the local tourism resources, constitutes a strong base for the car-sharing service. In such tier 2 cities, auto makers need to introduce an operation model different from that in Beijing and Shanghai.

Government resource support

In the future, the free floating service will require a large number of dedicated parking spaces and charging piles for electric vehicles. This calls for close coordination between auto makers and the governments of the cities, especially in the downtown areas where car sharing is most needed. Government support, more parking spaces and station spaces are key factors for the success of the car-sharing business.

Car sharing models designed for corporate users

Accenture survey shows that business users remain the top car-sharing consumers by population and payment. In early stage of business promotion, manufacturers may consider launching such services directly for large enterprises. They need to integrate systems to simplify the in-house vehicle scheduling, billing and reimbursement. They can begin with station-based services for large enterprises only, and then expand to other customers and form a network connecting the companies to allow customers to take and return cars at different stations.

"Chauffeur", a must

The conventional business model of car sharing in the mature markets need an alteration; however, in China, it is necessary to provide car-plus-driver services, with external resources mobilized to solve issues related to driver management and scheduling. For the airport, the central business district (CBD) area and other important locations, agent driving platforms can play a collaborative role to offer the car-plus-driver experience through flexible scheduling of vehicles and drivers. At the same time, auto manufacturers should focus on coordination with online platforms in business processes to ensure service quality and consumer experience.

Cross-platform cooperation with Internet companies

There may no longer be clear boundaries for the car-sharing business, which could result in a derivative in the future to serve Chinese consumers through online platforms. Online rental booking platforms can be used to launch trial drive services, providing mid-and high-end business customers remote airport shuttle experience or special rental features on Valentine’s Day with high-end SUVs. These services can increase consumer-product contact points and even integrate trial drive services of dealers.

Certainly, the car sharing will change the car usage habits of consumers and create "more rules of the game" across the sector. Auto giants have clearly recognized it as an essential part of the future sharing economy. To achieve success in the Chinese market, enterprises have to develop appropriate strategies, positioning, products and services based on an in-depth understanding of the characteristics of Chinese consumers.

About Accenture

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