AirCars Business Plan

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February 2019

Abstract

Sometimes words are not enough to explain something too big.

Scan it and discover what AirCars is about.

"For them it is obsession,
for us it is a dream."

José Mourinho

Acknowledgements

This project would not have been a reality without the help of our family, who have helped and supported us during this tough year. Thanks to our tutor Roberto López Cabaco for his guide and tips during these months, thanks to which this project has been a reality. We would also like to thank the EOI, Airbus and the SEPI Foundation for giving us this opportunity where we have learned a lot from the business world and met exceptional people.

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Chapter 1

Strategic Plan

AirCars aims at revolutionising the car rental sector. Being born in the digital era, AirCars is about creating a digital network to connect the needs of tourists arriving to and departing from the same airport. Following the line drawn in the past years by Airbnb and Uber, AirCars pretends to be the biggest car rental company in the world, specialised in airport operations, without owning any car.
This chapter describes in details the business opportunity and, through a SWOT analysis, the strategy AirCars should follow in order to maximise the profits. Preliminary to the SWOT analysis, a study of the environment AirCars will operate in, as well as an internal investigation of the company have been conducted and described.

1.1 Business Opportunity, Mission and Vision

Based on personal experiences with traditional car rental services, AirCars has first developed a survey in order to validate the existence of a problem within the current services, and therefore the existence of a business opportunity.
Two major complaints have been found to be common within the majority of car rental services users.

- *Bureaucracy*: Too many papers to sign in, not 100% trusted process and too long waiting times when renting a car.
- *Price*: No transparent prices. Service prices which initially seem to be appropriate, subsequently increase too much due to paid-in fees.

AirCars, from the output of the survey, has seen potential for a business by connecting the needs of traditional car rental services users, with those of people leaving their cars at the airport while travelling abroad. Their cars are immobilised assets, and they are loosing the opportunity to get benefits from them.
AirCars therefore creates opportunities for travellers by connecting them, and is born as the first peer-to-peer car rental company specialised in airports.
This business opportunity has subsequently been translated into AirCars' mission and vision in order to draw the reference for its business plan development.

Our mission is to generate opportunities for travellers.

Our vision is to be the reference car rental service for open minded people willing to share more than a car, new experiences.

1.2 External Analysis

The external analysis is needed in order to evaluate the variables, affecting AirCars' operations, that the company cannot directly control. In this section, the external analysis is conducted through the PEST and Porter's five forces tools, and defines in details the environment AirCars will operate in.

1.2.1 PEST Analysis

The PEST analysis aims at analyzing different external aspects, of the operations' based country, over which a company does not have a direct influence, like politics, macro economy indicators, social situation and technology.

1.2.1.1 Politics

Nowadays, Spain, and in particular Andalucía, are suffering great political changes mainly caused by low population satisfaction of the political parties. This translates in a parliament more and more fragmented, where the extremes of the current political panorama are gaining power. The principal reasons of the low population satisfaction are the instability

of Cataluña, the high level of unemployment and the general feeling of a bad political management of the country. In the past election the socialist party, which has been governing the region for the last 36 years, suffered a great defeat, and this can be partly explained by the aforementioned reasons. A new government is therefore entering in the region, promising a lower taxation and less bureaucracy. This should derive in more investing opportunities, as well as in an increase easiness of creating a business. Within the legal frame, it is important to highlight that the public administrations, downgrading from the EU to some municipal administrations, offer financial aids to young entrepreneurs, as well as tutoring and working spaces. AirCars has selected some of the programs that could be applicable to its business.

- *Spain Invest*: Funds given by the Spanish commercial organism.
- *Young Program*: Funds given by ENISA to young entrepreneurs.
- *Andalucía Business Angels Network*: Network of business angels that could provide funds for boosting an idea into a reality.
- *Incentives Program for the Industrial Development and the Employment Creation in Andalucía*: Funds given by the regional administration of Andalucía.
- *Start-Up Incubators*: Network of professionals providing targeted tutoring to small businesses.

Concluding, within the Andalucía framework it is plenty of opportunities for receiving financial aids and specific tutoring in order to help launching a new product or service in the market.

1.2.1.2 Economy

The major macro economical factors to be analysed are the followings.

- *Annual GDP*: Gross domestic production of a country in a year.
- *EURIBOR*: Interest rate at which banks lend money to each others.
- *Inflation*: Percentage indicating the evolution of the prices of common goods and services.

- *Unemployment*: Indication over the economical health and growth of a country.
- *Fuel Price*: Important parameter for an energy importing country like Spain.

Figure 1.1 shows the evolution of the Spanish GDP over the past 5 years. The GDP represents the accumulated of all the goods and services produced in Spain during a year. Most of the international monetary organisms have stated that the Spanish economy is predicted to grow at a constant rate of almost 2.5% during the following years, and that the country will definitely go through an economic expansion.

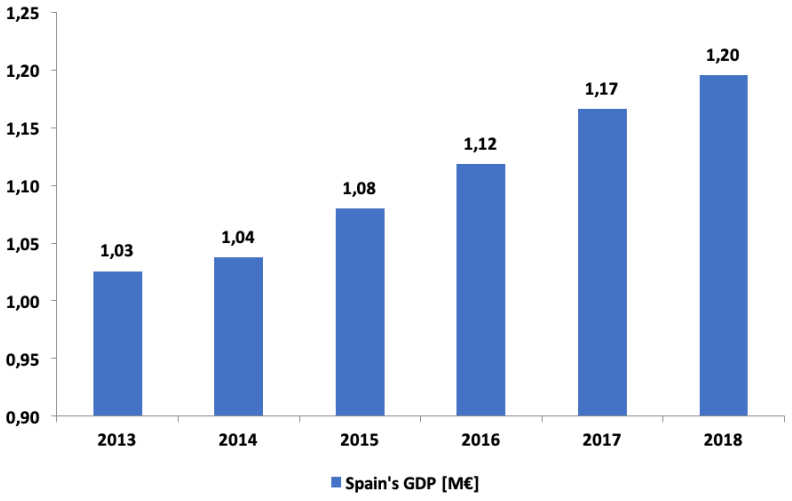


FIGURE 1.1: Evolution of Spain's GDP over the past 5 years.

An economic expansion can be considered as a good indicator for starting a new business, since it implies a growth of the market size that can be addressed with new products or services.
In particular, coming to the Spanish car rental market, from 2014 to 2018 it has undergone an average increase in revenues by almost 6% per year, reaching in 2018 total revenues for 1.8 billions euro.[1]
Figure 1.2 depicts the evolution of the EURIBOR during the last year. The EURIBOR represents the averaged interest rate at which different European banks lend money within each others. It is the most common way to reflect the interest rate to be paid for a mortgage, and is relevant for the AirCars' business in the case an investment should be done in the real estate market to buy parking platforms near the airports. It is clearly visible in the figure that interest rates have been negative, although a constant tendency to increase over the year. This translates to the fact that a bank should pay a commission to another bank just for lending its money, and thus that mortgages would be cheaper.

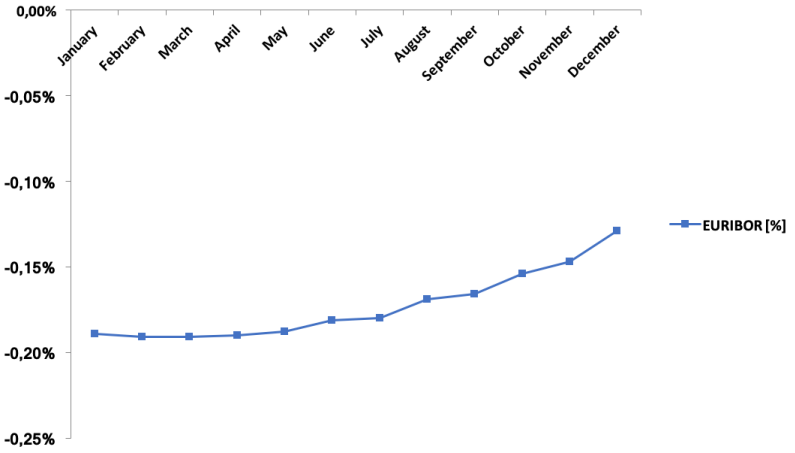


FIGURE 1.2: Evolution of EURIBOR during the last year.

Figure 1.3 shows the evolution of the inflation rate over the last year. The inflation rate represents the percentage at which, on average, the prices of the most common goods and services consumed by the population of a country change from year to year. The figure depicts a trend of almost constant inflation over the last year, and the average inflation rate has been used by AirCars in order to scale up the average price of its services during the upcoming years. In addition, the inflation rate becomes more important if compared with the average growth of the country's GDP. A GDP growth percentage higher than the inflation rate translates to an higher spending power of the population, which will then be more inclined in spending money for leisure services like the ones offered by AirCars.

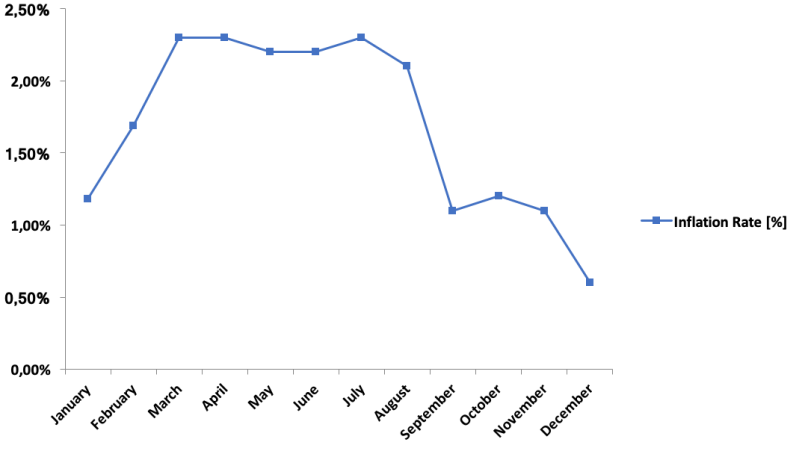


FIGURE 1.3: Evolution of inflation during the last year.

Figure 1.4 indicates the evolution of the unemployment rate in Spain during the

last year. Although a generally decreasing trend during 2018, Spain is struggling to create new job opportunities, and has still not been able to completely off-set the high unemployment rate and reach a level comparable to the other major European countries. Given that, it is mostly probable that the municipal administrations of Spain, and in particular Andalucía, will favourably see the born of a company like AirCars, capable of offering many job opportunities especially within the youngest generations.

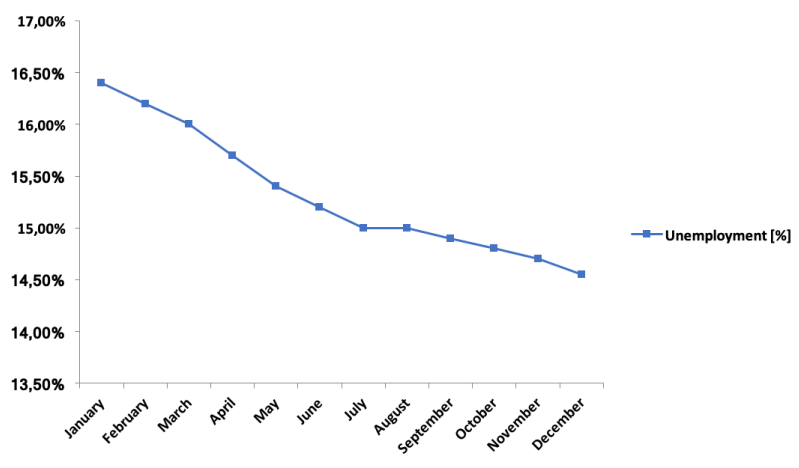


FIGURE 1.4: Evolution of unemployment rate in Spain during the last year.

Figure 1.5 shows the evolution of fuel prices during the last year. This is a fundamental parameter since it directly affects the economy of a fuel importing country like it is Spain. The lower the fuel prices are, the higher will be the growth expectations of the country.

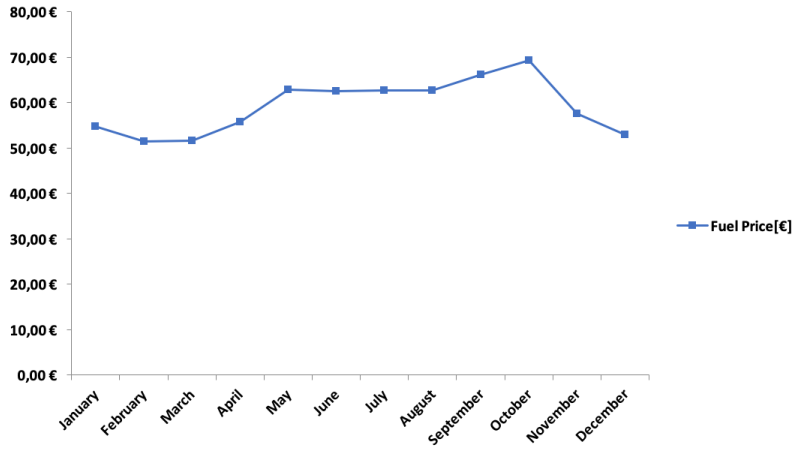


FIGURE 1.5: Evolution of fuel prices during the last year.

1.2.1.3 Culture and Society

The sharing economy is day by day entering more and more in everyone's life. The advantages it brings are so evident that cannot be neglected, and are quickly creating a change in most of the traditional services that need to adapt if they do not want to become obsolete.
The advantages could be resumed mainly in savings and sustainable development, and both derive from a shared usage that increase the efficiency of the available resources.
Spain is one of most involved country in this changing process, and surveys have proven that the 30% of Spanish people use a sharing economy platform at least once in a year. Therefore, AirCars business model will not appear as something completely new for the end customer, and a generational mind-set change will help to overcome the reluctance of some people to leave their cars on renting.
In addition, despite a quite low spending power of Spanish families, if compared with other major European countries, their travelling rate is one of the highest in Europe, and AirCars could even help them to be able to afford more travels. Therefore, considering these factors, it can be stated that AirCars connects the needs of Spanish people willing to travel with the advantages of the sharing economy.

1.2.1.4 Technology

Regarding the technological factors, it should be stated that AirCars' primarily communication channels with its clients will be through internet, either the web page or the mobile application. These channels will always be active and upgraded in order to have a constant and continuous contact with our clients.
The choice of a digital marketing and after-sales strategy applies particularly well in Spain, since is the country with the highest number of smartphones. This can be translated in a commercial offer that could easily reach almost the entire population.

1.2.2 Porter's Five Forces

In order to establish the level of competitiveness within the car rental sector it is useful to perform the Porter's five forces analysis in order to be able to develop a strong business strategy. This analysis derives from the articulation of the five forces which determine the intensity and aggregation level of the competitors in a specific sector, therefore stating as a result the level of attractiveness of an investment there.

Figure 1.6 shows the summary of the Porter's five forces analysis conducted for AirCars within the car rental sector.

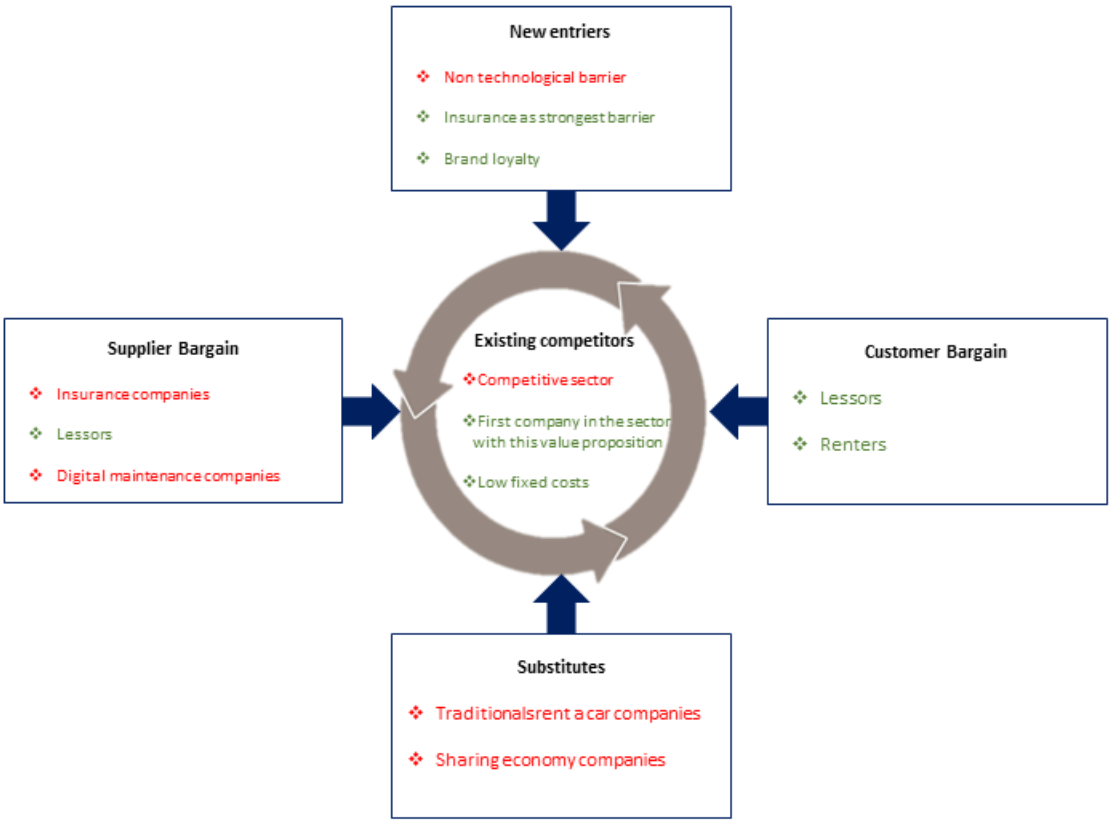


FIGURE 1.6: Summary of the Porter's five forces analysis within the car rental sector.

1.2.2.1 Entry Barriers

The principal entry barrier in this business model is represented by the difficulty to get a good deal with insurance companies. The product AirCars is looking for, capable of assuring a full coverage to both car renters and lenders, is not a standard service insurance companies are selling and offering. Therefore, a negotiation with them will be necessary in order to design a specifically tailored insurance product. However, big and well known insurance companies, whose partnering would help AirCars to win the reluctance to be a lessor, may not be willing to deal with AirCars during the first phases of the project due to the high risk involved in a start-up.

On the other hand, by looking at the pure business model, since AirCars represents a new business idea specialised in a specific market segment, there should not be direct

competitors and thus no entry barriers in terms of difficulty to acquire customers and maintain their loyalty.

1.2.2.2 Bargain of Suppliers

There are three different type of suppliers within the AirCars' business model.

- *Insurance Company*: As stated before, the great number of insurance companies in today's world should not translate in a high bargaining power of the supplier, and it should be possible to negotiate a product that meets AirCars' needs. However, due to high risk related to a completely new business model, at the beginning AirCars will not have any negotiation power and will first have to prove the feasibility of the business.
- *Lessors*: Especially at the beginning of the operations phase, AirCars will have to test the bargaining power of the people willing to leave their cars on renting. It means that a market response analysis will be done in order to test the offer elasticity in relation to the percentage AirCars is offering to the lessors.
- *IT Maintenance*: The actual market of IT companies is greatly sparse, especially in the category of the low-medium size companies, and therefore no negotiation power is assumed for them.

1.2.2.3 Bargain of Customers

There are two different type of customers within AirCars' business model.

- *Lessors*: The lessors, within AirCars' business model, are both suppliers and customers. This is due to the fact that, even if they are providing assets and therefore playing a traditional supplier role, they will be targeted by specific marketing as it is usual for typical customers. Therefore their bargaining power depends from the effectiveness of AirCars' value preposition for them.
- *Renter*: Marketing and adherence to AirCars' mission and vision are key in order to reduce the bargaining power of the car renters. AirCars really needs to differentiate from the other traditional car rental in order to stick to its value preposition offer. In that case the bargaining power of the car renters is considered low.

1.2.2.4 Threat of Substitutes

AirCars business model is relatively easy to copy, and this constitutes the principal threat of its business. The possible substitutes are the following.

- *Traditional Car Rental Companies*: If traditional car rental companies will start to consider AirCars as a threat for their businesses, or its market segment as attractive for them, they could take advantage of their size and experience to open a new brand copying AirCars' model.
- *Car Sharing Companies*: Already existing car sharing companies like BlaBlaCar or Amovens, that for the moment are focusing on a different market segment than AirCars' one, could copy AirCars' model and take advantage of their initially better known brand.

1.2.2.5 Threat of Competitors

The car rental sector in Spain is really competitive and fragmented, there is not a clear leader. The company with the highest market share is Europcar with a 15%, which is low compared with a miscellaneous of small and independent companies summing up to a 34% of the total market.[1] this should indicate a quite high competitiveness of the market.
However, AirCars is a completely new concept of car renting and therefore, at least at the beginning, there will not be competitors in the market segment addressed.
Another advantage of AirCars, in comparison with other possible competitors,is that AirCars will solely have as fixed costs the indoor parking where the vehicle will be waiting to be rented, and the salaries of the employees; there will not be a fixed car fleet. This lean cost structure makes for AirCars easier to expand and represents an advantage mainly for two reasons.

- The exit strategy would be simple and without any additional costs.
- AirCars rapid expansion will assure an acquisition of a high market share, thus cutting out from its targeted market possible competitors or substitutes.

1.2.3 External Analysis Conclusions

The following conclusions can be drawn from the external analysis.

As opportunities:

- Growing car rental market in Spain.
- Born of a digital market segment with more flexible requirements.
- Growing sharing economy.
- Available governmental funds to help the business in its early stages.

As threats:

- Very competitive market, even if actual players are not considering AirCars' business model at the moment.
- Reluctance of the lessors to put their cars on renting.
- Low negotiation power with insurance companies.

1.3 Internal Analysis

The internal analysis aims at evaluating the strength and weakness of the AirCars' business model in order to develop a strategy to address the opportunities of the market and defend from its threats.

1.3.1 Strengths

1.3.1.1 Quickness and Flexibility

The main factors differentiating AirCars from the competition is the quickness and flexibility of its service. These are intended as the capacity of the company to address the needs of the clients for an agile service that reduce their waiting time when renting a car. For this purpose, the digitalisation of the company play a fundamental role.
In addition, being a start-up means to be able to organize from the very beginning the company with an agile management and a lean cost structure in order to be able to actuate rapidly in the market and expand whenever a growth opportunity appears.

1.3.1.2 Repeatability

AirCars' business model can easily be implemented in each region having an airport, meaning that the the business is scalable and repeatable.

1.3.1.3 First in Europe

AirCars constitute an innovation in Europe. A similar business model has been already implemented only in the USA with a successful output, thus probing that the business can work and be profitable.

1.3.1.4 Initial Investment

AirCars does not require a big investment in its early phases given that the indoor parking will be rented and an investment will be done only to cover the development of the digital channels, the salaries and the marketing campaigns. This gives to AirCars a great flexibility in the market.
Only when AirCars will reach its commercial target in an airport, the indoor parking will be bought in order to make the financial statements more solid and stable.

1.3.2 Weaknesses

1.3.2.1 Easy to copy

The greatest weakness of the company is to have a business model without any technological barrier and that could be therefore easily copied by the competition without a big initial investment.

1.3.2.2 New Sector

The AirCars team does not have any previous experience in the sector, and this represents a weakness that should be tackled.

1.3.2.3 No technological Barrier

The creation of owned digital channels is the unique technological barrier in the AirCars business model, but could easily be overcome by the other players in the market.

1.3.2.4 Mono Service Company

The only service AirCars is providing is the connection of needs between the users of its digital platform. These services are focused in the car renting at the airport, therefore the profitability of the company depends only on one service.

1.3.2.5 Internal Analysis Conclusions

The following conclusions can be drawn from the internal analysis.

As forces:

- Quickness and flexibility.
- Scalable business model.
- First in Europe.
- Low initial investment needed.

As threats:

- Business easy to copy.
- No experience in the sector.
- No technological barriers.
- Mono service company.

1.4 SWOT Analysis

Once conducted the external and internal analysis it is possible to recompile the forces, weaknesses, threats and opportunities in order to conduct the SWOT analysis for the AirCars' business.
The objective is to use the internal forces in order to take advantage of the opportunities of the market, and defend ourselves from the threats. While for the weaknesses, reorganize the company when they met an opportunity in order to able to catch it, and organize a leave strategy when it crosses a threat to avoid an excessive bleeding of the company.
The output will therefore be a list of strategies the company could take in order to pursue its targets and minimise the impact of the possible competitors.

S1:	First in Europe
S2:	Quickness and flexibility
S3:	Low initial investments costs per city
S4:	Repeteability

W1:	No experience in the sector
W2:	Easy to copy
W3:	No technological barriers
W4:	Monoservice company

O1:	Expanding leisure-car rental market
O2:	Born of a digital market segment with more flexible requirements
O3:	Goverments help digital economy
O4:	Expanding sharing economy

T1:	Strong players in the market
T2:	Weak negotiation power with insurance companies
T3:	Reluctance to be a lessor

	O1	O2	O3	O4	T1	T2	T3	TOTAL
S1	3	3	3	3	-2	-1	-3	6
S2	3	3	2	2	1	0	-1	10
S3	3	0	1	0	2	0	0	6
S4	3	3	1	3	-2	0	0	8
W1	-2	0	0	-1	-3	-3	-2	-11
W2	-1	-1	0	-2	-3	-1	0	-8
W3	0	2	0	1	-1	-2	0	0
W4	0	1	0	-1	1	0	0	1
TOTAL	9	11	7	5	-7	-7	-6	

FIGURE 1.7: Results of the SWOT analysis.

Starting from the results of the SWOT analysis it is possible to define the strategies that AirCars is going to follow in its early stages.

- *Attack Strategy*: By implementing a completely new idea targeting an unresolved market problem, AirCars needs to expand rapidly in order to cover the increasing needs of the market. The strategy therefore is to expand rapidly to the principal Spanish airports, thus cutting the competition out from a portion of the market share.

- *Defend Strategy*: AirCars needs to create a strong brand, so that whenever a client will decide to use a service like AirCars' one, his thoughts will be directed towards AirCars. It is all about investing in brand positioning in order to have a competitive advantage in the market.

- *Re-organizational Strategy*: AirCars is composed by a team of engineers really motivated, who anyway have a lack of experience in the car rental sector. It is fundamental to hire an expert of the sector in order to help the team taking the first strategical decisions.

- *Leave Strategy*: It is necessary to avoid markets with a clear and defined market leader. This strategy is important when it will come the time to internationalise AirCars, since in Spain at the moment there is not a clear leader of the market.

Chapter 2

Marketing Plan

2.1 Introduction

Historically, the car rental market segments have been represented by means of the following matrix. The matrix defines initial clusters dividing the market for pick-up location and purpose of the renting.

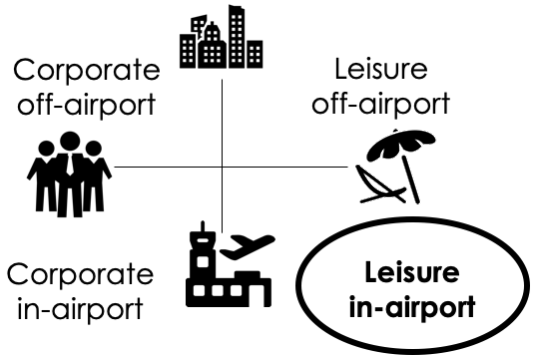


FIGURE 2.1: Main car rental market segments

As visible in Figure 2.1, the two fundamental distinctions are made depending if the car is rented in or off airport, and for corporate or leisure activities. This broad and simplistic approach has over time been made more granular, particularly in the airport-leisure segment. The major players of the market (Hertz, Avis, SIXT, etc.) have traditionally dominated it, being able to cover the needs of the upcoming drivers through the break-out and creation of new segments.

However, the spreading of the sharing economy opened the doors of the market to new entrants who are revolutionizing it. The multi brand approach of the aforementioned

major players, which was able to satisfy the different price sensitiveness of the clients, has not adapted to the demand for peer-to-peer platforms. Companies like AirCars are creating the lead, satisfying this increasing demand for the in-airport renting segment. AirCars, by creating the first European peer-to-peer car rental platform specialized in airports, is intended to cover this need for the in-airport segment by overcoming the logistic barrier between car renters travelling by plane and car lenders located all around the city.

2.2 Market Segmentation

Due to the pioneer nature of AirCars' project, which aims at translating a raising demand to a different segment, AirCars has conducted a qualitative study in order to validate the existence of a potential customer pool and draw its profile.
The survey was taken of nearly 1.000 people representing the Spanish population in terms of gender, age and incomes distribution. Figure 2.2 shows the outcome of the survey over the level of satisfaction with the traditional car rental services. The graph clearly indicates that the lower the age is, the higher the disappointment is. In addition, is highlighted that high prices and low agility are considered as the factors with the most negative impact at the moment of evaluating a car rental service.

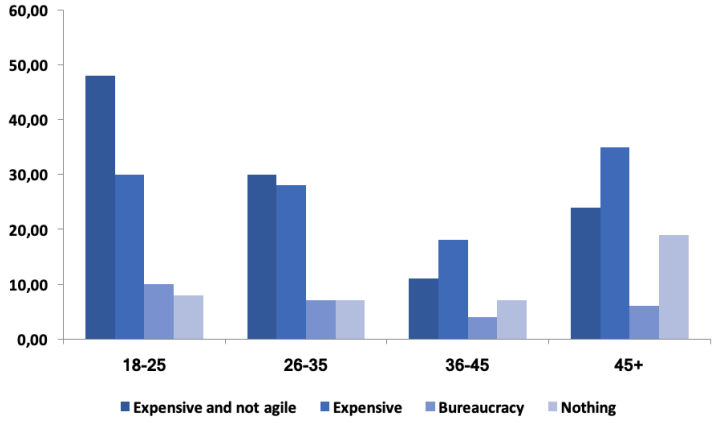


FIGURE 2.2: Survey opinion over traditional car rental services.

Figure 2.3 highlights the willingness amongst the youngest surveyed people to become a car renter through AirCars. It can be noted that almost none of the questioned people in these age categories would at least not take into consideration the possibility to rent a car through AirCars.

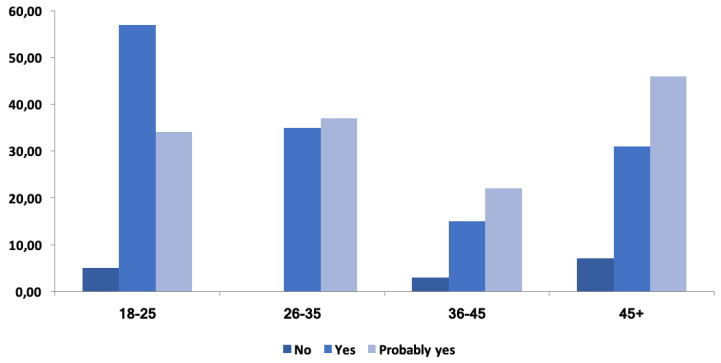


FIGURE 2.3: Survey opinion over the willingness to be car renters through AirCars.

Figure 2.4 depicts the outcome of the survey over the willingness to become a car lender through AirCars. It is clearly visible that for the interviewed people in between 18 and 35 years old the percentage of people who would surely not lend their cars is way smaller than the one of the older categories.

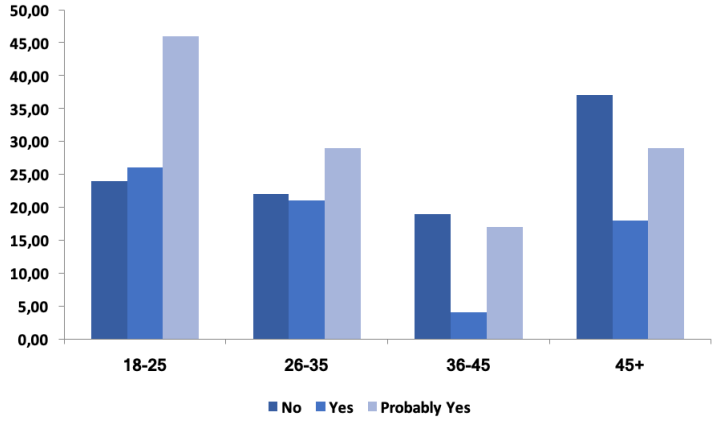


FIGURE 2.4: Survey opinion over the willingness to be car lenders through AirCars.

In order to draw a more precise profile of the targeted marketed segment, the survey has been complemented with a study from NatCen, Britain's largest independent social research agency. The paper draws the demographic characteristics of the sharing economy users and explores the motivations for getting involved in it.[2]

- *Gender*: Equal proportion of men and women participate in the sharing economy.
- *Age*: Figure 2.5 shows that the overall the age composition of sharing economy users is skewed towards those aged 34 or under (43% in total).

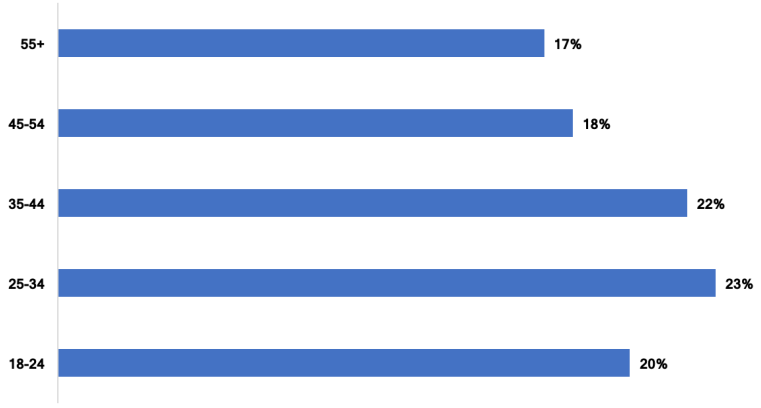


FIGURE 2.5: Age distribution of sharing economy users.

- *Urbanicity*:Sharing economy users are predominantly urban; 83% are living in urban areas.
- *Gross Personal Income*: Figure 2.6 depicts the overall gross income distribution of the sharing economy users. It is clearly visible that they are mainly positioned in the lowest wages categories. The 61% of sharing economy users have a yearly gross income below 30.000 euro.

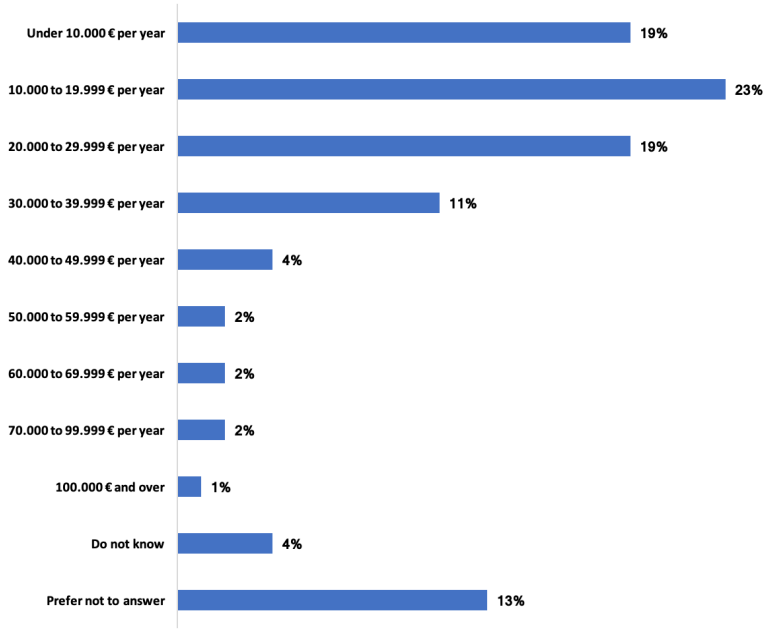


FIGURE 2.6: Income distribution of sharing economy users.

- Education: A third are educated to a degree level. Only four per cent have no formal qualifications.

Combining the outcomes of the survey with the results of the study conducted on a global scale by NatCen, AirCars has been able to draw an accurate profile of its market segment.

AirCars users will mainly have the following characteristics.

- 21 to 36 years old
- Average yearly gross income between 15.000 to 28.000 euro.
- Medium-high education level.
- Travelling for leisure and with social concerns

2.3 Market Size

FIGURE 2.7: Explanation of total available market, serviceable available market and serviceable obtainable market.

Figure 2.7 explains graphically the difference between total available market, serviceable available market and serviceable obtainable market.

The definition of the AirCars target segment characteristics leads to the estimation of the serviceable accessible market (SAM). The latter is defined as the portion of the total available market (TAM) which is served and targeted by a company's service, and can be calculated in units sold or annual revenues.
Given that, during its first five years of operations, AirCars will address the Spanish market by serving the five major airports of Malaga, Madrid, Barcelona, Seville and Palma de Majorca, the TAM has been defined as the number of arrivals during 2017 in these airports.
The SAM derives from the TAM portion corresponding to the arrivals having the profile drawn in the previous section. In this section, the funnel process going from the TAM to the SAM is shown taking as example the calculation done for Malaga. Figure 2.8 shows the TAM, expressed as total number of arrivals, for the Malaga airport during 2017.

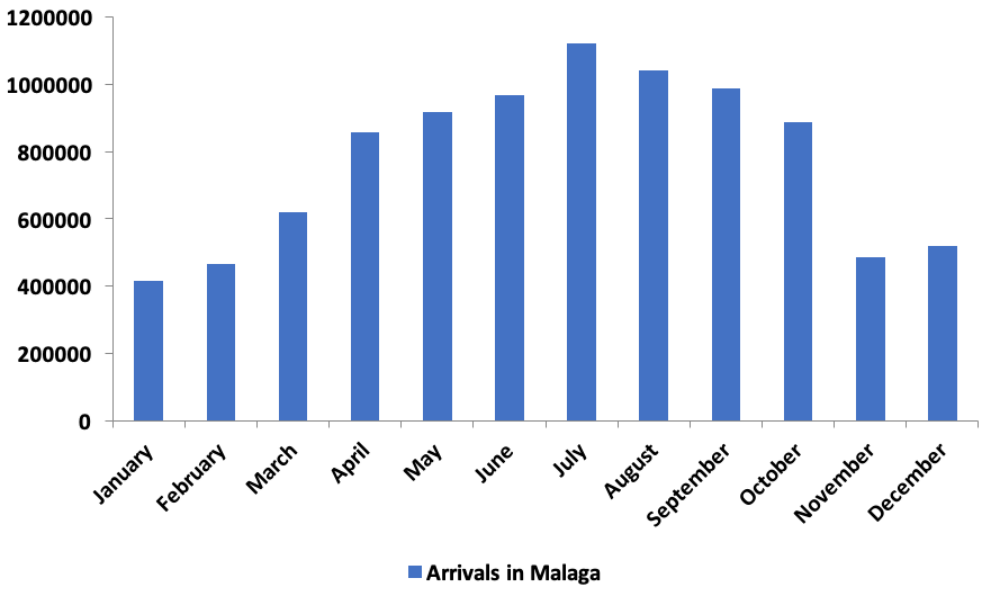


FIGURE 2.8: Arrivals at Malaga airport during 2017 per month.

Figure 2.9 and Figure 2.10 depict the age and income distribution of the arrivals at the Malaga airport during 2017.
In addition, the 85% of arrivals at the Malaga airport during 2017 were for leisure activities. Combining these data, in particular by multiplying the TAM for the percentages corresponding to the profile drawn in the previous section, it is possible to get the SAM. Therefore, considering that each car rental service could host four people, the resulting SAM for the Malaga airport is 609'893 cars rented per year.

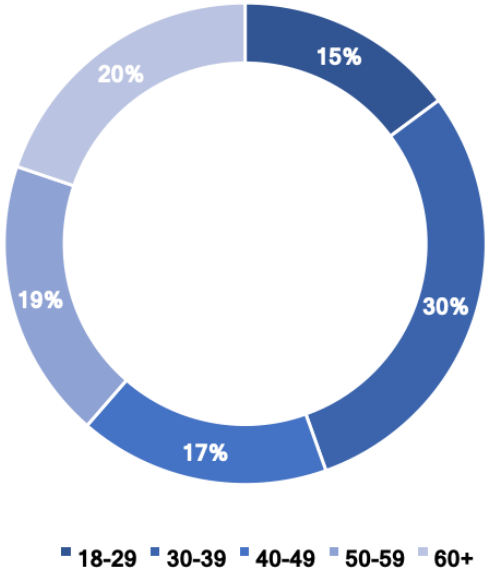


FIGURE 2.9: Age distribution of arrivals at Malaga airport during 2017.

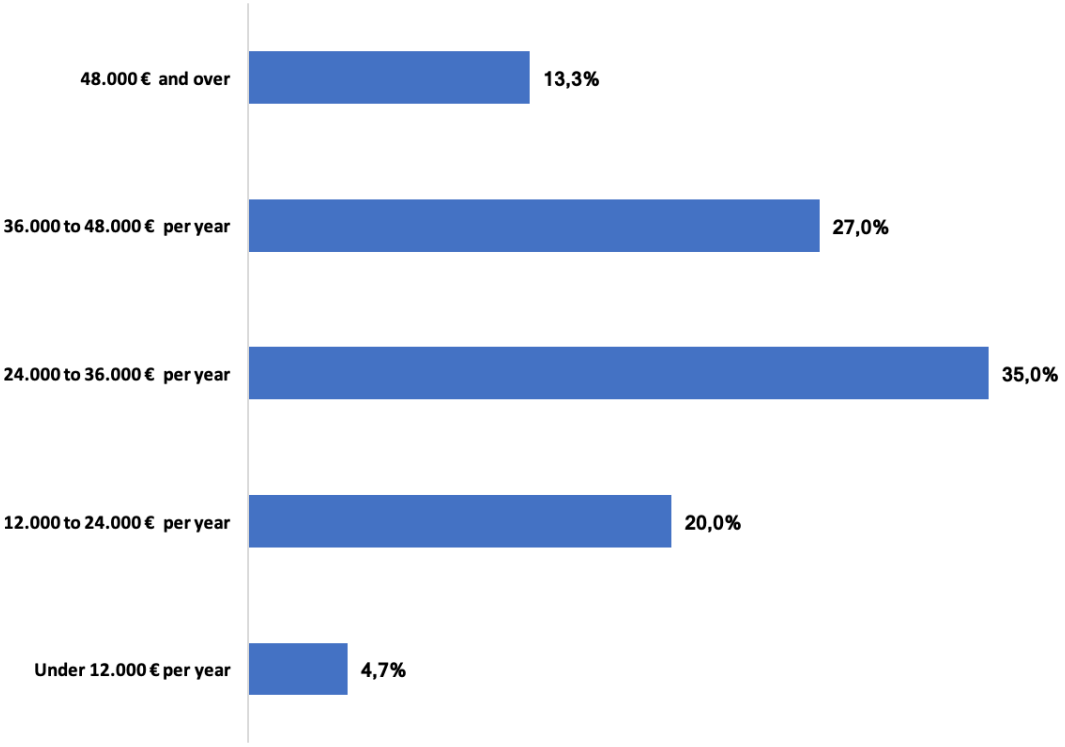


FIGURE 2.10: Income distribution of arrivals at Malaga airport during 2017.

However, the SAM cannot be used to further estimate the revenues since it does not represent what is likely to be obtained by the company. The serviceable obtainable market (SOM) needs to be calculated.
The start-up nature of AirCars does not allow to predict the SOM as a result of previous data and hypothesis need to be done. Due to the low monopolistic nature of the Spanish car rental market, AirCars has estimated to be able to reach in two years, starting from the implementation of the service in each city, the 6.5% of its SAM. Starting from the second year of implementation, the SOM from each city are estimated to grow by a 10% each year.

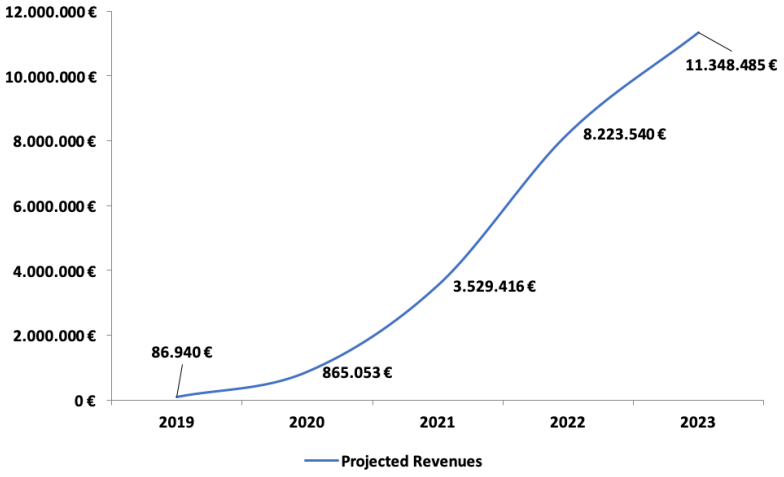


FIGURE 2.11: Forecasted revenues up to 2023.

Figure 2.11 shows the forecasted revenues up to 2023. The revenues have been derived by first calculating the total SOM for the five considered cities following the scheme described in details for the Malaga example. The number of obtainable car rental services have then been multiplied for 35 euro which was found to be the average price for a daily car rental service.

2.4 Product

2.4.1 Value Preposition and Competitive Advantage

AirCars value proposition is simple.

Ease your travel; make it convenient

AirCars makes it easy because picks up and delivers cars just at the airport arrivals or departures gate.In addition, AirCars makes it convenient for both parties.

For lessors.

- Avoid parking fees at the airport.
- Earn money each day their car is rented.
- Receive their car fully clean.

For renters.

- Are able to rent a car in a more agile way and cheaper than in a traditional rent a car company.

AirCars' main competitive advantage is that it is the first European peer-to-peer car rental platform specialized is airports, and offers a really customised service, so that its clients are able to save time and money.
Figure 2.12 summarises the main competitive advantage in respect to possible competitors or substitutes.

FIGURE 2.12: Explanation of main differences with competitors.

- *Amovens*: It is a peer-to-peer car rental company, but its service is only one more in their portfolio, they are not specialised in airports. With Amovens, when customers arrive to the airport they have to take a bus or a taxi to go at the car lender location around the city.

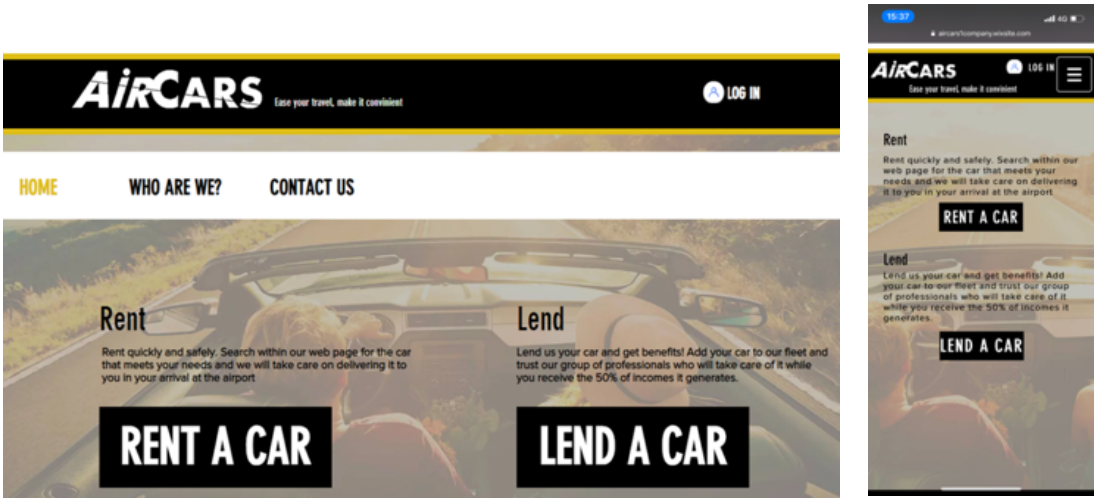
- *Traditional Car Rental Companies*: With companies like SIXT or HERTZ, customers arrive at the airport and then they have to go to the front office desk, then wait the until is their turn, fill in a lot of bureaucracy and finally go to the parking slot where the car is located.
- *AirCars*: With AirCars when the customer arrives at the airport magic happens, and the car comes directly to him, saving time and money.

2.4.2 Customer Experience

AirCars is focusing on transforming the current car rental service and elevate it to the category of experience, therefore has worked towards the creation and definition of the most agile and user-friendly experience for its customers, so that in just 4 clicks they will be able to rent or lend a car.

The main channel is the web-page: www.aircarsrental.com.

It is also possible to access the service through a mobile application that will be available for all platforms (Android and IoS) and downloadable from Google Play or App Store. Figure 2.13 displays how would appear to the possible customer the AirCars' site landing page.



(A) Web-page view.

(B) Smartphone view.

FIGURE 2.13: Main site page view comparison between web-page or smartphone application access.

Once in the landing page there are two possibilities; to rent a car or to lend a car. The lessor case is going to be displayed taking as example the web-page view.

- Potential lessors will have to select the *Lend a Car* button.

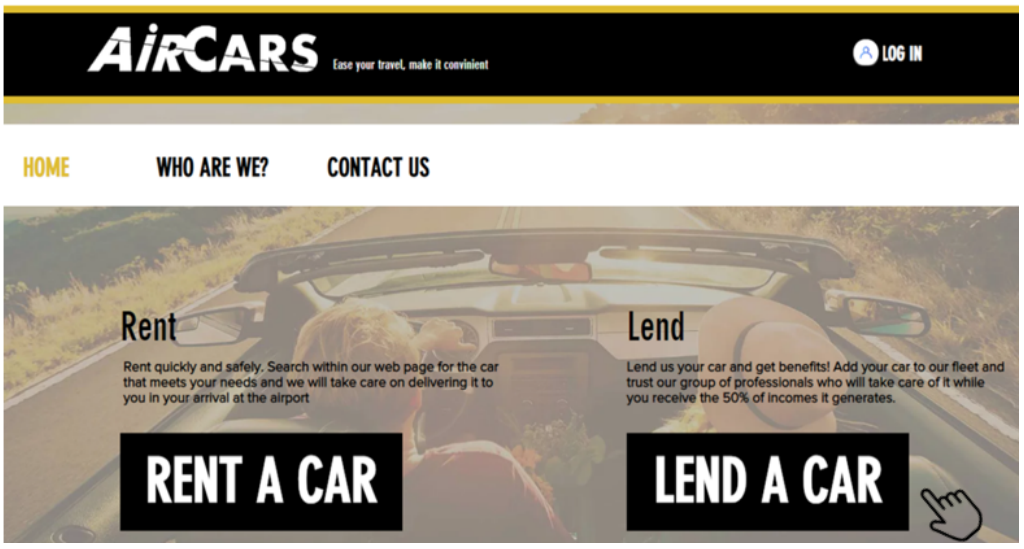


FIGURE 2.14: First site selection as a lessor.

- The next step is the selection of the site where lessors will be willing to put their car on renting.

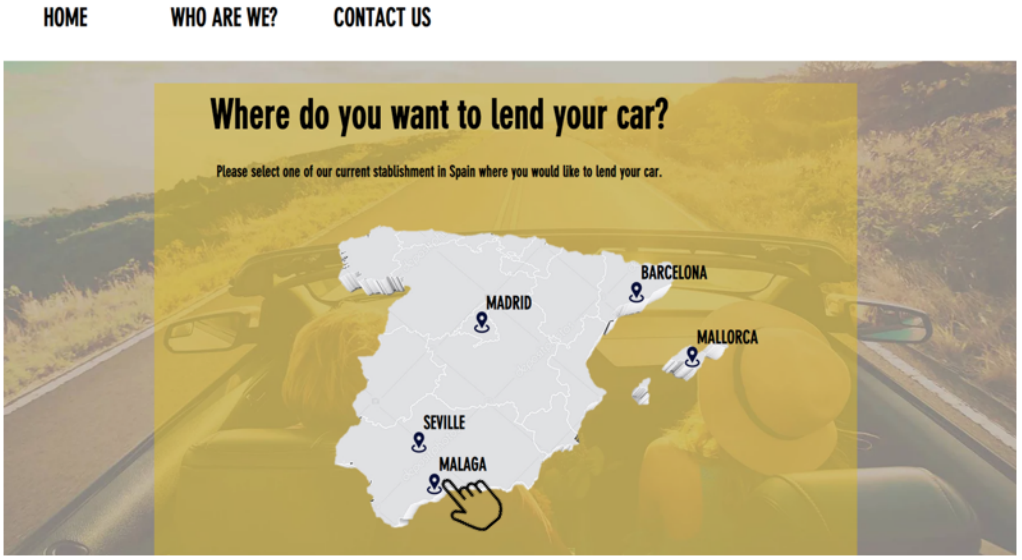


FIGURE 2.15: Second site selection as a lessor.

- Subsequent to the site selection, the lessor will have to fill in the date required in Figure 2.16.

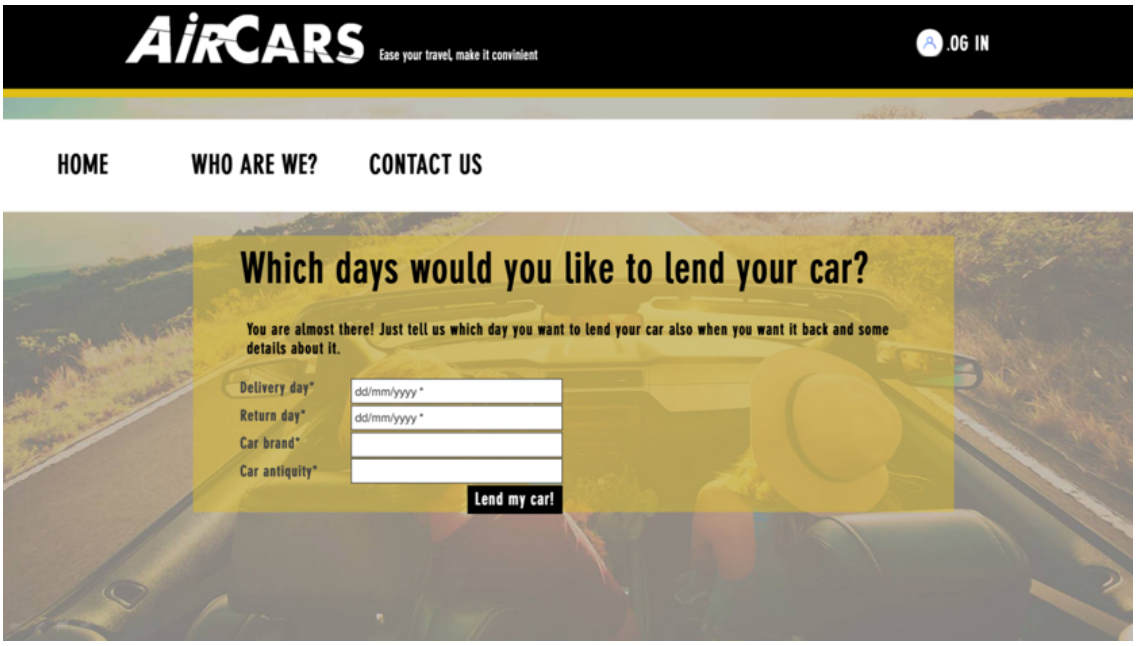


FIGURE 2.16: Third site selection as a lessor.

- Finally the lessor will have to decide at which price he is willing to lend his car. The pricing strategy done by AirCars will be explained in more details in the following sections.

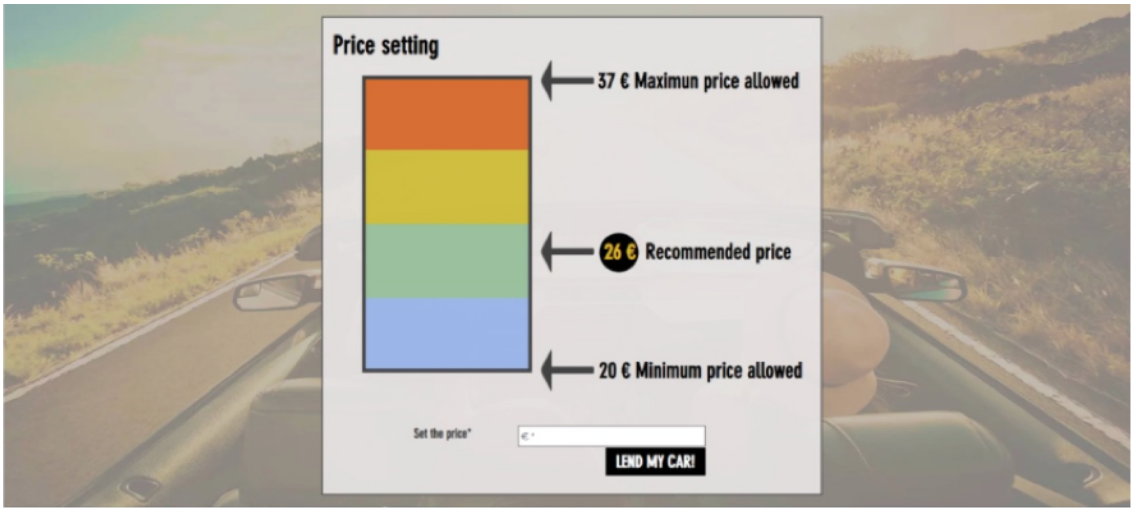


FIGURE 2.17: Fourth site selection as a lessor.

The renter case is going to be displayed taking as example the smartphone view.

- Potential renters will have to select the *Rent a Car* button and select where they are going to fly to.

FIGURE 2.18: First site selection as a renter.

- The next step is the selection of the date, so that the site will display all the available cars.

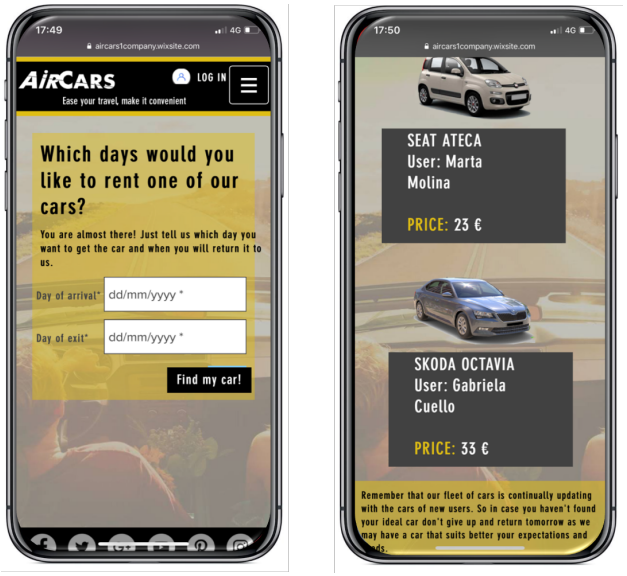


FIGURE 2.19: Second site selection as a renter.

- Subsequent to the car selection, the renter will have to fill in the payment method as shown in Figure 2.20, and will receive a confirmation.

FIGURE 2.20: Third site selection as a renter.

2.5 Pricing

When it comes to the point of deciding the price of a product or a service there are three main methods to set it.

- *Cost Plus*: This method is based solely on an internal analysis of the company. After evaluating the internal costs related to the production, and setting a desired profit margin, the price is set accordingly in order to achieve it.
- *Based on Competitor*: This method focuses on the analysis of the prices set by the competitors for similar products or services. Therefore, the price is set in order to be lower or higher according to the price perception the company is willing to deliver.

- *Based on Demand*: This method mixes analysis of the market with and internal analysis of the company. First, through a qualitative study, is determined the willingness to pay of the customers. Afterwards, the previous study is used in order to determine the price that would maximise the company profits.

AirCars will approach an innovative price method setting by using a mix of the three aforementioned methods to obtain the final price.
AirCars' approach will give to the lessor the ability to set the price for which he is willing to rent his car, thus using a characteristic of the based on demand method.
However, his decision will be free within certain constraints given by AirCars. An upper constraint given by the based on competitor method will allow AirCars to assure a price decision always below the competition. On the other hand, the lower constraint will be given by the cost plus method in order to always assure to AirCars a minimum level of profitability. The price selection phase on the web-page is illustrated in Figure 2.17.
The maximum price allowed will be established by a price bench-marking software that will be internally developed by AirCars. The steps required for its creation are the following.

- *External Server*: Renting of an external server with a memory capacity of 500GB. The server needs to be able to support an SQL database, as well as an operating system compatible with Phyton programming language. Renting costs, based on available commercial offers, are around 40 euro er month.
- *Scrapy Library*: The scrapy library is an external set of functions, compatible with Phyton programming language, allowing to extract public information from relevant web-pages. In this case the development of the scrapy code should be externalised to an experienced IT engineer. The non-recurring fee for this development is almost 400 euro.
- *SQL Queries*: The data downloaded from the scrapy code will be tabulated in a SQL database, and through the use of simple queries, will be possible to group the data for car segment and extrapolate the maximum allowable price.

On the other hand, the recommend price will be settled by a commercial dynamic pricing software. Dynamic pricing is based on the changes in real-time product supply and demand. It takes into account the price fluctuations in the market, monitors competitor activity and individual product demand and supply. The advantages of a dynamic pricing are the following.

- *Recover Lost Utilisation and Revenues*: Machine learning leverages proprietary data to increase average rates, utilisation, and profits.

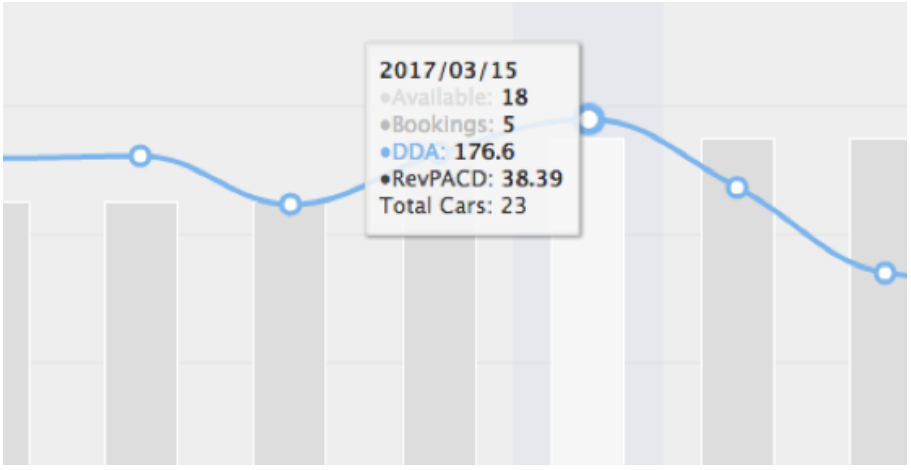


FIGURE 2.21: Example of fleet optimisation graphic.

- *See the Future*: Continually learning and improving, the AI ensures that AirCars will always be ready for what comes next.
- *Automate Pricing*: By only setting broad boundaries, the AI will react in real-time to changes in demand and the competitive marketplace, helping AirCars maximise utilisation and profit.

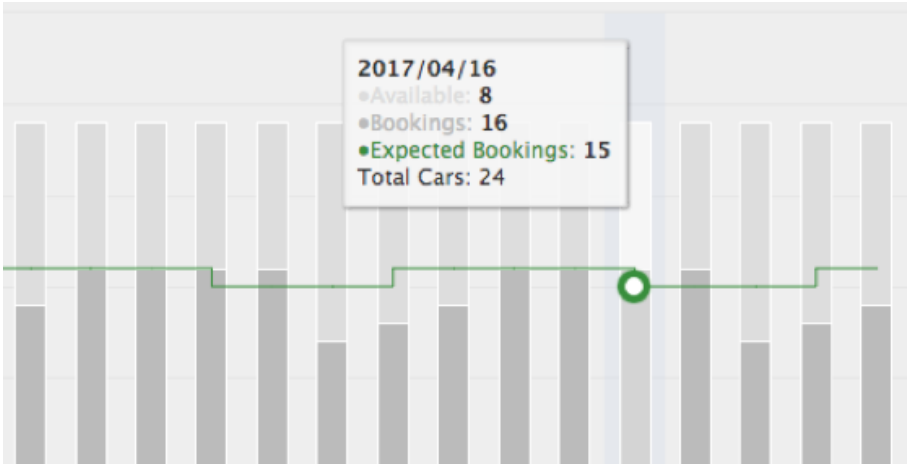


FIGURE 2.22: Example of automated pricing graphic.

- *Take Action with Confidence*: Take action with confidence: Detailed easy–to–use dashboards will give to the AirCars' team confidence in its decisions, and the tools to assess if they got it right.

FIGURE 2.23: Example of dashboards graphic.

Once established the price per day by the lessor, this data will be translated to the renter side of AirCars' service. The renter will pay the rental fee settled by the lessor plus the insurance fee settle by AirCars. An average insurance cost of 7 euro per day will be applied regardless of the type of car. Figure 2.24 shows the AirCars' web-page encountered by the renter once he will select the desired car. The page has been designed in order to make the price as transparent as possible in order to deliver to the customer AirCars' value preposition.

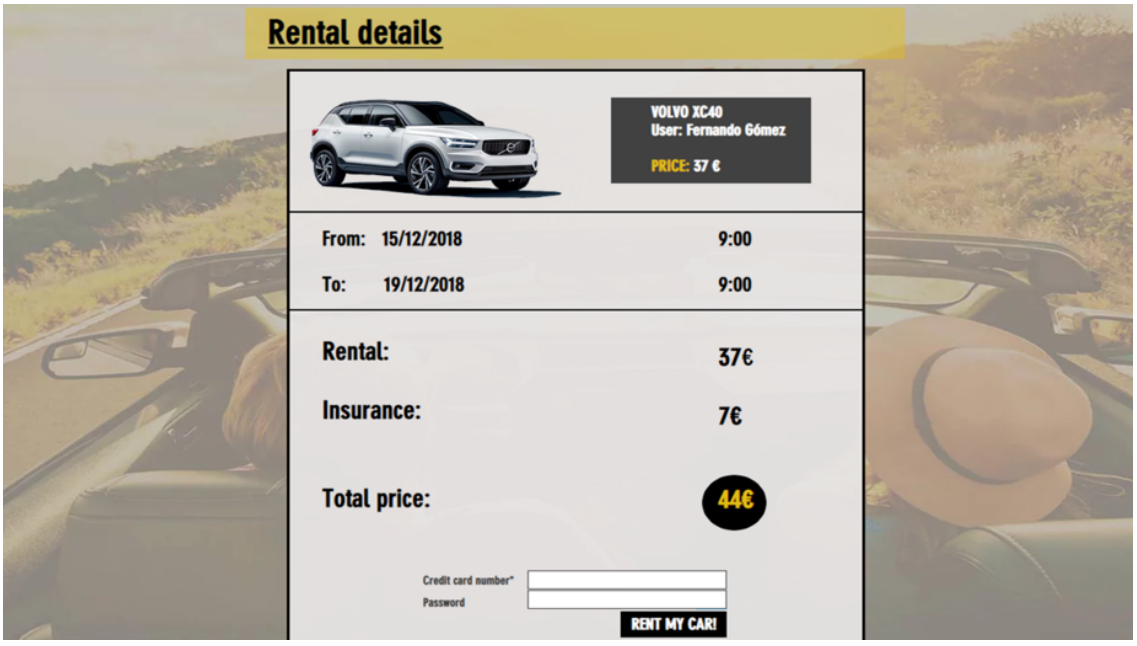


FIGURE 2.24: AirCars' web-page showing the total price to the renter.

2.6 Placement

Once defined the commercial offer in terms of product and pricing, AirCars has analysed how to impact its customers at each step of their buying process and through which channels, intended as points of interaction with the customer, it is going to do so.
Therefore, in this section it is analysed the whole buying process starting from how to create knowledge about the existence of the company, and ending with strategies of customer management in order to create engagement and loyalty.
Each stage of the process presents different barriers that need to be overcome, and AirCars has prepared mitigation actions for all of them.
Figure 2.25 shows the four main stages of the buying process for a new client.

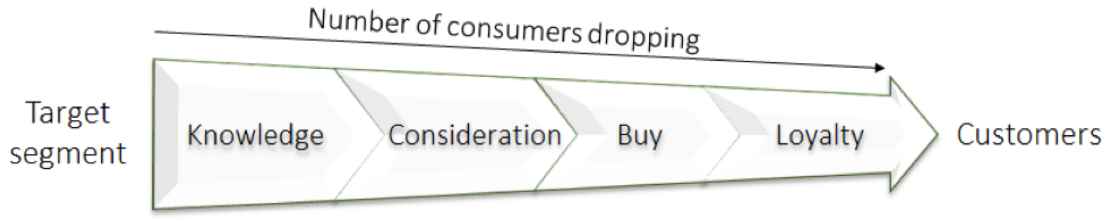


FIGURE 2.25: Different marketing steps in acquiring a client.

- *Knowledge*: The knowledge stage is in general the main barrier for a start-up. When entering a market, the company is totally unknown to its market segment and needs to capture the customers' attention in a strongly impacting way. It can be forecasted that a 30% of the total potential customers are loosed in this step.

- *Consideration*: During the consideration phase the main barrier is represented by the competitors, despite of a totally new and innovative value preposition of AirCars. The company in its early stages will still have to build trust and reliability to engage costumers used to traditional car rental companies.

- *Buy*: During the buy stage, for the customer who really considers contracting AirCars' service, the barriers, that could prevent him from contracting the service, could be a disagreement in the renting or lending conditions, including aspects as the price or the benefits from the service.

- *Loyalty*: In the last phase of process, the loyalty one, the causes for a low retention rate could be incidents during the service, bad reviews in social media or the born of competitors.

2.6.1 Digital Marketing Placement

In order to determine the best placement strategy, a study has been conducted in order to determine the channels giving access to the higher percentage of AirCars' targeted market segment.

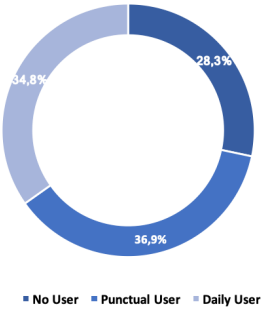


FIGURE 2.26: Social network usage between tourists arriving at Malaga airport.

Figure 2.26 shows the social network frequency usage distribution of the tourists arriving at the Malaga airport. From the figure it is clearly visible that the social networks have a huge penetration rate inside AirCars' total available market, the total users correspond to the 71.8% of the total arrivals. Therefore, AirCars has considered the creation of social networks a priority of its business since gives visibility to the almost totality of its market segment, and they could be used for leading knowledge, as well as for loyalty purposes.

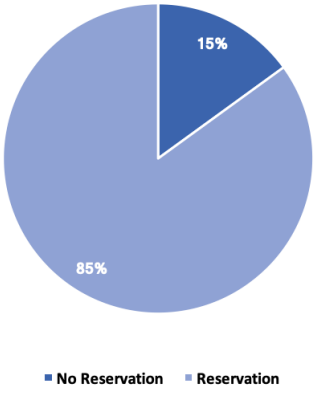


FIGURE 2.27: Rate of reservation between tourists arriving at Malaga airport.

Figure 2.27 depicts the percentage of tourists arriving at Malaga airport having already booked their stay. Only a 15% of the tourists arriving in Malaga has not any prior reservation. On the other hand, the remaining 85%, travelling with prior bookings, reserves their stay and vehicle on average 2 months before their departure.

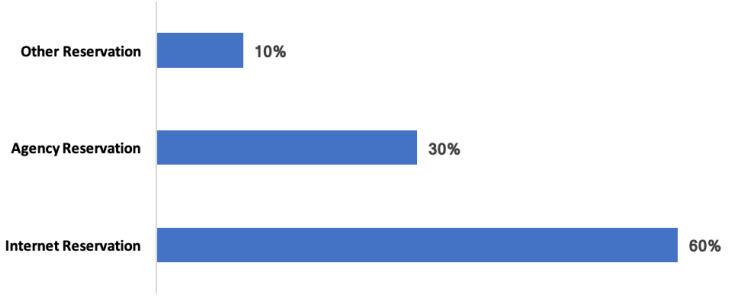


FIGURE 2.28: Principal reservation channels used by tourists arriving at Malaga airport.

Figure 2.28 illustrate the main reservation channels used by the tourists arriving at the Malaga airport. It is noticeable that internet is by far the most common used, with the 60% of the tourists utilising it. Therefore, AirCars has opted for a digital marketing placement strategy, since it it the one giving access to the biggest portion of its market segment.

2.6.1.1 Web Page

AirCars has implemented the following characteristics in its web-page in order to make an impact from the very first look on its customers.

- Fast and adaptable to any device.
- The website's aesthetic is aligned with AirCars' brand, meaning that a new visitor should understand the company and its business within 1 minute from landing on AirCars' homepage.
- AirCars has included key information about its value proposition, which is delivered through an original story that describes the vision and mission of the company itself.
- The renting and lending process reflect AirCars' agility value preposition, the website is structured such that users can finalise their buying process in just few clicks in a really intuitive manner.

- Finally, the web-page is lead conversion oriented, meaning that people can not just browse and leave, they have a simple and powerful reservation tool.

2.6.1.2 Google SEO

SEO, acronym of *Search Engine Optimization*, is the process of improving the visibility of a web-page in search engine results. Meaning that when someone does a research for a car rental, AirCars will have a higher probability to be listed in the highest positions of the customer's search results. Basically the SEO strategy is the work you done behind the scenes to increase the likelihood to appear in the top search results.
That means implementing a variety of tactics designed to increase a web-page traffic, get more relevant visitors and earn that organic, intended as natural and non-paid placement, relevance in search engine results.
The main actions implemented to improve the SEO of AirCars' web-page are the following.

Step 1: Connect the site to Google.

- *Homepage's SEO title is ready*: The SEO page title (or meta title) is the first thing about a company that people see on Google. AirCars needs to tell them what it is by adding its name, keywords and location.

  Current title: Car Rental — Airport Parking — Spain — AirCars

  Below are listed the requirements of the title.

  - At least one of the keywords is included.
  - Business or site name appears.
  - Location looks good.
  - Title is a good length.
  - Title is unique.

- *Homepage's SEO description is good to go*: The SEO page description (or meta description) is right below the SEO title in search results. It is a great place to tell people a bit more about what AirCars do, and encourage them to go to its site.

  Current description: AirCars eases your travel and makes it convenient. Find the cheapest solution in the car rental market and make money with your car.

Below are listed the requirements of the description.

  - At least one of our keywords is included.
  - Business or site name appears.
  - Description is a good length.

- *Homepage content is optimized*: Writing high-quality, original content is the most effective way to boost the SEO ranking. AirCars has added its keywords and business or site name, and included relevant information about what it does.

  Below are listed the requirements of the homepage.

  - At least one of your keywords is included.
  - Business or site name appears.

- *Homepage is set to be visible in search results*: Google looks for the homepage first, so it is important to make it visible in search results.

- *Site is optimized for mobile devices*: AirCars has given to mobile visitors the best experience by making the site look great on smaller screens. Plus, Google ranks mobile friendly websites higher in mobile search results.

- *Site is connected to our own domain*: Connecting AirCars' own domain helps visitors find it on search engines like Google, and makes the site look more professional online.

- *Site is connected to Google Search Console*: AirCars has indexed its site with Google Search Console to get listed in search results.

Step 2: Optimize the site pages for SEO: AirCars has updated each of its pages to make the site more visible in search results.

- **Homepage**
  - *Keep updated contact info on the homepage*: Listing AirCars' email address, phone number and location makes it easy for people to get in touch with it.
  - *Social links on the homepage*: It is easy for visitors to reach out social profiles by just clicking on company's social links to Facebook, Twitter, etc.

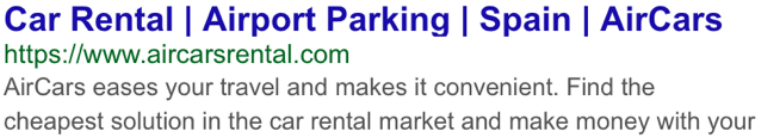


FIGURE 2.29: Homepage description.

  - *Home page text hyperlinks are set up*: Text hyperlinks connect the pages of the website to each other. They help visitors quickly and easily find their way around the site.

- **Blog page**
  - *Blog page title is ready*: Current title: Blog — AirCars.
  - *Blog's SEO description is good to go*: Current description: AirCars Blog, share more than a car.
  - *Blog page text hyperlinks are set up*

FIGURE 2.30: Blog page description.

- **Lend a Car page**
  - *Lend a Car page title is ready*: Current title: Lend a Car — Spain — AirCars.
  - *Lend a Car page's SEO description is good to go*: Current description: Park your car with AirCars, avoid parking fees at the airport and make money each day your car is rented.
  - *Lend a Car page text hyperlinks are set up*

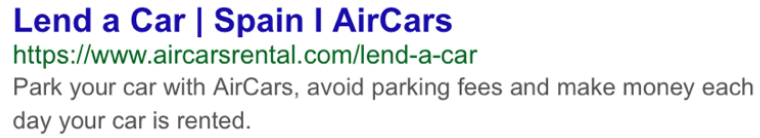


FIGURE 2.31: Lend a Car page description.

- **Rent a Car page**
  - *Rent a Car page title is ready*: Current title: Rent a Car — Spain — AirCars.
  - *Rent a Car page's SEO description is good to go*: Current description: Rent a car in a more agile way and cheaper than in traditional car rental company.
  - *Rent a Car page text hyperlinks are set up*

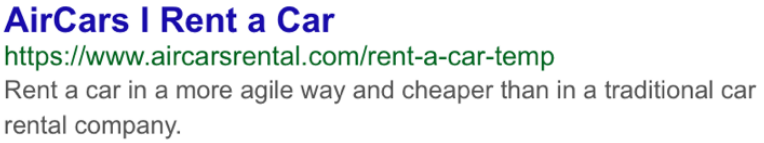


FIGURE 2.32: Rent a Car page description.

- **Members page**
  - *Members page title is ready*: Current title: AirCars — Members.
  - *Members page's SEO description is good to go*: Welcome to AirCars exclusive community, access to your personal profile and loyalty program.
  - *Members page text hyperlinks are set up*

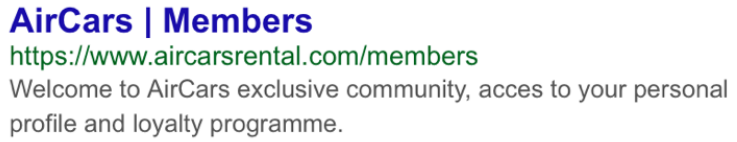


FIGURE 2.33: Members page description.

Step 3: Obtain reviews

Once the business will start its operations, the SEO strategy of AirCars will focus on getting review. The more connections the site gets to external and trusted web-page, the better will be its visibility on search engine results.

Step 4: Monitor and keep improving SEO

In order to monitor the effectiveness of the different SEO strategies, AirCars has connected its web-page to Google Analytics. Figure 2.34 shows an example of the data that could be analysed over the visitors of the web-page.

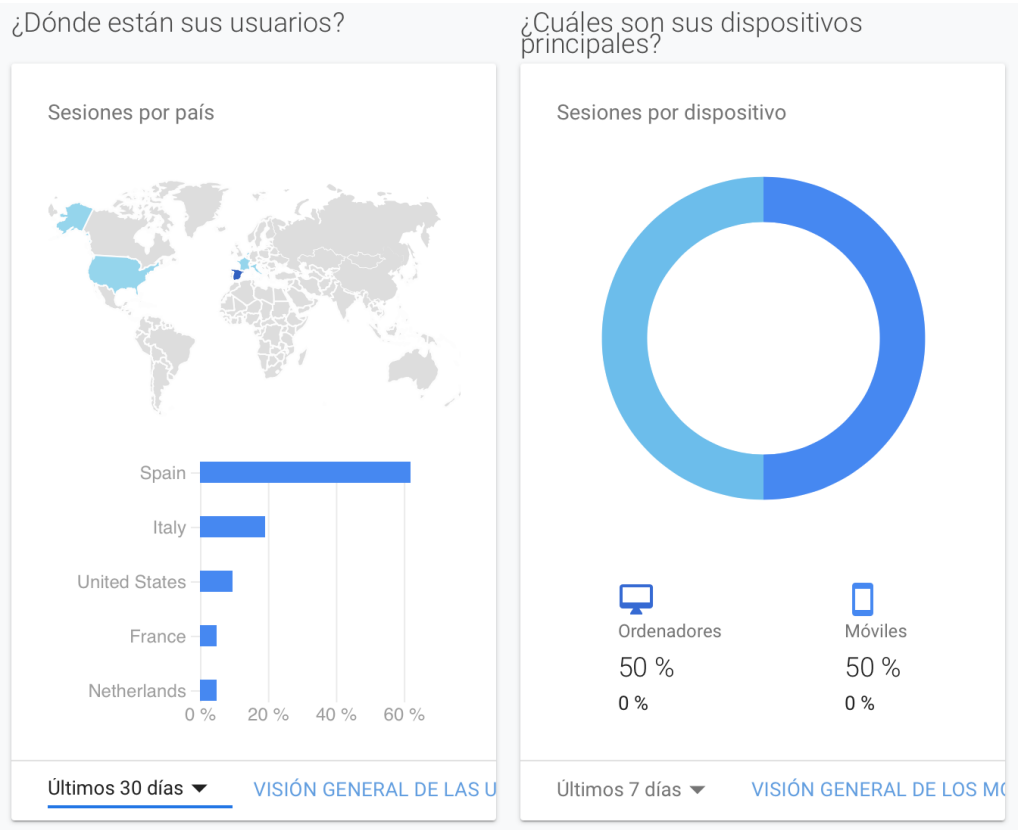


FIGURE 2.34: Google Analytics.

Google Analytics allows to AirCars to get useful information about its visitors, and thus iterate its marketing strategy to always improve its effectiveness.
Among others, Google Analytics allows to know the following data.

- **Physical location of the visitor.**
- **Device used by the visitor.**
- **Time of the visit.**
- **Web-pages visited.**
- **Average stay on the site.**

2.6.1.3 SEM

SEM, acronym of *Search Engine Management*, is the process of improving the visibility of a web-page by paying in order to be listed on a better position on search engine results.

SEM strategies are often used by companies in order to lead and boost knowledge of their sites during the phase of SEO optimisation.
A SEM strategy basically consists in defining a budget, to which, at each click generated through a boosted search engine result, will be subtracted a pre-defined amount. This advertisement cost is usually referred as PPC, pay-per-click, and for being boosted on Google amounts to 0.5 euro per click.
Surveys have demonstrated that customers who click on paid search results and social ads are likelier to buy and spend more. Therefore, AirCars will strengthen its keyword coverage to get more leads, and tailor its bidding strategy for commercial related PPC campaigns.
Due to high investment required for a SEM strategy, it is important to pick up the right metrics to measure SEM Impact. This metrics will provide to AirCars an easy way to see what is and is not working, so that AirCars' team will test, change and optimise its brand's SEM strategy for better results.
The reporting focus will be on the following key performance indicators that reflect AirCars' business goals.

- Acquisition rate.
- Fostering website traffic.
- Getting more downloads of the mobile application.
- Increasing advertisements clicks.
- Building brand knowledge an consideration.
- Expanding cross-border strategy.

2.6.1.4 Comparing Web Pages

As stated in section 2.6.1, the majority of AirCars' market segment individuals make a reservation before leaving for a trip. Analysing deeply the channels through which reservations of vehicles for renting, and of parking slots at the airport are made, AirCars has found the major utilised on-line comparing web sites applicable to its business.
On-line comparing web-sites are preferably used by people looking for convenience, meaning that the filtering on comparing sites is usually made in order to list as first option the services which offer the cheapest solution to the customer. Therefore, AirCars will promote its company by advertising its services on the following main comparing web-sites.

For Renters.

- *KAYAK*: It the European comparing web-page leader. AirCars has already got in touch with them, and has received a positive answer in terms of possibility to be connected within the KAYAK's network.

FIGURE 2.35: KAYAK landing page.

Figure 2.35 shows how appears to a potential customer the KAYAK landing page. Once selected the location of the renting, and the required date, the KAYAK's page will show the results as shown in figure 2.36.

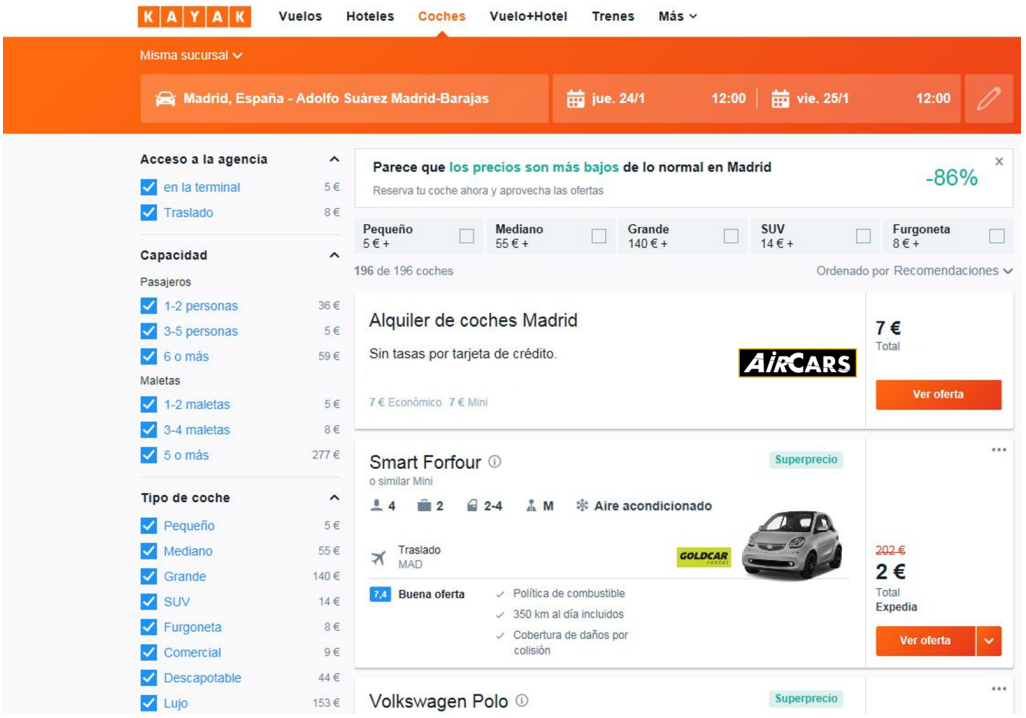


FIGURE 2.36: KAYAK search results.

The KAYAK team has let AirCars know that in the case of a peer-to-peer car rental platform it is not possible to get listed a specific car on their web-page, since it would require a location ID of the car not which can not be obtained for the case of a third party owner of the vehicle. However, it is possible to create a deep link to the company's web-page as shown in figure 2.36. The placement of this advertisement would have a PPC cost around 1.5 euro per click.

- *Low Cost Airlines*: The same scheme will be used by AirCars in order to be listed as a car rental option during the after sale options offered by low cost airlines to their customers. It means that a AirCars pop-pup will appear to travellers booking their flights to an airport covered by AirCars' operation.

For Lessors.

- *AENA and Parkos*: Nowadays are gaining more and more popularity web-pages comparing the near to the airport parking. In AirCars' business, the lessor will most probably have the nationality of the operations based country, therefore the focus has been directed towards parking comparing web-page that are mostly utilised by Spanish people. AirCars has opted for the two pages with the highest traffic, Aenia and Parkos.

2.7 Promotion

AirCars, aiming at always have car rental prices below the competition, has not planned any particular price rebate. However, it has planned to provide some additional services to its customers in order to have an impact on their price perception, and to have discounts only for existing customers in order to increase their loyalty. Figure 2.37 depicts the three main additional services offered by AirCars in order to impact the customer's price perception and loyalty.

- *Free Car Wash*: Each AirCars' parking installation will have a car washing installation in order to always assure the lessor that its car will be delivered back in perfect conditions.
- *24h/7d Assistance*: AirCars will offer to the renter a complete assistance in order to be able to cover any contingency that could arise during the renting period.

- *Fidelity Program*: AirCars will implement an easy discount principle, the more renter will drive with its service, the higher discount they will have making a new reservation. At the same time, the higher will be drove the lessor's car, the higher benefits he will receive by leaving his car to AirCars during is next trip.

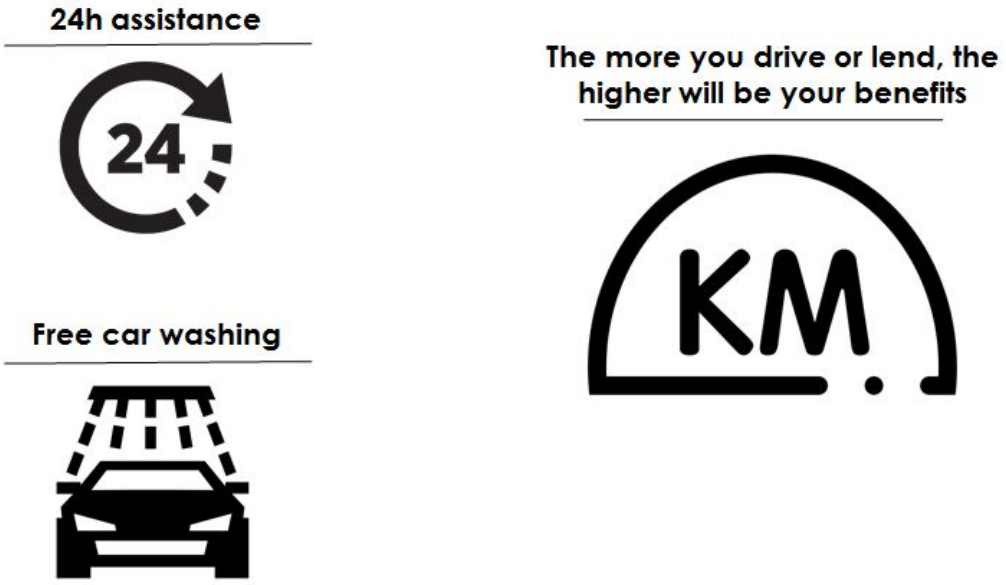


FIGURE 2.37: Additional services offered by AirCars.

2.8 Branding

For AirCars, especially in the first steps of the company, is very important to establish a strong branding strategy, to make the customers know about the brand, its values and give a reliability feeling. As AirCars is the first company providing this kind of service, it has the chance to better position in customer minds, and whenever they think in this kind of service, aims that AirCars comes quickly to their minds and become their first option, regardless whether competitors appear in the future.
Defining the attributes that could be associated with the brand, helped AirCars to prioritize and determine the desired brand essence. The aim is to create unique intangible attributes to protect the company against competitors, because the tangibles can be more easily copied. In the following branding diamond, the different values and attributes that AirCars will try to give to the customers are shown.

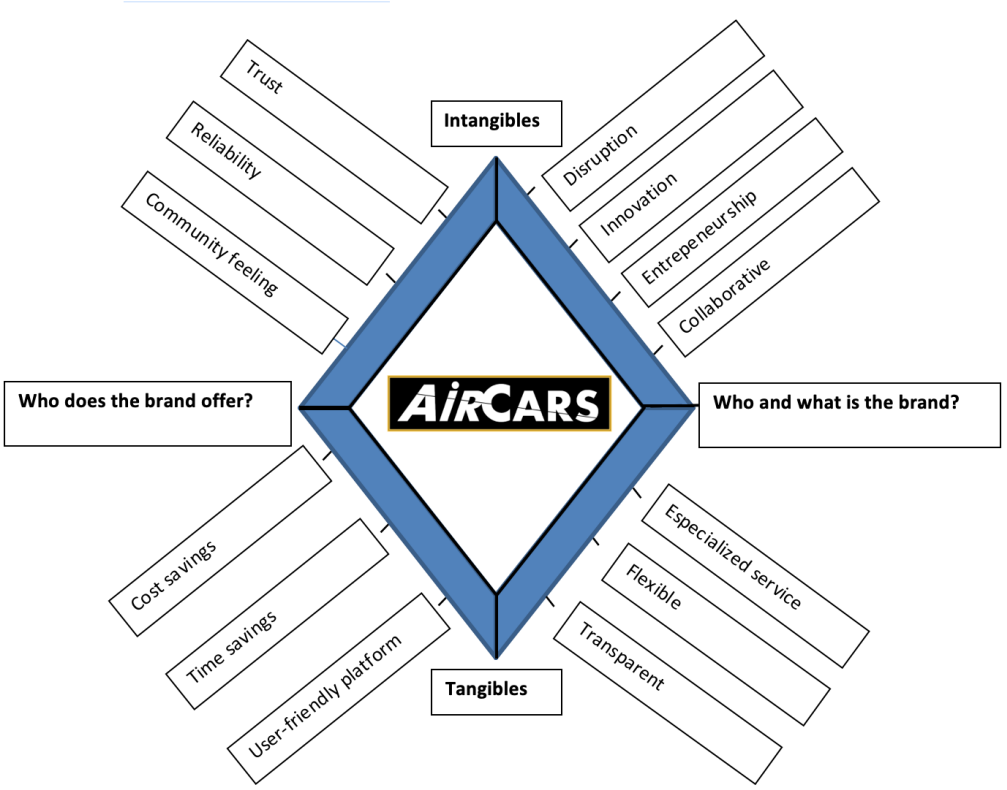


FIGURE 2.38: AirCars' brand diamond.

2.8.1 Attributes Relevance for Customers

Based on qualitative and quantitative market research conducted on customers, the relevance of each attribute has been estimated as shown in figure 2.39

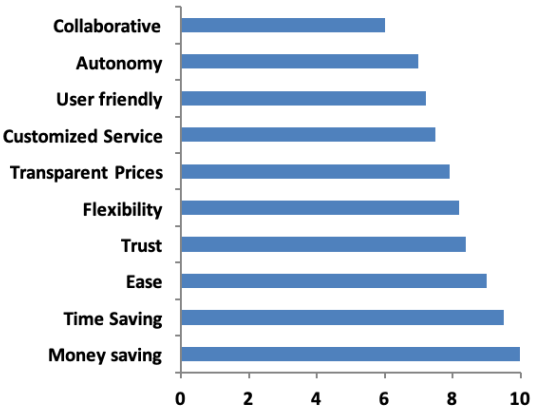
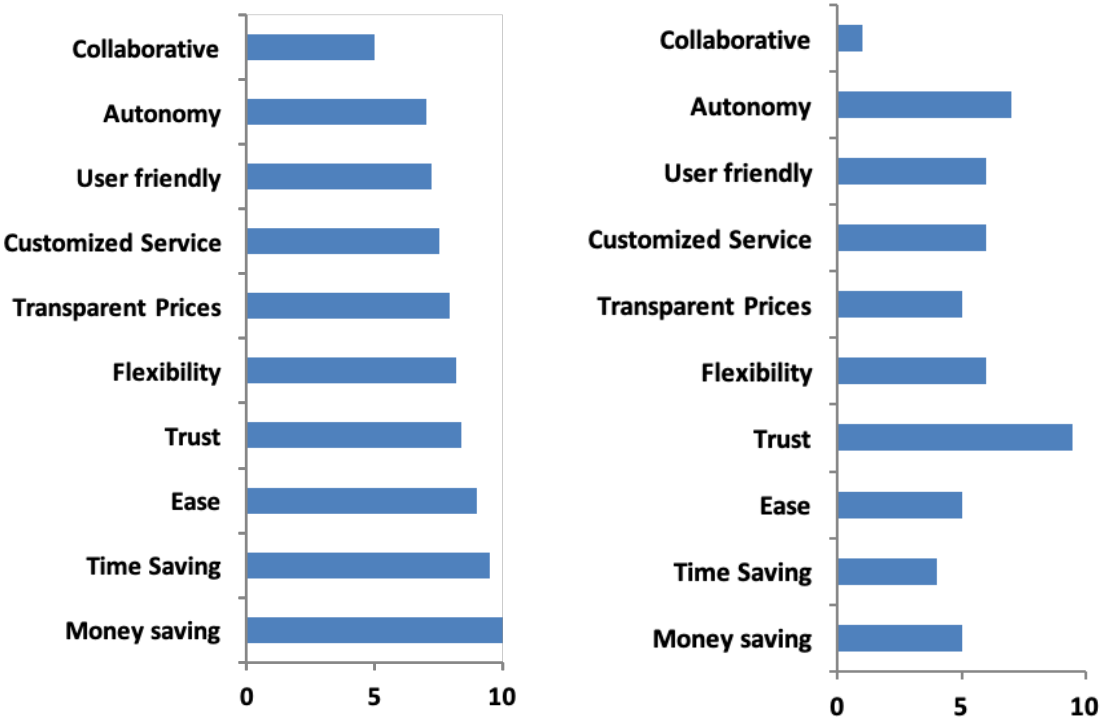


FIGURE 2.39: AirCars' attributes relevance.

2.8.2 Attributes Differentiation from Competitors

To determine which of the attributes will make AirCars perceived as the best option, it is needed to give priority to most valued attributes which differentiate AirCars from the competition. Figure 2.40 shows the comparison with traditional car rental services.



(A) AirCars attributes.

(B) Competition attributes.

FIGURE 2.40: Comparison of company perception on the most important attributes AirCars aims at delivering.

The attributes where AirCars gains most of the points are *time saving* and *cost saving*, while behaves worse in *trust*.

2.8.3 Prioritization Matrix

Once all the possible brand attributes of AirCars have been identified, it is interesting to show them in terms of *relevance to the customer* and *differentiation in the market*. In that way, will be show the brand attributes that should be included in the branding strategy. Crossing the data, figure 2.41 shows that the key attributes that need to be identified with AirCars are economic, ease and agile.

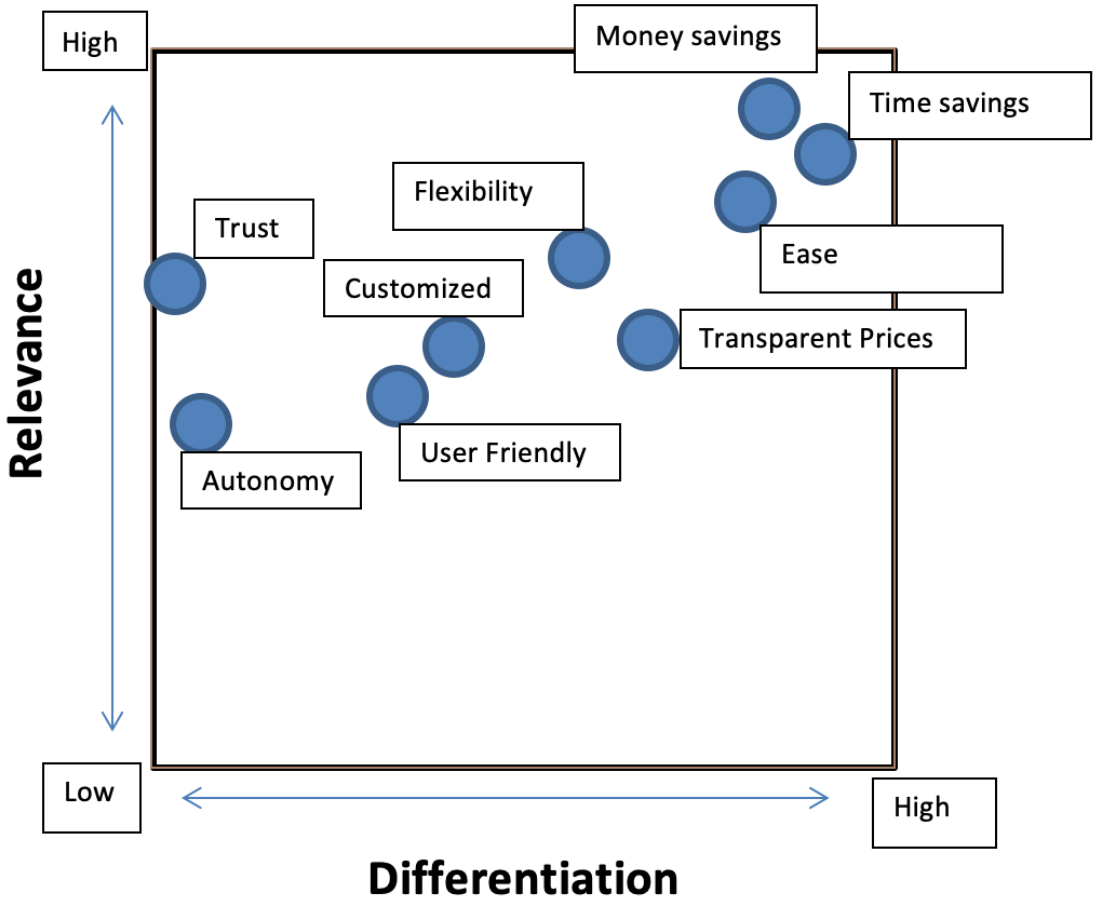


FIGURE 2.41: Attributes prioritization matrix.

2.8.4 Branding Actions

Once those main attributes have been selected, possible ways of communication have been identified, specifying objective, media, unitary investment, possible message and the description.

- AirCars main branding action is to achieve a huge number of views of its commercial video, which can be found in the landing page of the website www.aircarsrental.com. The link to the web page will be distributed by social media. A travel influencer will be hired to make this video even more visible.
- In addition, flyers, with really clear and direct messages about the brand, will be distributed reinforcing AirCars' key attributes. These flyers will be distributed digitally by social media and also in paper.

The rendering of the flyers are shown in figure 2.42 and 2.43.

FIGURE 2.42: AirCars flyer (1).

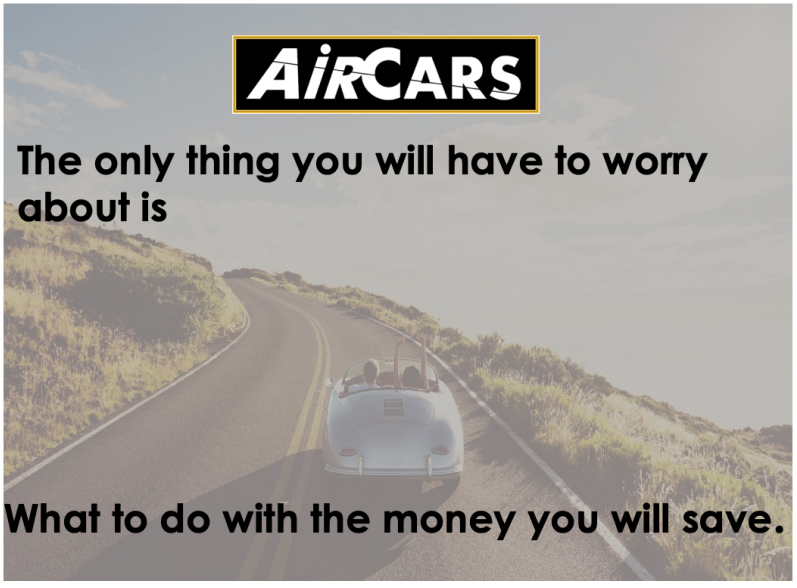


FIGURE 2.43: AirCars flyer (2).

Chapter 3

Operational Plan

3.1 Introduction

AirCars is a new renting car company which aims to set up itself during 2019 at the Malaga airport due to its big passenger influx and accessibility. The operational plan part of AirCars treated here, seeks to explain the process through which have been found the best services and opportunities in the market for the development and implementation of the business, with the aim of ensuring the customers agility and reliability that characterizes the AirCars services.

On the other hand, other key points of the business will also be explained such as the selection of the facilities and fleet, the airports where AirCars will expand as well as legal matters regarding the driving insurance. Furthermore, the logistics of the business activity are also treated within this plan which will be followed by a breakdown of all the operational costs that those logistics imply while carrying out the business.

Finally, the different contingency scenarios that may arise during the activity of the company will be discussed, as well as the actions to be carried out to solve them in order to always ensure a high quality customer service and to not negatively affect the image of the company, which is critical when it comes to establishing a mutual relationship of trust with the customer in the early years.

AirCars is a business with a flexible and agile structure composed of few factors, however the correct estimation of them is crucial when organizing the business and making organizational decisions. These factors will be dimensioned in this section by taking certain assumptions that will help to determine in a very close way their predicted values.

During the dimensioning process only the case of Malaga will be dealt with. Due to the

fact that it is the starting city and will serve as a reference for the expansion in other cities. Once this dimensioning process will be set up, it will be applicable to the rest of future cities where AirCars will expand.

3.2 Fleet Size

The first of the parameters treated, is the size of the fleet. This is equivalent to the engine of the company since these vehicles will be the main source of incomes for AirCars. In addition, to its correct dimensioning, hang on other important decisions such as the size of the facilities, as well as the number of operators necessary for the proper functioning of the business.
This dimensioning is based on the value obtained from the obtainable market and its evolution over the next years. As an example, the calculation of the size of the fleet during the third year in Malaga will be shown. Figure 3.1 depicts the size of the obtainable market in Malaga during the third operational year.

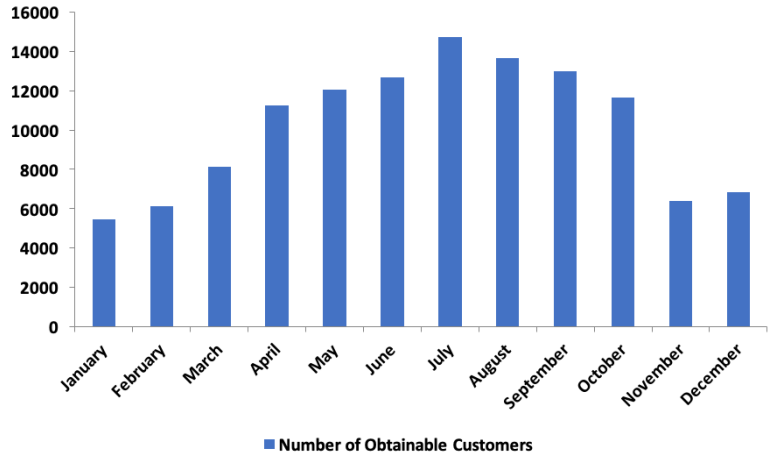


FIGURE 3.1: Obtainable market of Malaga during the third year.

From this, it is possible to estimate, by means of assumptions, a value very proximate to the minimum size of the fleet of AirCars. Within the different hypotheses, the most notable is the assumption that each rented car will be rented by a total of four customers. This hypothesis comes from the idea that the average AirCars' customers seek savings by participating in the collaborative economy. Therefore, a scenario in which users normally rent individually did not seem real. At the time of sizing, the number of monthly customers was divided by four, thus obtaining the number of cars to be rented throughout each

month. Figure 3.2 shows the total number of obtainable car rentals in Malaga during the third operational year.

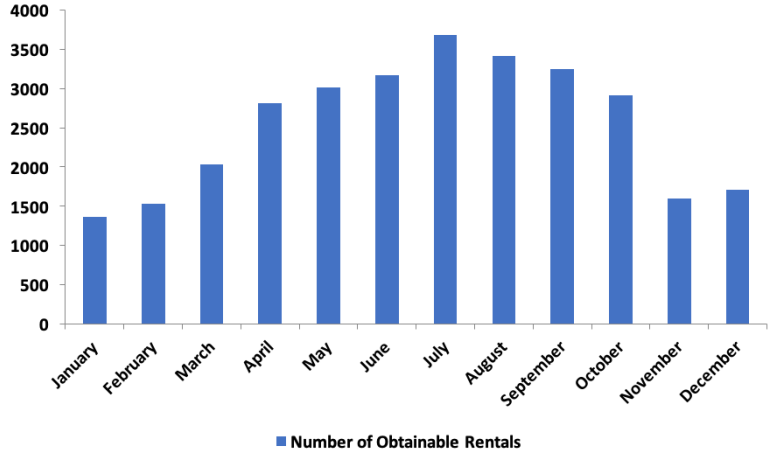


FIGURE 3.2: Obtainable car rentals in Malaga during the third operational year.

The next step is to divide the number of cars rented per month by the number of days of each month, which gives the average number of cars rented daily. Figure 3.3 depicts the aforementioned number.

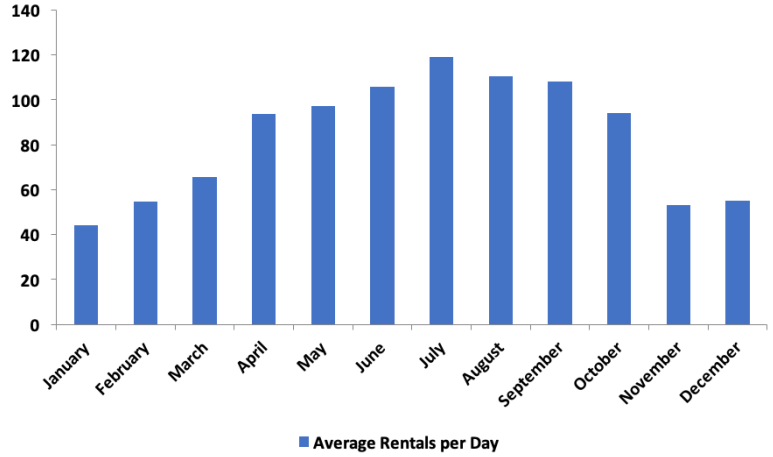


FIGURE 3.3: Daily obtainable car rentals in Malaga during the third operational year.

These values together, plus the fact that each car is rented on average a total of 4 days (according to the Diputación of Malaga) would finally bring to the minimum amount of cars needed per month to meet the demand. This being equal to the number of cars rented per day multiplied by the average number of days previously mentioned. Figure 3.4 shows the minimum fleet operated by AirCars in order to meet the demand.

Minimum fleet during the third year in Malaga	
January	177
February	198
March	262
April	363
May	388
June	410
July	475
August	441
September	419
October	376
November	206
December	221

FIGURE 3.4: Minimum fleet required during the third year in Malaga.

Understanding that the bottleneck of the business corresponds to the number of cars left by our customers, and not to the amount rented, the stock of unused cars is estimated to be at most the 15% of what is rented for a day.
Finally, applying the aforementioned process to the different cities it is possible to calculate the minimum average fleet per month during the next five years, which is shown in figure 3.5.

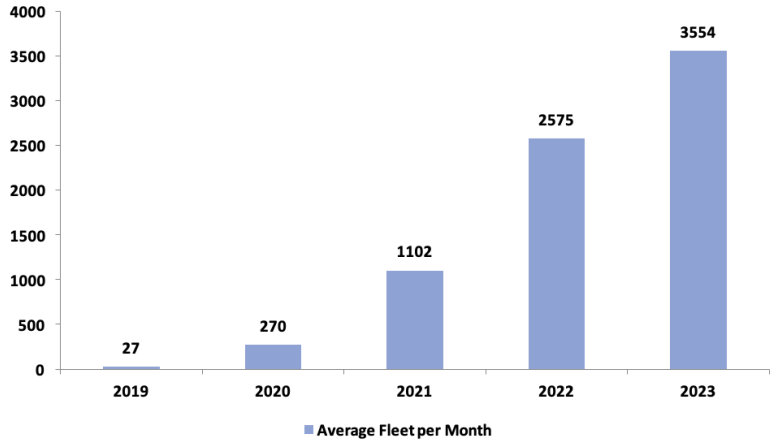


FIGURE 3.5: Average fleet per month during the next five years.

On the other hand, figure 3.6 shows the number of total rentals realised per year.

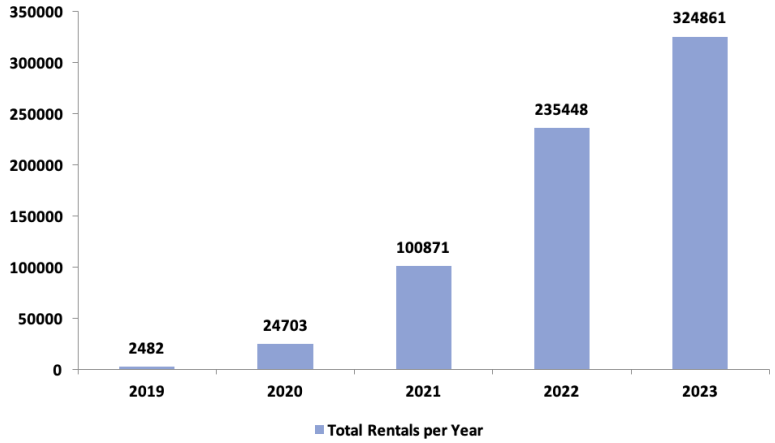


FIGURE 3.6: Total rentals per year.

3.3 Facility Renting

On one hand AirCars business does not require a vast amount of facilities, but rather one or two of them per city in order to park the cars provided by customers, which in fact stands for a great opportunity to rent them instead of purchasing them reducing this way several economic initial barriers which AirCars could face when entering in the market. However, its proper definition is crucial due to the fact that a bad choice in the size or the placement could severely limit the ability of AirCars to offer the service due to lack of space when parking vehicles, and also compromise the logistics of delivery and return the vehicles. Therefore, a facility position close to the airport is mandatory to allow an agile service and reduce operational costs and human resources.

3.3.1 Size

From the value obtained in the last section over the fleet size, and taken into account that according to the regulations of the city of Malaga each parking station must have at least a size of 2.20x4.50m, the square meters of the initial facility can be estimated. It has been considered that 70% of the whole space of the industrial plant will be used for parking vehicles while the remaining 30% will be office corridors and so on.

$$Size(m^2) = carsrentedperday \times \frac{2.2 \times 4.5}{0.7} = 1.600m^2 \tag{3.1}$$

In addition to meeting the requirements of size, it is also mandatory that the layout of the plant covers the functional need. The ideal layout of the parking facility is shown in figure 3.7.

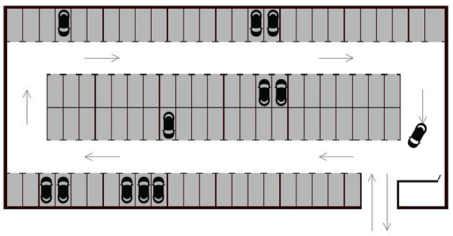


FIGURE 3.7: AirCars parking facility layout.

3.3.2 Location

Its location, as it was mentioned, is even of more vital importance than the size. Due to the fact that a strategic position close to the airport would ensure a more simple logistics which results on lower operational and human resources costs. Moreover the closer AirCars is to the airport, the faster the service could be provided, which is indeed a key factor for the boom of AirCars.
After an exhaustive search of different possibilities, among them AirCars ended up by choosing the rental of an industrial plant in the polygon of Santa Teresa which is just 5 minutes from the airport. Figure 3.8 shows on Google Maps the travel distance between AirCars' parking and the Malaga airport.

FIGURE 3.8: Location of AirCars' parking in Malaga.

The monthly price of renting the plant is around 3.200 € which will increase due to adjustments and certain refurbishment works, all of them with the purpose of improving the final performance.

3.4 Insurance

As it has been mentioned a relationship of trust between AirCars and both the lessors and renters is key for the success of the company. In order to accomplish that goal the insurance was a crucial issue to be dealt with, and worthy to be paid all the attention needed. Such insurance must to be clear and transparent in order to provide a feeling of security to the lending customers. For this reason, AirCars started to negotiate the conditions of an all-risk insurance with the Aico group.

FIGURE 3.9: Aico Group.

The conditions agreed with the insurer, allows drivers over 21 years old to rent cars at full risk. The cost is established on the basis of the monthly fleet rented so that proportionally to AirCars' operations volume, being indifferent the type of user who rents as long as it falls within the parameters which will be mentioned in the legal plan further on.

3.5 Services

Apart from the insurance, the relationship between the customer and the company could be also strengthened by other means. In this way, within the operational plan, also remains the task of developing tools that strengthen this relationship making each service tailored to the needs of the customer, and providing permanent security of being protected by a professional and well organized service. To this end, a series of contact points have been established with the customer in order to improve both the contact with them and the service itself, which could be much more efficient and with shorter waiting times for both parties rather than with traditional rental services.

3.5.1 Web-Page

The website set up by AirCars, whose operation is explained in the marketing plan, is the first and main point of contact with the customer where all the operations related to the rental are carried out. From the operational point of view it is necessary that the message of the site is concise and simple.

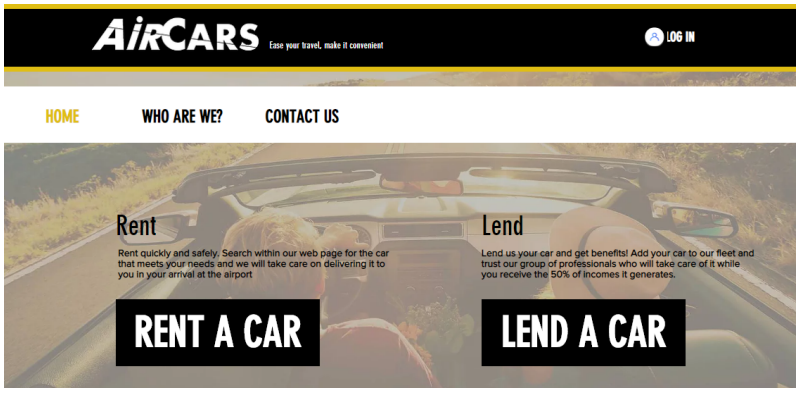


FIGURE 3.10: AirCars' landing page.

The rental will be done through the use of different filters adapted to each user, which at the time of renting will provide AirCars plenty of useful information for the business by filling out the different fields.

- **Day and time of arrival.**
- **Date and time of return.**
- **Personal data.**
- **Destination city.**

3.5.2 App

The end of the whole process, concerning the rental of the vehicle through the web page, is where the AirCars' application takes importance. The client is provided through the mobile application with a personal locator with which he can remain in direct contact with AirCars' operators and warn of its arrival or any inconvenience, which can help to embrace the customers with a feeling of security and commitment.

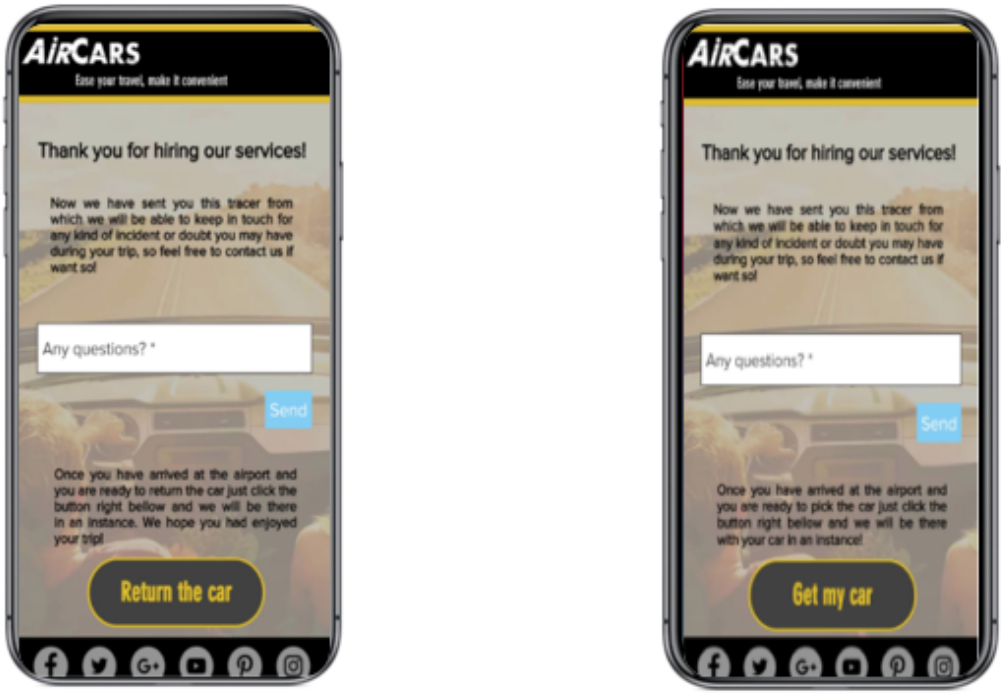


FIGURE 3.11: AirCars' personal locator.

Apart from the aforementioned case, it is a fact that the arrival at the airport can be chaotic and there can be all sorts of inconveniences from a loss of luggage to a delay in landing. All these problems are also covered within the function of the mobile application, whose ultimate goal is to optimize the waiting time of both customers and AirCars' operators. Once the customer has arrived at its destination and is also ready for picking up de vehicle, he will report his arrival through the locator.

3.5.3 Delivery and Return of a Car

The locator previously explained will also be used for warning that the customer is ready to pick up the car as it was explained, but also it will be used in the same way by the lessors and renters that are returning or giving a vehicle. Here both cases will be covered.

3.5.3.1 Delivery of a Car

It is the first contact face to face with the renter and the last with the lessor. Once the client arrives at the airport and estimates his imminent arrival at the meeting point,

through the use of the locator warns of his arrival and begins the journey of his rented vehicle from the parking of AirCars direct to its position.
This point represents the huge difference between AirCars and the rest of the competitors in the market. Once the vehicle arrives at the airport, it is delivered through a mere procedure reducing as minimum as possible all the bureaucratic formalities so the customer can enjoy its trip from the first moment.
That delivery of the vehicle must be made in a maximum of six minutes taking into account the distance that AirCars' facilities are from the airport.
Once the vehicle has been delivered, the AirCars operator will proceed to return in an own AirCars vehicle to the facilities again or, on the contrary, wait at the airport and attend the future clients.

3.5.3.2 Return of a Car

It is the last point of face to face contact with the renter and first one with the lessor, and its logistics work exactly the same as for the delivery case.

3.6 Operational Costs

As the operations of AirCars depends mainly on the activity of third parties, it could be thought that the operational costs are low.
However there are three main operational outcomes which highly reduce the net profit which are the maintenance of the fleet, fuel and the insurance. Being the last one, the one with the biggest impact.
The next sections describe in details the calculations done to predict the operational cost structure of AirCars.

3.6.1 Car Cleaning

Within the operations of the AirCars business, vehicles obviously are a key part of it. Therefore both their return and delivery in good conditions would improve significantly lessors' and renters' customer experience.
For this purpose, a pressure washer such as the one shown in figure 3.12 will be used. This machine would be installed outside the facilities and would have minimum associated costs, which are estimated to be around 1% of the total operational costs.

FIGURE 3.12: AirCars' washing machine.

The estimation of cleaning costs for the coming years is shown in figure 3.13.

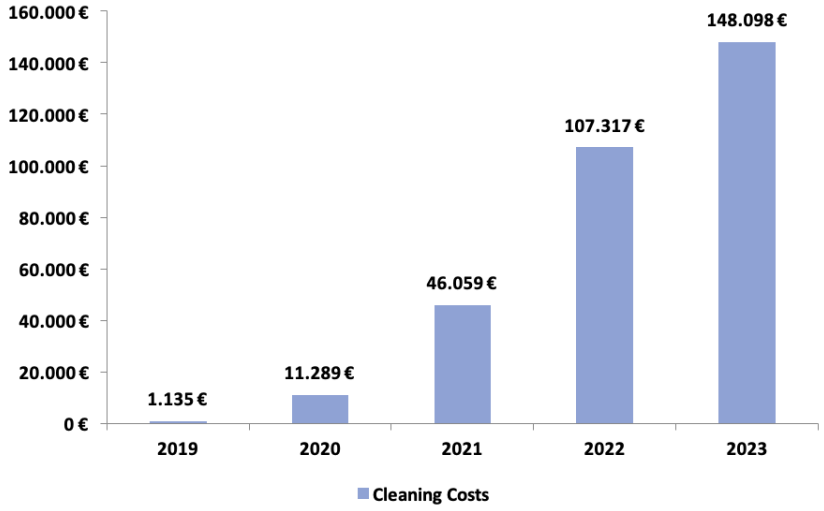


FIGURE 3.13: Estimation of cleaning costs.

3.6.2 Operational Support Car

As it was mentioned in the services part, in an ideal situation AirCars would not need to have any kind of external support for its business due to the fact that it would be able to always fit a delivery of a car with the return of another one, in which the operator could

return back to the facilities for the next delivery.
However in a real scenario AirCars' operator would need some sort of auxiliary transport and that is why an amount of cars equal to 1% of the total fleet size would be rented by AirCars. Moreover these cars could be also used to cover some contingencies as it will be explained further on.
Figure 3.14 shows the number of cars that will be leased by AirCars each month during the next five years.

	2019	2020	2021	2022	2023
January	0	2	4	15	22
February	0	2	5	17	25
March	0	2	7	20	28
April	1	2	9	25	35
May	1	3	10	26	38
June	1	3	12	31	44
July	1	4	14	34	50
August	1	4	15	33	48
September	1	5	16	34	47
October	1	5	16	31	40
November	1	4	14	25	29
December	1	4	15	24	28

FIGURE 3.14: Car leased each month during the next five years.

Figure 3.15 shows the total costs AirCars will occur in due to the leasing of the service cars.

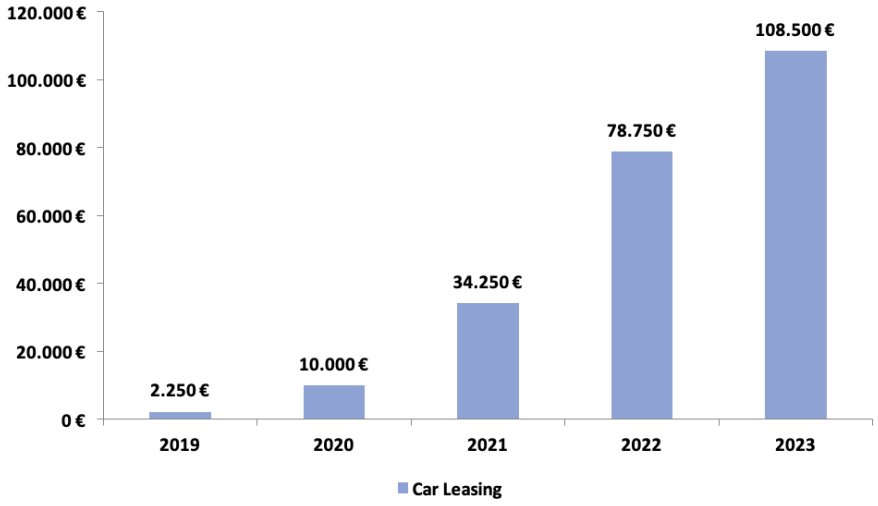


FIGURE 3.15: Total costs due to car leasing.

3.6.3 Fuel

In spite of the fact that the leased cars are not AirCars' property there is a part corresponding to the fuel that applies to the operational costs of AirCars. This percentage of costs is due to a possible mismatch in logistics where an operator required for a customer delivery cannot afford to wait for a return. In this case, the operator must return to the facilities in his own transport, the costs of which are borne by the company. The value of this cost is shown in figure 3.16

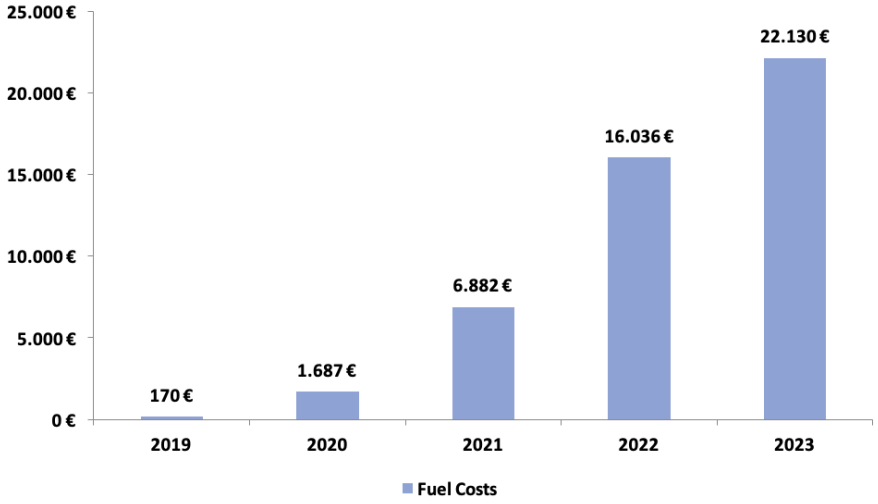


FIGURE 3.16: Estimation of fuel costs.

3.6.4 Insurance

Insurance Price	
Fleet size	**Price**
0-30	6.750 €
31-60	8.000 €
61-90	9.000 €
91-120	10.000 €
121-250	12.500 €
251-500	15.500 €
501-1000	25.000 €
1.001-2.000	42.500 €
2.001-3.000	60.000 €
3.001-4.000	77.500 €
4.001-5.000	95.000 €

FIGURE 3.17: Relation between insurance prices and fleet size.

The last section of the operational costs corresponds to insurance, which is more important than the previous ones, accounting for a 70% of total operational costs and, as it was said before, these costs are related to the amount of cars rented each day. Figure 3.17 shows the monthly cost of the insurance depending on the size of the insured fleet. These prices have been established through conditions provided by Aico group based on conditions similar to those of Amovens.
These conditions are such that they establish costs that depend on the size of the rented fleet so that general conditions are established for the rents indistinctly from the particular data of the renter, as long as the renter complies with minimum requirements which are mentioned in the legal plan. Figure 3.18 shows the total insurance costs occurring in Malaga during the next five years.

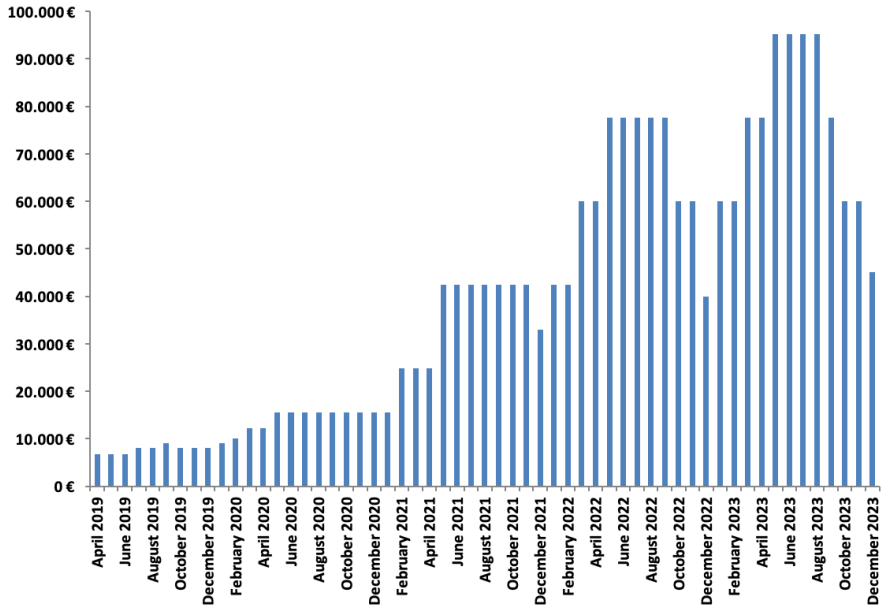


FIGURE 3.18: Estimation of insurance costs in Malaga.

3.6.5 Operational Costs Summary

Figure 3.19 shows a summary of the weights of the different operational costs.

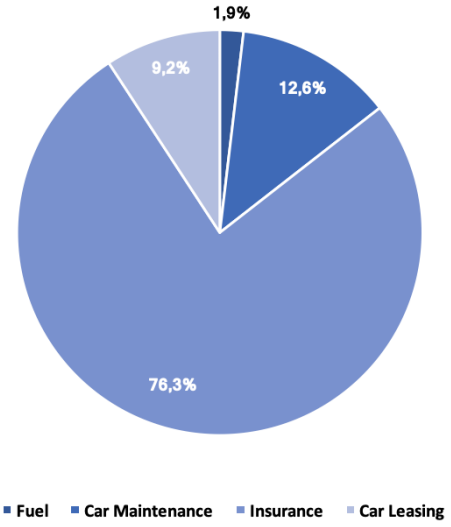


FIGURE 3.19: Summary of operational costs.

3.7 Expansion Plan

As mentioned in the strategic plan, AirCars presents a business style with very low technological barriers which increases the risk of possible copies within the sector. That is why in our attack strategy, one of the key points for the proliferation of our company is an aggressive expansion to the Spanish airports with greater influx, where the goal is to reach the largest airports in Spain by the beginning of 2022.

Seville is the first airport where AirCars plans to expand after staying one year in Malaga. Its feasibility is due to the fact that Seville is among the airports the one least challenging and the closest to Malaga which translates in not very complicated logistics.

After settling in Seville and reaching with AirCars Malaga more acceptance and incomes, just 6 months later AirCars aims to take a big step forward and move to the most centrally located airport in Spain: Madrid.

Afterwards, AirCars will expand to Barcelona at the beginning of the third year, finishing this second year with presence in the leading airports of the Iberian Peninsula and finally, AirCars will extend its goals to Palma de Mallorca at the beginning of the third year where it will end its initial expansion plan.

FIGURE 3.20: Summary of expansion plan.

Implementation plan	2019				2020				2021				2022				2023			
	Q1	Q2	Q3	Q4	Q5	Q6	Q7	Q8	Q9	Q10	Q11	Q12	Q13	Q14	Q15	Q16	Q17	Q18	Q19	Q20
Malaga																				
Seville																				
Madrid																				
Barcelona																				
Palma de Mallorca																				

FIGURE 3.21: Implementation phases of each expansion.

3.8 Contingencies Scenario

- *Accident*: In the event of an accident, AirCars will have an insurance that includes damage and assistance on the road. The Insurance has an excess of 750 euro which, if necessary, will be the responsibility of the lessee. AirCars will always be in charge of managing the insurance of the vehicle and in the event of an accident, AirCars will offer a replacement car to the party affected by the accident.

- *Vehicle Theft*: Similar case to the accident one. AirCars' Insurance covers the theft of the vehicle. It will also offers facilities to the owner of the stolen car for the formalities of the Insurance as in addition it will offer a replacement car for a few days in order to avoid the impact of the theft on the day to day of the affected party.

- *Delay in Return*: If a user who has rented a car is late in delivering it, he will be penalized for each day that exceeds the scheduled date. In turn, if the owner of the affected vehicle ended up needing his car, AirCars will be offer him any of the cars currently held in its pool, totally free, until his car is returned.

- *Delay in Delivery*: A similar offer will be offered to the person who rented that vehicle.
- *Customer no Appearance*: If the renter does not appear with the lessor's vehicle, the vehicle will treated as if it had been stolen and the appropriate legal means will be used in order to solve that contingency.

3.9 Roadmap

In order to make the company activities possible, AirCars has defined a roadmap to follow and ensure that the company's planned development corresponds to the actual development.
The first point is the development of the mobile application and the company's website. These developments are essential for the company to become known and to grow, so they have been established as the first step to be taken by AirCars.
Parallel to the design, although requiring more time, is the signing of a contract with the insurance agency. Insurance is another of the pillars on which the trust of AirCars users is based, and therefore, one of the initial priorities.
Once the initial points have been completed, the search for facilities begins in Malaga. These facilities have to fit to the space and proximity needs of the airport required by AirCars. After renting the facilities, the necessary staff will be hired and operations will begin in Malaga.
The start of the activity by AirCars will mean the validation of the operational plan, after which potential service improvements could be identified and implemented. The process of renting facilities, hiring personnel, starting operations, market validation, and identifying and implementing possible improvements will be repeated for all airports in the company's expansion plan.
This roadmap is not just a guide to follow. AirCars has already managed to complete the development of the website and the mobile application, has reached a draft agreement with the insurance agency and has already obtained the facilities in Malaga for deployment. The next step will be the hiring of personnel to start operations. The scheme of the roadmap is shown in figure 3.22.

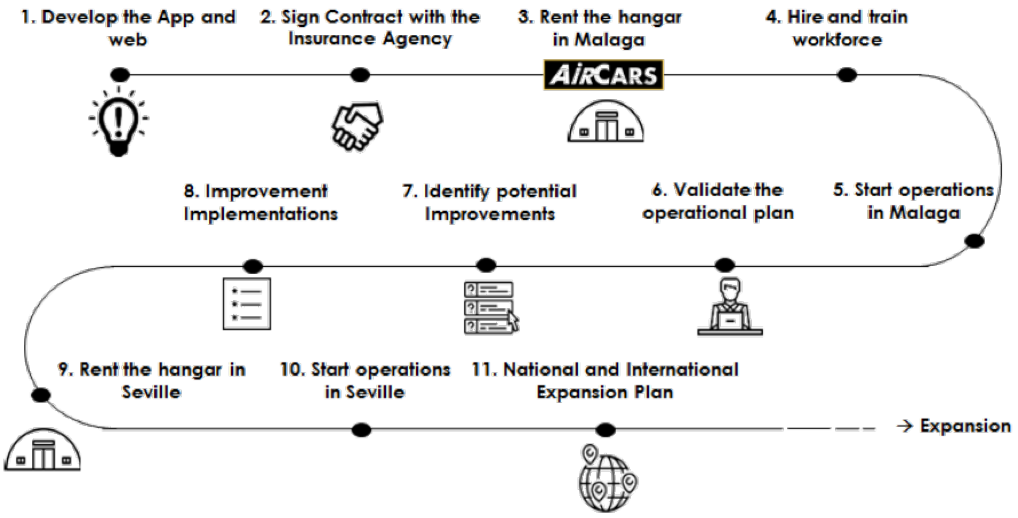


FIGURE 3.22: AirCars roadmap.

3.10 Conclusions

By way of conclusion, AirCars will carry out for the first time in Spain a car rental service at the airports based on sharing economy.

AirCars has looked for strategic establishments near the airports in order to carry out the business in the most agile way as possible, and at the same time to be able to absorb all the load of demand that has been estimated which indeed, is severely big due in large part to the rise of shared economies popularity.

In order to success in the business, AirCars has also marked as a priority goal the strengthening of the relationship between customer and company due to the fact that AirCars believe that along sharing economy models it is a must to have a strong bonds between both parties. In order to success in that goal AirCars has settle different points of contact with the customers as well as a transparent insurance in order to protect the customer‘s goods.

In addition, due to the low technological barriers which presents the AirCars’ business model, a very aggressive expansion plan has been established that allows AirCars to have presence in the largest airports in Spain in a very short period of time, all this in order to seek the presence and before competence have enough time to react.

Chapter 4

Legal Plan

The following legal plan is divided in four parts.

- Introduction to the legal frame to which the business is subjected both locally and internationally.
- Review of rules that affect a business like AirCars in Spain and Europe.
- Analysis of the advantages and disadvantages those laws imply for the business.
- Shareholder agreement.

4.1 Legal Frame

Spain is part of the European Union, it is a democratic country with a modern constitution that establishes the basic principles of a democratic government with the separation of powers: legislative, judicial and executive.
Legislative power resides in the general courts, a bicameral assembly composed of the congress of deputies and the senate. They represent the people, exercise legislative responsibility, and approve budgets. The Congress of Deputies is the lower house, though with more power than the Senate. It ratifies the proposal that the King makes of the president of the government, as well as withdrawing his confidence.
For its part, the Senate, or upper chamber, has functions of territorial, legislative and political integration. The executive power is directed by the Council of Ministers. Its purpose is to enforce the laws passed by the legislature, as well as plan and execute the

government program and direct the public administration.
Finally, the judicial power is formed by the set of courts and tribunals that have the power to administer justice in the name of the King. The General Council of the Judiciary is the highest governing body of the judiciary. The Constitutional Court controls that the laws and actions of the public administration conform to the constitution and the Supreme Court is the highest organ in all orders.
The Supreme Court is the highest governing body of the judiciary. The Constitutional Court controls that the laws and actions of the public administration conform to the constitution and the Supreme Court is the highest organ in all orders.

4.2 Regulation for Car Rental Market

Real Decreto 1561/1984 of 18th July, regulator of the activity of car rental without driver.

It is arranged the following.

A physical or legal person wishing to engage in the activity of hiring cars without a driver must make a request for each car, which must be accompanied by the following documents.

- DNI or CIF according to whether the petitioner is a legal entity or a physical person.
- Circulation permit.
- Technical inspection card of the vehicle up to date with the required periodic inspections.
- Proof of registration and current payment in the tax license of the industrial tax.
- Municipal licence to open the corresponding premises or offices in which the company carries out its activity.
- Proof of having taken out the limited civil liability insurance for the damage caused by the corresponding vehicle.
- Where prices are established in relation to the distance travelled, the vehicle odometer equipment must be sealed by the bodies responsible for road worthiness tests on the occasion of periodic inspections.

Communication from the Commission to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions for a European agenda for the collaborative economy. Brussels, 2 June 2016.

Where the collaborative economy is defined as follows.

Business models in which activities are facilitated through collaborative platforms that create an open market for the temporary use of goods or services often offered by individuals. Collaborative economics involves three categories of service provider agents who share assets, resources, time and/or skills - they may be private individuals offering services on an occasional basis ("peers") or service providers acting in a professional capacity ("professional service providers"); Users of such services; Intermediaries who - through an online platform - connect providers with users and facilitate transactions between them ("collaborative platforms"). Collaborative economy transactions generally do not involve a change of ownership and can be done for profit or non-profit.

The key issues addressed in the document are the following.

- *Market Access Requirements*: In addition to creating new markets and expanding existing ones, collaborative economy enterprises enter markets served until now by traditional service providers. A key question for both authorities and market operators is whether, under existing EU legislation, collaborative platforms and service providers can be subject to market access requirements and, if so, to what extent. Such requirements may include business authorisations, licensing obligations or standard minimum quality requirements (e.g. size of rooms or type of vehicles, insurance or deposit obligations, etc.). Under EU law, such requirements must be justified and proportionate, taking into account the specifications of the business model and innovative services in question, without favouring one business model over another.

- *Liability Regimes*: Most of the relevant rules on contractual and non-contractual liability are laid down in the national laws of the Member States. However, under EU law, online platforms, as intermediary information society service providers, are under certain conditions exempt from liability for the information they store. The applicability of this disclaimer will depend on the legal and factual elements related to the activity performed by the collaborative platform and this disclaimer applies

when the activities in question are considered as data hosting services under the e-commerce Directive. To this end, their realisation should be purely technical, automatic and passive. The disclaimer applies on condition that the collaborative platform does not play an active role enabling it to acquire knowledge or control of unlawful information and as soon as it becomes aware acts promptly to remove the data or make access to it impossible.

- *Users protection*: Currently, EU consumer and marketing legislation is based on the distinction between "trader" and "consumer". A "trader" is a person acting "for purposes connected with his economic activity, business, craft or profession"; a "consumer" is a person acting "for purposes which are outside his economic activity, business, craft or profession". The application of these criteria to the categories of participant in the collaborative economy determines the respective rights and obligations of the parties under EU consumer and marketing law. In particular, EU consumer law applies to any collaborative platform that qualifies as a "trader" and engages in "commercial practices" vis-à-vis consumers. The providers of the underlying services are also considered merchants if they act "for purposes relating to their economic activity, business, craft or profession". In contrast, EU consumer and marketing law does not apply to transactions between consumers. Therefore, if none of the collaborative service providers qualify as a trader, transactions between them will be outside the scope of that legislation. In the specific context of the collaborative economy, the following factors are important. Although none of them would in itself be sufficient for a provider to be considered a trader, depending on the circumstances of the case their combination may point in that direction.

  - **Frequency of the services**: Providers who offer their services only occasionally (i.e. marginally and accessory, and not regularly) are less likely to be considered merchants. The greater the frequency with which services are provided, the clearer it becomes that the provider can be considered a trader, as this could indicate that he is acting for a purpose related to his economic activity, business, craft or profession.
  - **Lucrative purpose**: A lucrative purpose may be an indication that the provider can be regarded as a trader in respect of a particular transaction. Providers whose purpose is to exchange assets or skills (e.g. in the case of home swaps or time banks) do not in principle qualify as traders. Providers who only receive compensation for the costs in a given transaction may not

be seeking a profit. On the other hand, providers who obtain a remuneration higher than the compensation of costs are likely to be profit-driven.

  - **Volume of business**: The higher the turnover generated by the service provider (from one or more collaborative platforms), the more evidence there is that the provider qualifies as a trader. In this respect, it is important to assess whether the level of turnover generated by the provider comes from the same activity (e.g. carpooling) or from several types of activities (carpooling, gardening, etc.). In the second scenario, a higher turnover may not necessarily imply that the provider qualifies as a trader, as it may not necessarily have been obtained in relation to the other (main) business of the provider.

- *Employed and self-employed workers in the collaborative economy*: The collaborative economy creates new employment opportunities, generates income beyond traditional linear employment relationships, and makes it possible for people to work in flexible ways. This allows them to be economically active when more traditional forms of employment are not suitable for them or are not available to them. At the same time, flexible working arrangements may not be as regular or stable as traditional employment relationships. This may create uncertainty as to the applicable rights and level of social protection. Working arrangements in the context of the collaborative economy are often based on individual tasks performed on an ad hoc basis, rather than on tasks performed regularly in a pre-established environment and time frame.

- *Taxation*: Like all economic operators, operators in the collaborative economy are also subject to tax rules. This includes rules on personal income, corporation tax and value added tax. However, issues have arisen in relation to compliance and enforcement of tax obligations: difficulties in identifying taxpayers and taxable income, lack of information on service providers, exacerbation of aggressive tax planning in the digital sector, differences in tax practices in the EU and insufficient exchange of information. In this respect, Member States should provide for proportionate obligations and a level playing field. They should apply functionally similar tax obligations to companies providing comparable services. Raising awareness of tax obligations, informing tax administrators about collaborative business models, issuing guidance and increasing transparency through online information could be tools to unlock the potential of the collaborative economy. Information on national tax obligations, including those related to employment status, should be made available to interested parties.

Insurance Conditions.

Although not part of the regulatory framework, Insurance is a fundamental part of the business and is based on laws such as R.D. 1561/1984 of July 18. In addition to the laws, insurance companies establish their own rules to make use of their services. These conditions that they impose, are quite restrictive as it will be possible to be observed as follows.

- *Renter information*: The person who reserved the car must be the one who receives it. It must be verified that the driver is at least 21 years old with a driving licence of a minimum of 2 years, this will be verified by application with the data of the renter.
- *Rental contract*: The rental contract will be made through the APP both at the beginning and at the end of the rental. This serves to know the conditions of the car, possible damage to the fuel level and the number of km made before it was rented.
- *Car preparation*: The car owner must make sure that the rental contract is up to date and is inside the vehicle before handing it over, as well as checking that all the vehicle documentation is in place.
- *Renter*: If for some reason the tenant does not meet the requirements, the rent is automatically cancelled.
- *Smoking and pets*: With the owner's consent.
- *Pick up* : If the car does not comply with the state described in the App and in the rental contract, the renter can cancel the rental.
- *Return of the car*: The lessor will ensure the good condition of the vehicle. If the car has damage, it is the responsibility of the owner to note it in the final rental contract.
- *Number of km and fuel level*: The km will be recorded at the beginning of the rental contract at the time of delivery, as well as on return. As far as fuel is concerned, we will proceed as the owner prefers, all this by means of a contract.
- *Breakdowns*: If there is a problem with the vehicle during rental, the renter should stop the vehicle and contact the roadside assistance service or AirCars.

- *Sanctions*: The renter will be responsible for parking fines, speeding and other traffic fines during the rental period.

The insurance coverage includes material damage, civil liability and roadside assistance.
The insurance is taken out automatically when a rental is made through AirCars and the cost of the insurance is included in the fee paid through AirCars. Both the lessor and the lessee must meet the requirements below for insurance coverage to apply.

- **Coverage**
  - Specialized insurance includes: damage, theft, civil liability and roadside assistance.
  - The loss of the vehicle is defined in the event that the renter has not returned the car after 30 days from the date of return.
  - The insurance covers the condition in Spain, Portugal, France, Germany, Italy, Switzerland, Austria, Belgium, Luxembourg, Holland, Denmark, Norway, Sweden and Andorra during the rental period.
- **Vehicle requirements**
  - It must be registered in the name of a private individual in Spain.
  - It cannot be used for commercial purposes, e.g. for the transport of goods.
  - It must be possible to drive with a normal driving licence (category B).
  - It must already be insured with a compulsory insurance (to third parties).
  - It cannot be a vehicle from a leasing plan.
  - It must have a maximum commercial value of 60.000 euro.
  - It must be no more than 15 years old from the date of its first registration and no more than 250,000 km.
  - The vehicle documentation must remain inside the vehicle during the rental period.
- **Renter requirements**
  - The renter must have a legal driving licence in Spain.
  - Over 21 years of age.

  - Your driving licence must be at least 2 years old.
  - You must have an address in Spain. If you do not have an address, AirCars may request proof of address outside Spain.
  - The second driver must meet the same requirements as the lessee. The documents of the second driver must be sent to documentsAirCars.com for approval by AirCars. The status of the application will be communicated to the lessee and under no circumstances may the second driver use the vehicle if the application is shown as rejected.
  - AirCars needs to check your ID and driver's license from both the front and the back.

- **Franchise**
  - The insurance has an excess of 750 euro which, if necessary, will be the responsibility of the renter.
  - Insurance excludes repairable damage to windshield or replacement of windshield.
  - AirCars will be in charge of managing the insurance; they can request the car's documentation to check that it complies with the insurance conditions.

- **Other conditions**
  - The rental period may not exceed 30 days, including in this limit extensions of rental of the same vehicle.
  - Reminds that insurance does not cover damage of a mechanical nature, including damage caused by negligence such as improper refuelling or failure to maintain an adequate level of refrigerant or oil.

4.3 Analysis of the Legal Environment

Car rental in Spain is an activity that has been regulated for many years, so it is considered a mature market regulatory speaking. However, the business of AirCars is considered as part of the collaborative economy in a digital environment, so as the European Commission says, this type of activity is not yet regulated by the various governments and therefore its activity is currently in a legal vacuum. This legal void can be used to the benefit of AirCars as many digital companies do to grow rapidly and consolidate their

market.

Although the main problem facing AirCars is to accept the conditions of insurance companies, very restrictive and expensive due to the risk posed by this type of car-sharing platforms between private individuals.

4.4 Shareholders Agreement

PARTES

De una parte, como socio Rafael Sánchez Hernández con DNI 31009990X y domicilio a efectos de notificaciones en C/Teruel 4 (Cordoba, Spain), en adelante como SOCIO 1.

De otra parte, como socio RIccardo Bagnara con YB0708371 y domicilio a efectos de notificaciones en Via L. Blereiot (Forli, Italy) en adelante como SOCIO 2.

De otra parte, como socio Jorge López de Orellana con DNI 05462700Q y domicilio a efectos de notificaciones en C/Perafán de Rivera nº4 (Seville, Spain), en adelante como SOCIO 3.

De otra parte, como socio Eduardo Molina Jiménez con DNI 30267127R y domicilio a efectos de notificaciones en C/Editor José Manuel Lara (Seville, Spain), en adelante como SOCIO 4.

Y de otra parte, Jesús Cortes Domínguez con DNI 15455937Y y domicilio a efectos de notificaciones en C/Pages del corro 59(Seville, Spain), en adelante como SOCIO 5.

Las partes actúan en su propio nombre y tienen suficiente capacidad legal para llevar a cabo este contrato, siendo responsables de la veracidad de sus manifestaciones. De común acuerdo,

EXPONEN

1. Que es su intención aunar recursos e intereses para desarrollar una actividad económica en el mercado.
2. Que el presente documento es un acuerdo privado entre los socios con el objetivo de regular ciertos aspectos relativos a las condiciones que regirán la relación entre los socios.
3. Las partes están interesadas en la formalización del presente PACTO DE SOCIOS con sujeción a las siguientes clausulas.
    a. CAPITAL SOCIAL

        El capital social total queda fijado en 37.500 Euros.
        El Socio 1 aporta: 7.500€
        El Socio 2 aporta: 7.500€
        El Socio 3 aporta: 7.500€
        El Socio 4 aporta: 7.500€
        El Socio 5 aporta: 7.500€

    b. PARTICIPACION EN LAS GANANCIAS Y PERDIDAS
        El porcentaje de participación de cada socio en los beneficios y perdidas de la sociedad es la siguiente:

        Socio 1: 20%
        Socio 2: 20%
        Socio 3: 20%
        Socio 4: 20%
        Socio 5: 20%

c. ADMINISTRACION

Se confiere la gestión y dirección de la sociedad, así como el uso de la firma social, y la representación de la misma, tanto en juicio como fuera de él para cualquier clase de actos o contratos a Rafael Sánchez Hernández, que ostentarán el cargo de administrador solidario. Los acuerdos relativos a la administración y funcionamiento ordinario de la sociedad podrán ser tomados por uno de los socios quedando obligada toda la sociedad. No obstante, los acuerdos que no supongan una gestión ordinaria y conlleven decisiones relevantes de carácter extraordinario se realizarán de forma mancomunada.

Los administradores responderán frente a la sociedad, frente a los socios y frente a los acreedores sociales del daño que causen por actos u omisiones contrarios a la ley o por los realizados incumpliendo los deberes inherentes al desempeño del cargo.

d. ACUERDOS

La toma de decisiones se realizará de forma consensuada, ninguno de los socios ocultará la información relevante al resto o actuará en su propio beneficio perjudicando el interés de la sociedad.

e. DERECHO DE ACOMPAÑAMIENTO (TAG-ALONG)

En el supuesto de que alguno de los socios recibiera una oferta para adquirir parte o la totalidad de sus acciones por parte de un tercero (en adelante el oferente), los demás socios tendrán el derecho a vender conjuntamente al oferente con dicho socio, al mismo precio y condiciones que las ofrecidas a este y en proporción a sus respectivas participaciones en el capital social.

f. DERECHO DE ARRASTRE (DRAG-ALONG)

En caso de que uno o varios socios mayoritarios recibiera una oferta por el 100% de las acciones en las que se divide el capital social de la sociedad, por parte de un tercero (en adelante el oferente) dicho socio tendrá un derecho de arrastre frente al resto de los demás socios minoritarios que consistirá en la posibilidad de obligar al resto a vender sus participaciones sociales al oferente.

En caso de ejercitarse el derecho de arrastre o “drag along”, el resto de socios tendrán derecho a vender al oferente en las mismas condiciones que el socio o socios que recibieron la primera oferta.

g. CONFIDENCIALIDAD

Los socios se comprometen, tanto durante la vigencia de la sociedad como una vez extinguida, a no transmitir, difundir o revelar a terceras personas información confidencial de la sociedad a la que tengan acceso como consecuencia de su actividad, o a utilizar tal información en interés propio. El deber de confidencialidad permanecerá tras la finalización del presente contrato y/o tras la salida de uno o varios socios de la sociedad.

h. EXCLUSIVIDAD
Los socios se comprometen, como regla general, a dedicar todos sus esfuerzos profesionales con carácter exclusivo a la Sociedad mientras mantengan su condición de socios.

i. NO COMPETENCIA
Los socios no podrán realizar actividades que puedan hacer la competencia a la sociedad mientras tengan la condición de socios y estén vinculados por el presente acuerdo. En caso de estipularse una prohibición de competencia post contractual, es decir que el ex-socio no realice actividades económicas que hagan la competencia una vez el socio ya no pertenezca a la sociedad, ésta deberá ser compensada económicamente de forma adecuada tras la terminación de la relación con la sociedad.

j. PERMANENCIA
Las partes se comprometen a mantener su condición de socios y a no trasmitir la propiedad de sus participaciones sociales durante un plazo mínimo de 4 meses a contar desde la fecha de firma del presente acuerdo.

k. SEPARACION Y EXLUSION DE SOCIOS
Los socios tienen derecho a separarse cuando no estén conformes con determinados acuerdos sociales que alteren las condiciones básicas que motivaron su ingreso en la misma.
Asimismo, el socio que no se responsabilice de llevar a cabo las tareas a las que se comprometió, así como cuando cause perjuicio grave a la sociedad o a cualquiera de los socios será excluido de la misma teniendo derecho a la liquidación de su cuota en el capital social.

l. DISOLUCION Y LIQUIDACION DE LA SOCIEDAD
La sociedad se disolverá por decisión de los socios conjuntamente o por disposición de la ley. En los casos de disolución se realizará una valoración de los activos de la sociedad y se procederá a una división en proporción a lo aportado y posterior liquidación.

m. JURIDISCCION Y LEY APLICABLE
a relación entre los socios se regirá por la normativa española vigente y cualquier controversia se someterá a los Juzgados y tribunales de la ciudad de Sevilla.

Y las partes, encontrando conforme cuanto se ha expuesto y pactado en el presente documento privado, lo firman en el lugar y fecha mencionados.

Sevilla, 15 de 12 de 2018

Fdo: Rafael Sánchez Hernández Riccardo Bagnara Eduardo López Molina

Jesús Cortés Domínguez Jorge López Orellana

Chapter 5

Human Resources Plan

5.1 Introduction

This chapter describes the organizational chart defining the structure of AirCars, the necessary competencies required for the different positions within the company, the recruitment process and the contractual conditions of the employees. The human resources plan is closely linked to the previous chapters, since its implementation will be aligned with their development and implementation.

5.2 Organizational Chart

FIGURE 5.1: AirCars' Organizational Chart

Figure 5.1 shows the main roles and functions of the AirCars' organization. The AirCars' executive team will be initially formed by its five founders, whose profiles will be detailed later. The executive team will be in charge of leading the main sections of the company, as well as making decisions about the future of the company.
In addition, the executive team is open to possible modifications if an opportunity is detected to incorporate into AirCars one or several people with an in-depth knowledge about the sector and the operations that are carried out.
The bottom part of the organizational chart is represented by a team of employees who carry out the operations of delivering and returning the vehicles to the customers, as well as all the maintenance tasks of the cars while they are in AirCars' facilities.

5.3 AirCars Values

AirCars' values represent the ethical and cultural reference guiding the behaviors and the way of thinking, acting and interacting of the company.

- **Team Work**
  - Work in the same direction to achieve common objectives at all levels.
  - Create an engaging and inclusive workplace that fosters well being and fun, and where everyone feels part of a family.
  - Speak up and actively listen with an open mind.
- **Reliability**
  - Feel accountable for AirCars collective success.
  - Take personal responsibility for actions and commitments.
  - Build on competences and mindset to deliver on time, on cost and on quality.
- **Respect**
  - Treat each other and all stakeholders as everyone would wish to be treated.
  - Recognize and value differences.
  - Use open and honest communication to build trust.
- **Customer Focus**
  - Actively listen to understand and meet the customer needs.

  - Partner with the customers to deliver valuable and sustainable solutions together.
  - Embed our customer's satisfaction in the company mindset.

- **Creativity**
  - Be curious, passionate, open-minded and recognize imagination at all levels.
  - Be ready to act with courage, take risks, challenge, learn and restart.
  - Make sure that everyone at AirCars has the time, space and tools to be creative.

5.4 Job description

It is really important to define and correctly specify the competencies and skills of each position in order to achieve success within a new company.

5.4.1 Executive Team

The executive team will be in charge of the most important strategic decisions within the Company.

- **Establish mission, vision and values of the company.**
  - Establish the strategy of the company, as well as the internal policy of the business.
  - Define the vision and mission of the company to guide the possible decisions of the company for a road map in its future development.
  - Define a strict code about ethics and compliance to follow within the company.
  - Establish the company's annual goals.
- **Establish the structure and strategy of the company.**
  - Analyze the present and future situations of the company when there are opportunities, threats or risks in the external environment, as well as the strengths and weaknesses of the company.
  - Study and define possible strategies for the company, as well as support plans to the initial deployment.

  - Ensure that the structure, that has been defined for the company, is the correct one in order to carry out the chosen development strategies.

- **Be accountable to shareholders and also main stakeholders.**
  - Analyze the economic and financial status of the company to approve the budget of the company, as well as monitor that this budget is managed correctly.
  - Evaluate the proposal of the shareholders, and perform their deployment if it is necessary.
  - Ensure the correct communication between the different shareholders and the company.

- **Monitoring the evolution of the company.**
  - Decide the different methods and criteria for monitoring the evolution of the company to verify the effectiveness of the different strategies carried out in the different areas.
  - Ensure that evaluations are made in the correct way.
  - Make decisions based in the results obtained during the monitoring.

To carry out these tasks, the team of AirCars founders will compose the executive team.

5.4.2 Financial Area

It will be led by the members of the executive team, who will be in charge of managing the correct realization of the economic movements of the company. They will also be responsible of studying possible changes in the economic conditions offered by AirCars' service. In addition, they will negotiate with the insurance companies in order to obtain the best conditions on both the economic and operational aspects.

5.4.3 Marketing Area

The car rental business is Spain is highly competitive due to its fragmented nature without a clear leader. In addition, at the beginning of its operations, being a totally new company in the market, AirCars will face difficulties in leading knowledge on its brand and service. Therefore, AirCars has concentrated most of its effort in creating a powerful marketing

area, which will be responsible for bringing effectively AirCars' value preposition into the market airport after airport as predicted.

5.4.4 Operational Area

The operational area is the one presenting the most vertical structure within AirCars, and thus the highest number of employees. It will be mainly responsible for performing the AirCars' service as it was planned.
In order to carry out the operations related to the rental and parking services, a great number of employees will be required, and the capacity will be adjusted year after year in order to cover the market demand. This aspect will be one of the most challenging point due to the high seasonality of the rental service, and therefore the need to cover seasonal peaks with extra hours or temporary contracts.

5.4.5 Human Resources Area

The human resources area will be responsible for the management of all employees, as well as for their conditions. The most challenging point will be to deal with the circumstances of temporary employment that AirCars requires in order to meet the highest peaks of demand.
In addition, AirCars has internally committed to a policy of quality employment. Therefore, it will try to stabilise as much as possible the members of its crew in order to diminish the variations in the number of the employees due to seasonality reasons.

5.5 Job Positions & Salaries

The previous sections have defined the different departments AirCars will be divided in, and the main responsibilities of each area. Subsequently, AirCars has defined three different categories of employees, distinguishing each other for salary, function and characteristics.

- *Executive Position*: During the early phases, this role will be covered only by the five AirCars founders. The starting net salary for the members of the executive team will be of 22.000 euro per year. However, AirCars has also planned a variable

remuneration that comprises bonuses for reaching some key targets and depending on the financial results of the company.

- *Office Position*: The office position has been created in order to create a sort of bridge in between each single operation's site and the executive team. People in this position, will thus be mainly responsible for supporting the executive team during the implementation of the service in the different airports. The base net salary of this position will be of 20.000 euro per year.
- *Service Position*: The service position collects all the blue collar that will carry out the operations of delivering, returning and maintain a vehicle. The net salary of the service operators will be of 18.000 euro per year.

5.6 People per Area

After the definition of the different job positions within the company, it should be defined the number of people that will cover each aforementioned position.
Starting from the management positions, during the entire expansion phase there will not be any incorporation to the executive team, which will maintain itself composed by only the five initial founders. A unique option for incorporation will be accepted in the case there will be a possibility to hire a sector expert. Figure 5.2 shows a summary of the number of executive positions during the next five years.

	2019	2020	2021	2022	2023
Executive Position	5	5	5	5	5

FIGURE 5.2: Estimation of executive positions required.

For the office position, AirCars considers necessary a person for each airport it will expand in. During the first year, this position will be covered by the members of the executive team in Malaga, hiring the staff of this headquarter in year two. Figure 5.3 shows a summary of the number of office positions during the next five years.

	2019	2020	2021	2022	2023
Office Position	0	3	4	5	5

FIGURE 5.3: Estimation of office positions required.

The employees needed to carry out the rental service vary according to the air traffic. To calculate the number of employees required, a workload vs. capacity analysis has been

carried out. According to this analysis, the employees needed to complete the different vehicle movements and maintenance are shown in figure 5.4.

	2019	2020	2021	2022	2023
January	0	2	7	22	33
February	0	2	8	25	33
March	0	3	11	31	41
April	1	4	13	37	50
May	1	4	16	39	56
June	1	5	18	44	62
July	1	7	22	51	75
August	1	7	21	50	73
September	1	7	24	50	67
October	1	7	24	46	59
November	1	6	20	36	41
December	1	6	22	35	43

FIGURE 5.4: Estimation of service positions required.

Figure 5.5 depicts the workload vs. capacity analysis results, and clearly shows the presence of demand peaks created by the seasonality of the service.

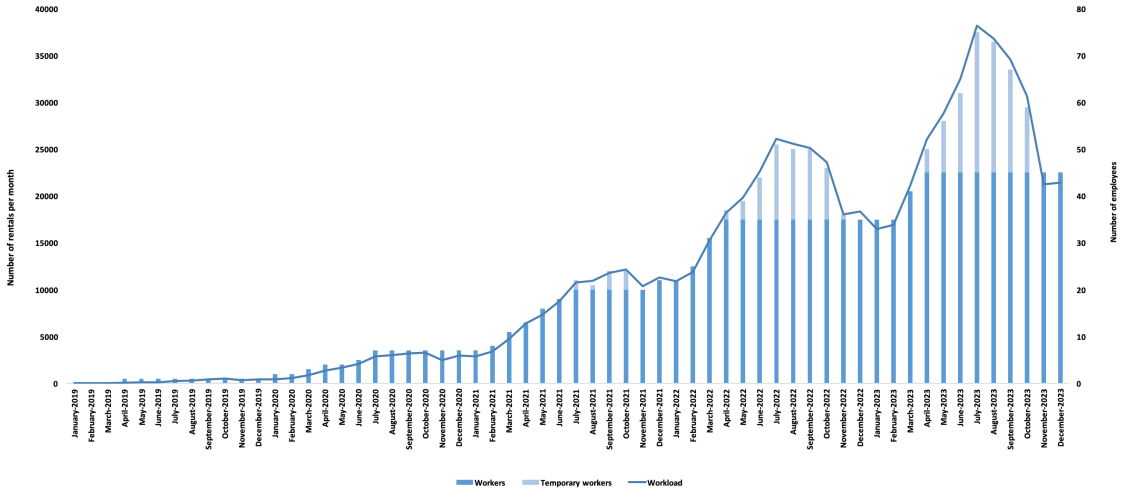


FIGURE 5.5: Workload vs. Capacity analysis results.

Figure 5.6 shows the workload vs. fixed capacity analysis results. The lines clearly depict a situation of capacity lack during the summer season, and thus highlight the need for AirCars to recur to temporary contracts and extra hours in order to cover this gap.

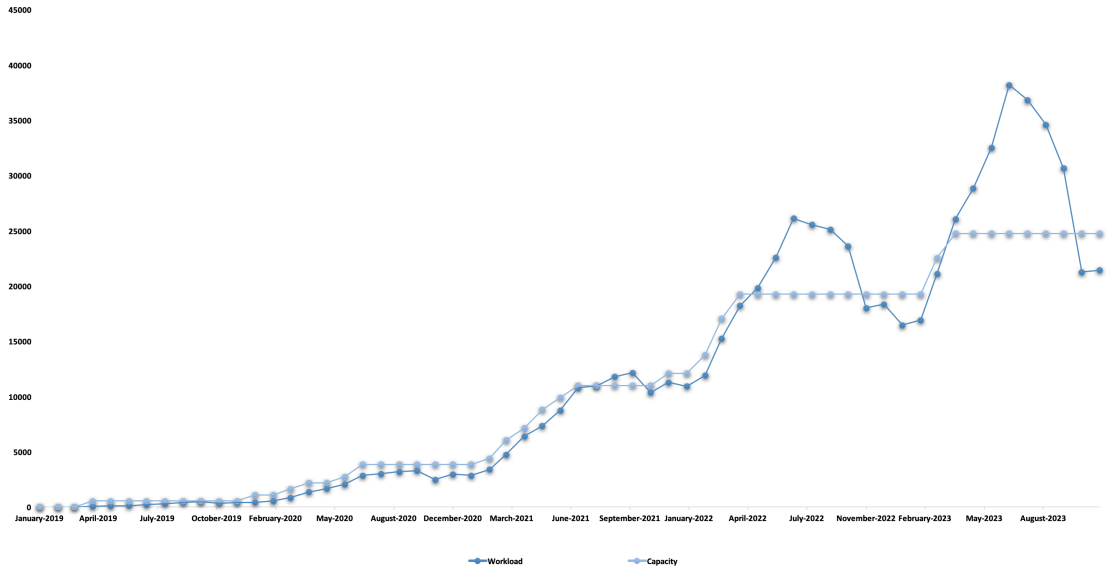


FIGURE 5.6: Workload vs. Fixed Capacity analysis.

As a summary, figure 5.7 shows the total number of employees working in AirCars each month for the following five years.

	2019	2020	2021	2022	2023
January	0	2	7	22	35
February	0	2	8	25	35
March	0	3	11	31	41
April	1	4	13	37	50
May	1	4	16	39	56
June	1	5	18	44	62
July	1	7	22	51	75
August	1	7	21	50	73
September	1	7	24	50	67
October	1	7	24	46	59
November	1	7	20	36	45
December	1	7	22	35	45

FIGURE 5.7: Estimation of service positions hired.

Figure 5.8, on the other hand, shows the part of AirCars' employees which will be hired with a temporary contract.

	2019	2020	2021	2022	2023
January	0	0	0	0	0
February	0	0	0	0	0
March	0	0	0	0	0
April	0	0	0	2	5
May	0	0	0	4	11
June	0	0	0	9	17
July	0	0	2	16	30
August	0	0	1	15	28
September	0	0	4	15	22
October	0	0	4	11	14
November	0	0	0	1	0
December	0	0	0	0	0

FIGURE 5.8: Estimation of temporary service positions.

5.7 Founders

Rafael Sánchez Hernández

Industrial engineer, born in 1993 in Cordoba.

Actually working as trainee on Planning, visibility and production control in LTA at Airbus Defence and Space within the MBA program.

He has been working as engineer designing electrical facilities in some companies. He a proactive person, with a great sense of responsibility, detailed and always looking to learn new things.

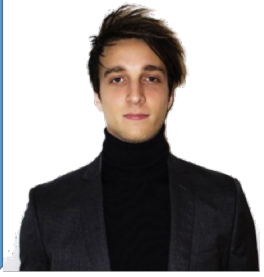
Riccardo Bagnara

Mechanical engineer, born in 1993 in Forli, Italy.

Actually working as a Quality Engineer at Airbus Defence and Space. Previous experience as Software Engineer at ABB Turbocharger.

Keen on travelling and knowing new culture, he has lived for more than two years in Switzerland becoming an ideal partner for working in multicultural environments.

Riccardo has a strong commitment for highly demanding projects, making him a perfect fit for highly innovative companies.



Jorge Roman López Orellana

Aerospace engineer, born in 1992, Sevilla

Actually Working as trainee Project manager within Material Services at Airbus Defense and Space, combing with the study of the MBA aerospace at the same time.

He also has experience in airport operations and services. He is reliable and proactive with strong leadership, communication and teamwork skill.

He is always looking for new challenges and eager to broaden his knowledge.

Eduardo Molina Reyes

Industrial engineer, born in 1995 in Barcelona

Actually working as trainee on engineering Department at Alestis San Pablo, where he is being an active part of the A320 industrialization while combining his studies of the MBA aerospace at EOI.

Being the youngest member of Aircars, Eduardo is among the others the one with the least experience on the professional market. Fact that he compensates thanks to his innovative way of thinking and his proactive personality which makes him an ideal partner for every kind of group deployment.

Jesús Cortés Domínguez

Industrial engineer, born in 1990 in Écija, Seville

Actually Working as trainee on Project management and lean manufacturing on Manufacturing engineering department at Airbus Defense and Space, combing with the study of the MBA aerospace at the same time.

He also has experience in mechanical design in the automotive industry. He is a proactive person and has excellent interpersonal skills

Jesus' personality makes him an ideal person for dealing with other companies and clients

Chapter 6

Financial Plan

6.1 Introduction

This chapter contains a detailed analysis of the projected financial situation of the company for the upcoming years. In particular will be shown the projected cash flow, the revenues, the cost structure and the values of the ratios that are considered interesting for the company and for the investors.
This plan will help the founders to define the goals of profitability of the company through the known data, as well as identify the possible economic risks that the company may have during its development.
On the other hand, for an investor, this financial plan will show the economic benefits of the project highlighting the strengths of the company at the level of profitability and solidity, and disclosing all the necessary data to ensure the return of its investment.

6.2 Financing, Risk and Return

6.2.1 Shareholders Cash Flow

The profitability of the company is the most important target for the shareholders. It represents how the company is able to generate value from its activities.
A good way to measure the profitability of a company is the time a company takes to repay an investment made by an investor, and the net present value of the positive future

cash flows the company will generate for the investor. Figure 6.1 shows the projected cash flow for external shareholders buying the 51% of AirCars' shares.

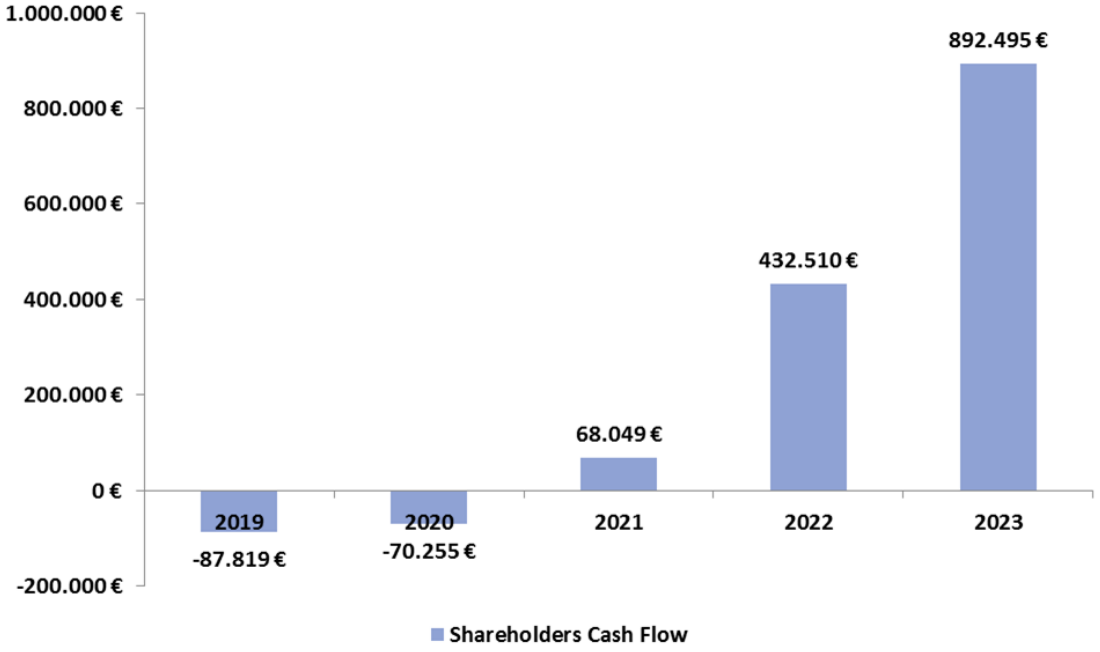


FIGURE 6.1: Estimation of shareholders' cash flow.

6.2.2 Internal Rate of Return

This indicator helps an investor to decide about proceeding or not with an investment. Usually investors compare the IRR of projects with a minimum required rate of return, that typically is their cost of capital.

For a company, the ideal situation is to have the highest possible IRR resulting in higher net cash flows for investors. In this sense, AirCars achieves a great financial objective by achieving an IRR of 102% for shareholders willing to buy the 51% of AirCars' shares. The values presented in figure 6.2 already take into account a taxation of 25% both for the capital inflow from AirCars and outflow to AirCars.

	2019	2020	2021	2022	2023
Investors Capital	(87,82)	(70,26)	68,05	432,51	892,50

FIGURE 6.2: Evolution of investors' capital.

6.3 Capital Funding

To start its business AirCars requires external funding sources. According to this financial plan, a total amount of at least 314.000 euro is required during the first two years to cover the losses the company will generate in its early phases. This amount has been planned to be collected during two rounds of financing.
The first round should raise around 230.000 euro, while the second round is estimated to require 184.000 euro of capital inflow, thus making a total of 414.000 euro. This number will assure AirCars liquidity even in the worst case scenario.
The financing of AirCars will come from different sources, such as the founders, support for entrepreneurship from various national and European entities and private investors.
For the first round of financing, the founding partners of AirCars have committed to put 7.500 euro each in order to start the company with an equity of 37.500 euro.
The following list, on the other hand, details the financing coming from national and European entities.

- The Spanish government through the public company ENISA provides twice the amount invested by the founders, thus amounting to 75.000€. The ENISA company defines many alternatives for refunding the aforementioned amount, among which the most convenient for AirCars would be a pay-back starting in the fifth year with an interest ranging from 3.5% to 6%.
- The IDEA agency of the Regional Government of Andalucía encourages the creation of companies in Andalucía. It is estimated a capital inflow of 40,000€ in the second year thanks to this aid. This capital inflow does not require any pay-back.
- The European Union's H2020 Program could provide in its *Phase 1* up to 50.000€ after a prior validation of the AirCars business plan. As for the IDEA Agency, it is estimated for the second year. This capital inflow does not require any pay-back.

Finally, private investors will be necessary in order to raise the final total amount of financing required by AirCars. The following list details the financing coming from private investors.

- *Business Angel*: In AirCars business model it is fundamental the guidance of a business angel, not only for its economic support, but also for the experience he could bring in setting up the company. Therefore, its financing will be required during the first round.

- *Crowdfunding*: AirCars will operate crow-funding campaigns on specialised websites. Due to high uncertainty of this financing source, it is difficult to estimate a fixed amount of capital inflow. However, AirCars aims at raise unexpected financing in order to support its development. The strategy will be to offer, in exchange of funding, the possibility to use AirCars' service for free once the company will be operating (pre-sale crowdfunding).
- *Venture Capital*: Venture capital funds will be finally required in order to raise the missing amount of money necessary to AirCars to start its business. Venture capital funds normally expects an internal rate of return of at least 20% for its entire start-up portfolio. Therefore, they are willing to take the risk of financing a start-up since the expected return will be obtained by the average of start-up failing to success, and start-up that will be raising stars.

To sum up, figure 6.3 shows the amounts that will be raised during the first financing round.

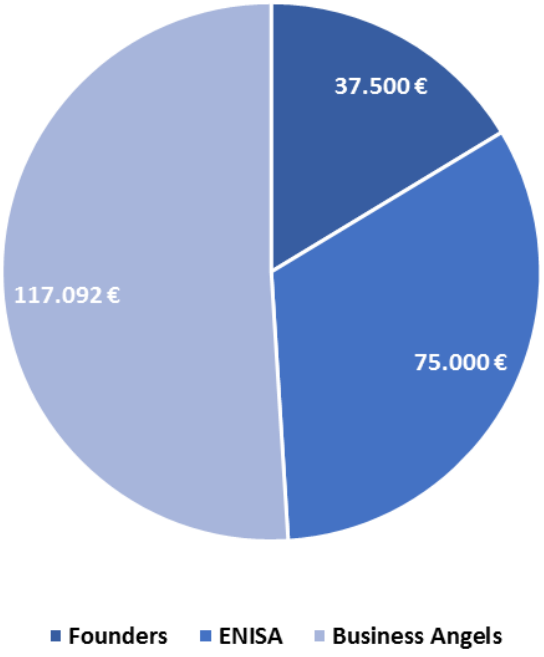


FIGURE 6.3: First funding round.

Figure 6.4 shows the amounts that will be raised during the second financing round.

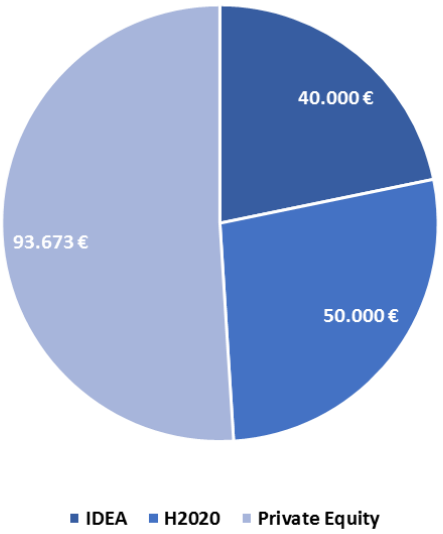


FIGURE 6.4: Second funding round.

Figure 6.5 depicts the final distribution of AirCars' shares after the two rounds of financing.

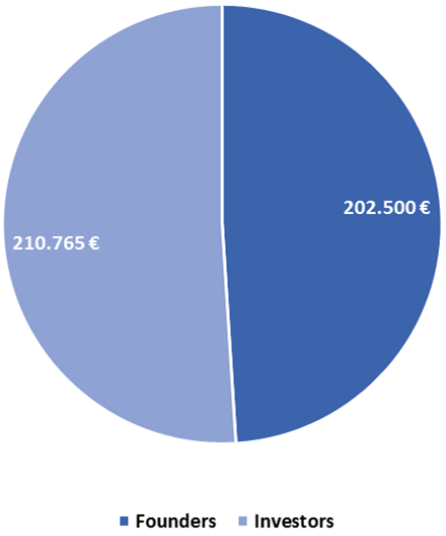


FIGURE 6.5: Summary of company shares distribution.

From the figure is clearly visible that that the majority of AirCars' shares are owned by the investors. This choice has been done since AirCars is aware that private equities

often require the majority of a company in order to reduce their risks, and to be in a stronger position and force the management to obtain their targets for the company.

6.3.1 Montecarlo Simulations to Size Operational Uncertainty

In order to size the risks of AirCars' business in terms of volume of sales prediction, a Montecarlo analysis has been conducted by varying the values of the expected growth of the company.
Therefore, many different economic scenarios have been simulated by giving a normal distribution to the revenues growth percentage with a standard deviation of 30%, 20%, 10% and 5% respectively for the first, second, third and fourth year.
For each case, the terminal value of the company has been calculated by discounting the free cash flow the company will generate starting from the sixth year by assuming a constant growth of 5%, that equals the one of the actual car rental market in Spain. Figure 6.6 shows the results of the simulation. The average terminal value of AirCars equity will be of 8.828.920€ with a standard deviation of 1.281.499€.

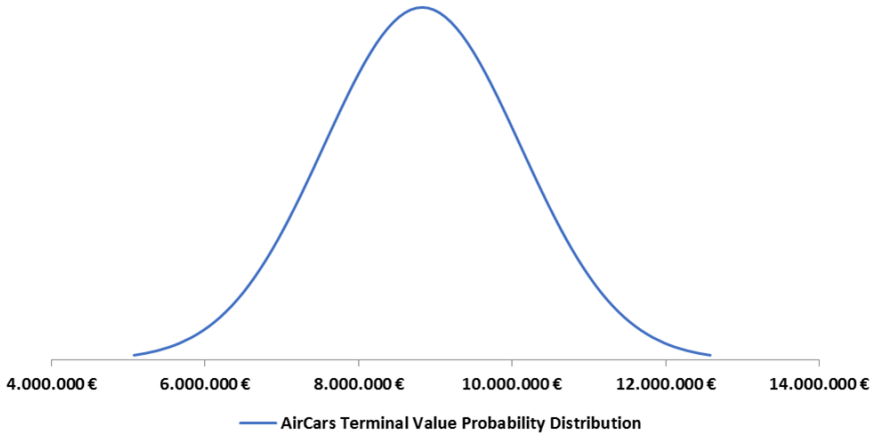


FIGURE 6.6: Montecarlo simulation of AirCars' terminal value.

The worst case scenario within this standard deviation has then been analysed in order to contemplate the risk of not meeting the projected revenues growth. The AirCars financial team has therefore decided to raise external financing up to 414.400€ in order to be ready for covering the financial losses even in the case of lower revenues. That case

would correspond to the investors an IRR of 43% without considering a final sale of the company.

6.3.2 Exit Strategy

At the end of the fifth year it could happen that the investors will be willing to leave the company by selling their shares. If this will be the case, the founding partners of AirCars will consider either repurchasing the shares or bringing-in new investors to the company depending on the terminal value described in the previous section.
Assuming that the forecasts planned in this business plan are met, and investors decide to sell their shares, AirCars will have an enterprise value of 8.828.920€ of which the 51% belongs to the investors. In this case the founding partners of AirCars will envisage the creation of a vehicle company to buy these shares and thus regain control of the company. On the original investors side, figure 6.7 shows the shareholders cash flow in the case of a company sale. The IRR would go up to a 176%.

	2019	2020	2021	2022	2023
Investors Capital	(87,82)	(70,26)	68,05	432,51	4.879,19

FIGURE 6.7: Evolution of investors' capital in case of AirCars sale.

6.4 Revenues

AirCars' revenues will come from the rental service provided. However, even if there will be a unique source of incomes, they will be collected from different locations. Therefore, AirCars has estimated the revenues coming from each airport separately by applying the same approach to the different markets as it was described in the marketing plan.
According to the expansion plan, each implementation in a new airport comes with a five years penetration strategy, during which the target is to achieve the serviceable obtainable market. The serviceable obtainable market represents the 6.5% of the serviceable available market, and after the first five implementation years has been projected to grow at a 10% rate.
Therefore, the accumulated AirCars revenues during the next five years will count in part of fully implemented airports, and in parts of partially implemented airports.
Figure 6.8 shows the accumulated revenues from different airports during the next five years.

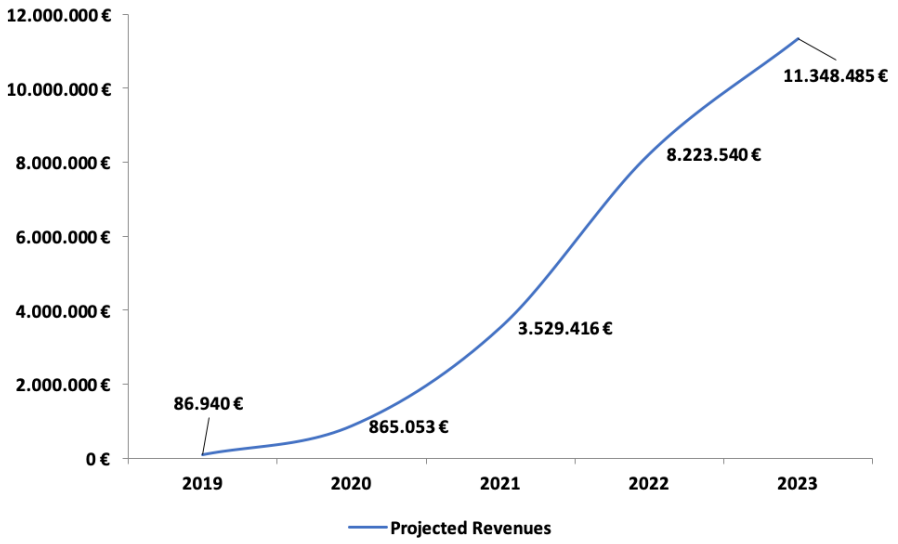


FIGURE 6.8: Revenues evolution during the next five years.

Figures 6.9 shows the breakdown of the revenues coming from each airport.

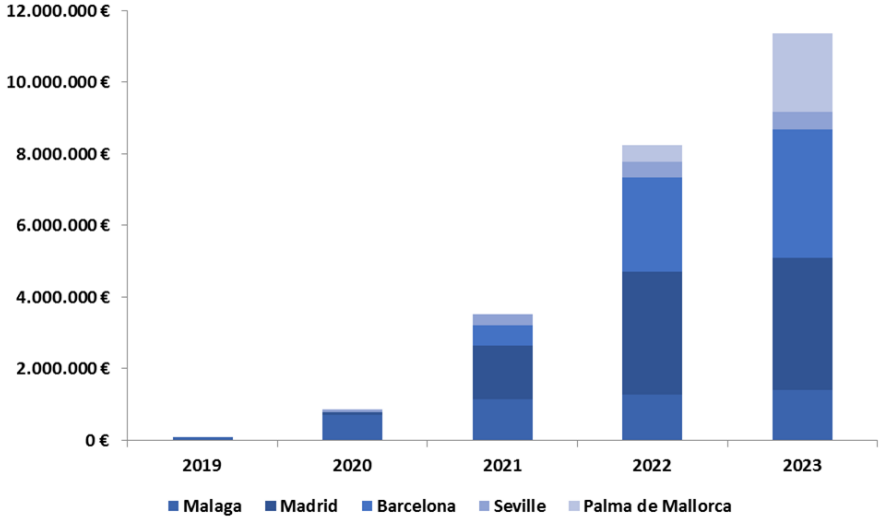


FIGURE 6.9: Breakdown of revenues per airport.

6.5 Variable Costs

AirCars' variable costs structure is mainly composed by four voices.

- **Payment to Lessors**

- **Insurance**
- **Car Cleaning**
- **Leasing**

6.5.1 Payment to Lessors

Within the cost structure of AirCars, the biggest cost is the payment to the lessors that leave their cars for being rented with AirCars. According to a quantitative market research conducted among possible customers, the payment to the lessors has been fixed as the 50% of rental revenues coming from their cars.
The payment to the lessors will be made during the week immediately after the one the vehicle was rented.

6.5.2 Insurance

Figure 6.10 shows the total insurance expenses AirCars will occur in during each month of the five following years.

	2019	2020	2021	2022	2023
January		9.000 €	15.500 €	42.385 €	59.995 €
February		10.000 €	24.780 €	42.385 €	59.995 €
March		12.250 €	24.780 €	59.995 €	77.605 €
April	6.750 €	12.250 €	24.780 €	59.995 €	77.605 €
May	6.750 €	15.500 €	42.385 €	77.605 €	95.210 €
June	6.750 €	15.500 €	42.385 €	77.605 €	95.210 €
July	8.000 €	15.500 €	42.385 €	77.605 €	95.210 €
August	8.000 €	15.500 €	42.385 €	77.605 €	95.210 €
September	9.000 €	15.500 €	42.385 €	77.605 €	77.605 €
October	8.000 €	15.500 €	42.385 €	59.995 €	59.995 €
November	8.000 €	15.500 €	42.385 €	59.995 €	59.995 €
December	8.000 €	15.500 €	33.000 €	33.000 €	45.000 €
TOTAL	69.250 €	167.500 €	419.535 €	745.775 €	898.635 €

FIGURE 6.10: Breakdown of insurance costs per month.

As mentioned throughout the entire business plan, the insurance contract in fundamental for AirCars in order to create a trust relationship with its clients and be able to deliver the intended value preposition.

The estimation of the insurance expenses has been realised based on the first draft contractual agreement with the Aico group.

6.5.3 Car Cleaning

This section describes in details the variable costs occurring in order to deliver a cleaned car both to the renter and the lessor.

- **Cleaning Products**: Expenses in specific cleaning product that will increase the customer satisfaction at the moment of delivering to him a car.
- **Light & Water**: Utilities expenses in order to carry out the cleaning process.

The sum of these expenses has been estimated to be at maximum a 1.5% of the total car rental revenues.

6.5.4 Leasing

Figure 6.11 shows the total car leasing expenses AirCars will occur in during each month of the five following years.

	2019	2020	2021	2022	2023
January	0 €	500 €	1.000 €	3.750 €	5.500 €
February	0 €	500 €	1.250 €	4.250 €	6.250 €
March	0 €	500 €	1.750 €	5.000 €	7.000 €
April	250 €	500 €	2.250 €	6.250 €	8.750 €
May	250 €	750 €	2.500 €	6.500 €	9.500 €
June	250 €	750 €	3.000 €	7.750 €	11.000 €
July	250 €	1.000 €	3.500 €	8.500 €	12.500 €
August	250 €	1.000 €	3.750 €	8.250 €	12.000 €
September	250 €	1.250 €	4.000 €	8.500 €	11.750 €
October	250 €	1.250 €	4.000 €	7.750 €	10.000 €
November	250 €	1.000 €	3.500 €	6.250 €	7.250 €
December	250 €	1.000 €	3.750 €	6.000 €	7.000 €
TOTAL	2.250 €	10.000 €	34.250 €	78.750 €	108.500 €

FIGURE 6.11: Leasing costs per month.

In order to deal with the scenarios described in the contingency plan, AirCars has seen the necessity to provide each parking facility with a fleet of leased cars. In addition, these cars will allow to the service operators to freely move from the parking to the airport, or vice versa, thus increasing the flexibility of the service.

6.5.5 COGS Summary

Figure 6.12 shows a summary of the evolution of the variable costs voices during the next five years.

	2019	2020	2021	2022	2023
Lessor	43.470,00 €	432.526,50 €	1.764.708,12 €	4.111.769,92 €	5.674.242,49 €
Insurance	69.250,00 €	167.500,00 €	419.535,00 €	745.775,00 €	898.635,00 €
Car Cleaning	1.304,10 €	12.975,80 €	52.941,24 €	123.353,10 €	170.227,27 €
Leasing	2.250,00 €	10.000,00 €	34.250,00 €	78.750,00 €	108.500,00 €
TOTAL	116.274,10 €	623.002,30 €	2.271.434,36 €	5.059.648,02 €	6.851.604,76 €

FIGURE 6.12: Evolution over the next five years of the variable costs.

6.6 Fixed Costs

The main fixed costs AirCars will occur in are described in the following list.

- *Human Resources*: As described in the human resources plan, there will be three types of positions; executive, office and service position. The starting net salary has initially been set around 22.000 € 20.000€ and 18.000€ respectively.
- *Marketing*: The marketing costs will mainly cover the paid-per-click advertisements placed in comparing web-sites, and the initial branding actions like the hiring of a social media manager and influencer.
- *Facilities*: The AirCars parking facilities will be rented, therefore the company will occur in fixed renting expenses.
- *Digital Maintenance*: An external company will be hired in order to always keep updated the main digital channels of the company, the web-page and the app.

Figure 6.13 shows a summary of the evolution of the fixed costs voices during the next five years.

	2019	2020	2021	2022	2023
Employees	96.000 €	253.000 €	499.000 €	909.000 €	1.174.500 €
Marketing	70.000 €	100.000 €	150.000 €	200.000 €	300.000 €
Facilities	32.000 €	112.800 €	220.800 €	292.800 €	292.800 €
Digital maintenance	5.000 €	15.000 €	20.000 €	25.000 €	25.000 €
TOTAL	203.000 €	480.800 €	889.800 €	1.426.800 €	1.792.300 €

FIGURE 6.13: Evolution over the next five years of the fixed costs.

6.7 Investment & Depreciation

In order to carry out AirCars operations it is not needed a large initial investment. The company has opted for increasing the dividends to its shareholders, rather than investing the retained earnings in purchasing facilities that can be easily rented and whose ownership does not increase the revenues generation.
However, the rented facilities will need to be reconditioned with a pressurised water washing facility in order to carry out the cleaning operations before delivering a car.
In addition, AirCars will create comfortable working zones and will invest in office supplies to do so.

	2019	2020	2021	2022	2023
Washing car machine & Office	30.000 €	60.000 €	90.000 €	150.000 €	180.000 €
TOTAL	30.000 €	60.000 €	90.000 €	150.000 €	180.000 €

FIGURE 6.14: Evolution over five years of investments.

In terms of depreciation, as the amount of money invested in office supplies is much lower than the one in car washing machines, the depreciation of the washing machines will be taken as the basis. The depreciation period of these machines is 8 years.

6.8 Profit & Loss Account

Profit & Loss Account		data in	1.000	€	
Period	2019	2020	2021	2022	2023
Revenues	86,94	865,05	3.529,42	8.223,54	11.348,48
COGS	116,27	623,00	2.271,42	5.059,61	6.851,60
Gross Margin	**(29,33)**	**242,05**	**1.258,00**	**3.163,93**	**4.496,88**
Fixed Costs	203,00	480,80	889,80	1.426,80	1.792,30
EBITDA	**(232,33)**	**(238,75)**	**368,20**	**1.737,13**	**2.704,58**
Depreciation	6,88	14,38	25,63	44,38	66,88
EBIT	**(239,21)**	**(253,12)**	**342,57**	**1.692,75**	**2.637,71**
Interests					
Pretax Profit	**(239,21)**	**(253,12)**	**342,57**	**1.692,75**	**2.637,71**
Taxes	(59,80)	(63,28)	85,64	423,19	659,43
Earnings	**(179,41)**	**(189,84)**	**256,93**	**1.269,56**	**1.978,28**
Less preferred dividends					
Retained Earnings	**(179,41)**	**(189,84)**	**256,93**	**1.269,56**	**1.978,28**

FIGURE 6.15: Profit & Loss Account.

6.9 Balance Sheet

Balance Sheet	data in	1.000,00 €				
Period	2018	2019	2020	2021	2022	2023
Fixed Assets	25,00	55,00	115,00	205,00	355,00	535,00
Accumulated Depreciatio		6,88	21,25	46,88	91,25	158,13
Non-current Assets	**25,00**	**48,13**	**93,75**	**158,13**	**263,75**	**376,88**
Inventory		1,27	6,83	24,89	55,45	75,09
Receivables		0,95	9,48	38,68	90,12	124,37
Cash	12,50	9,46	25,73	58,35	107,15	139,36
Current Assets	**12,50**	**11,68**	**42,04**	**121,92**	**252,72**	**338,81**
Total Assets	**37,50**	**59,81**	**135,79**	**280,04**	**516,47**	**715,68**
Shareholders	37,50	220,30	274,17	(93,58)	(967,40)	(1.541,31)
Retained Earnings		(179,41)	(189,84)	256,93	1.269,56	1.978,28
Equity (Net Worth)	**37,50**	**40,89**	**84,32**	**163,35**	**302,17**	**436,97**
Non-current liabilities						
Notes Payables						
Accounts Payable		2,23	11,95	43,56	97,03	131,40
Accrued Account		16,68	39,52	73,13	117,27	147,31
Current liabilities		**18,91**	**51,47**	**116,70**	**214,30**	**278,71**
Equity & Liabilities	**37,50**	**59,81**	**135,79**	**280,04**	**516,47**	**715,68**

FIGURE 6.16: Balance Sheet.

6.10 Cash Flow

Statement of Cash Flows

Period	2019	2020	2021	2022	2023
1. Cash Flow from Operations					
Earnings	(179,41)	(189,84)	256,93	1.269,56	1.978,28
Depreciation	6,88	14,38	25,63	44,38	66,88
OCF	**(172,53)**	**(175,47)**	**282,55**	**1.313,94**	**2.045,15**
Change in inventories	(1,27)	(5,55)	(18,06)	(30,56)	(19,64)
Change in receivables	(0,95)	(8,53)	(29,20)	(51,44)	(34,25)
Change in payables	2,23	9,72	31,61	53,47	34,37
Change in accruals	16,68	22,83	33,62	44,14	30,04
Cash Flow from Operations	**(155,84)**	**(157,00)**	**300,52**	**1.329,55**	**2.055,68**
2. Cash Flow from Investments	**(30,00)**	**(60,00)**	**(90,00)**	**(150,00)**	**(180,00)**
3. Cash Flow from financing activities					
Common shareholders	182,80	233,27	(177,90)	(1.130,74)	(1.843,47)
Preferred Shareholders					
Banks					
Cash Flow from financing	**182,80**	**233,27**	**(177,90)**	**(1.130,74)**	**(1.843,47)**
Cash Flow	**(3,04)**	**16,28**	**32,61**	**48,80**	**32,20**
Cash at the beginning	12,50	9,46	25,73	58,35	107,15
Cash flow	(3,04)	16,28	32,61	48,80	32,20
Cash at the end	**9,46**	**25,73**	**58,35**	**107,15**	**139,36**

FIGURE 6.17: Statement of Cash Flow.

6.11 Liquidity Ratios

In order to always be able to deal with the short-term debts, AirCars has established a target of a 50% cash ratio during the next five years, which translates into having half of the current liabilities available in cash.
The other half, mainly represented by the payment to the lessors, will be managed by AirCars by having a lower turnover ratio for the receivables rather than for the payables.
Figure 6.18 shows the evolution of the available cash in the bank account of AirCars, which is obtained by adding up the resulting cash flow from operations year after year.

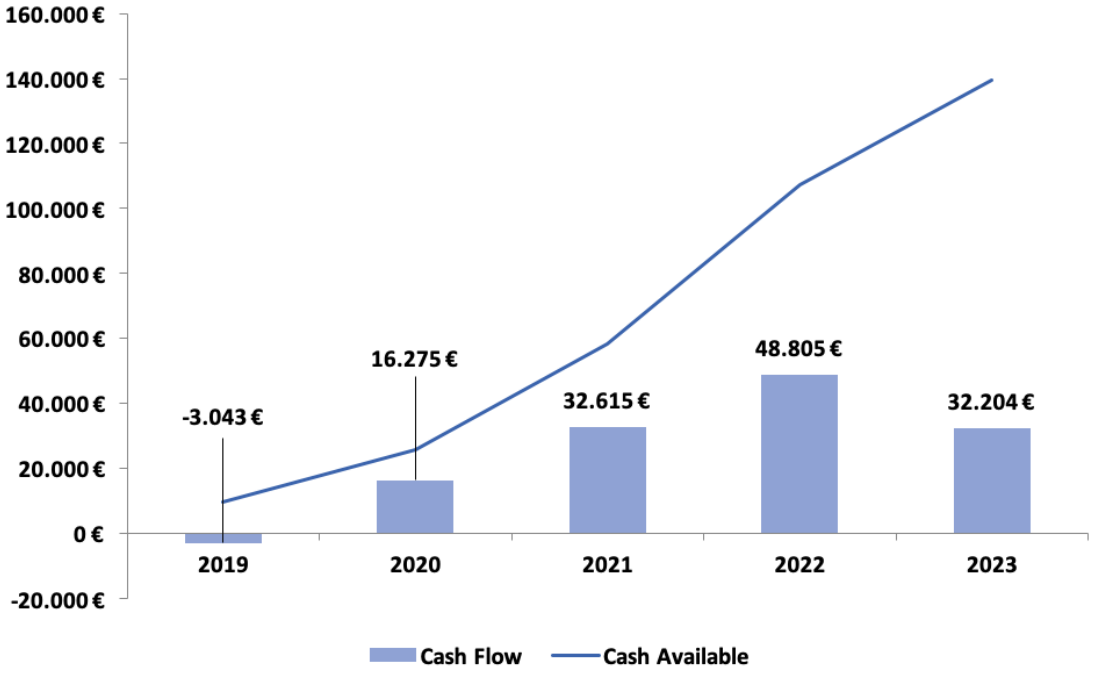


FIGURE 6.18: Cash Flow vs. Cash Available

6.12 Profit Margin

The profit margin is the best indicator in order to show how well the company is internally managed, thus having a lean and efficient cost structure. It represents the percentage of revenues that becomes profit for the company after taking into account variable costs, fixed costs, interests, taxes and depreciation.
AirCars predicts to reach a profit margin of 17,4% during the fifth year. This value ensures

profitability of the project and is above other companies in the sector such as Sixt (12%) or Hertz (3.5%) in 2017.

6.13 ROE & ROA

ROE, acronym for return on equity, represents the percentage of the net incomes generated in relation to the shareholders' equity. Therefore, the ROE shows how profitable AirCars is relation to the investment required.
On the other hand, the ROA, acronym for return on assets, represents how profitable AirCars is with respect to its total assets, giving an idea of how efficient the company is managing the assets to generate a profit.
Figure 6.19 shows the evolution of the aforementioned ratios.

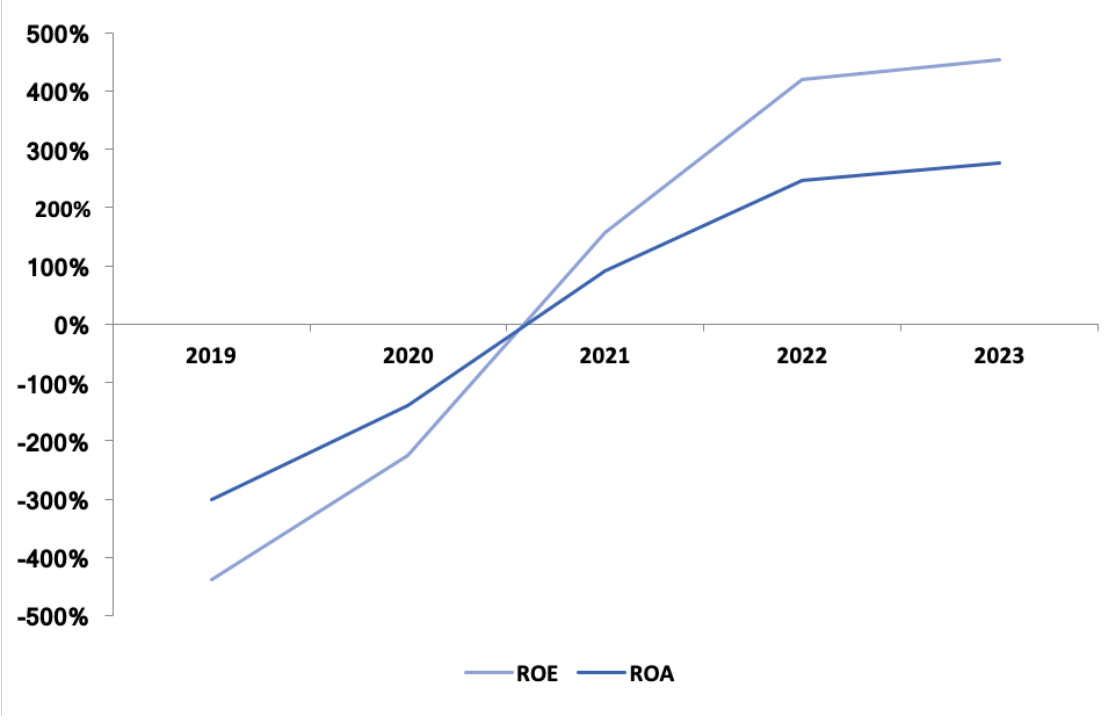


FIGURE 6.19: ROE & ROA evolution.

The figure depicts for years four and five very high ROE and ROA values. In the case of the ROA, this is due to the fact that the assets generating revenues for AirCars are not of its property. AirCars has decided to opt for a renting strategy in order to maintain a high profitability. An increase in investments could lead to an increase in the financial muscle of the company, but reducing profitability.

As for the ROA, the absence of large investments means that the company does not have very high equity, distributing a lot of dividends from the company's net profits.

6.14 Assumptions Summary

In the financial plan the following assumptions have been done.

- Penetration percentages in each new airport have been estimated based on other similar deployment plans.
- The general taxation in Spain to business will be 25% of tax base during the five initial years.
- The amount of money dedicated to the insurance is based on a draft agreement.
- Car cleaning costs have been estimated to be 1% of the revenues deriving from its rental.
- A price of 250€ per vehicle has been stipulated for the leasing contract.
- The value for the renting of the facilities is based on the prices encountered in the year the project was launched. These values may vary according to eventual rental bubbles.

Bibliography

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[2] NatCen. Research on the sharing economy.