ZIMRIDE™
A CARPOOL COMMUNITY

with founders Logan Green and John Zimmer

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Zimride is a web-based ride-sharing platform inspired by the *tro-tros* of Zimbabwe, an organic and informal public transit system of minibuses. To this point, the customer base has primarily included large corporate and university clients, although it has an increasing user base of individual commuters and travelers in regional networks.

Zimride was founded in 2007 by Logan Green and John Zimmer. Logan graduated from UCSB with a degree in Business Economics and an interest in public transportation. After graduating, he served on the board of the Santa Barbara Metropolitan Transit District. John graduated from Cornell University's School of Hotel Administration and worked at Lehman Brothers before joining Logan to found Zimride.

Currently, Zimride has 35 university and corporate clients, and an active base of 25,000 monthly users. The 35 clients pay an annual fee of approximately $10K to Zimride to maintain a client-specific platform and private network for ride sharing and carpooling.

Initially a self-funded side project, Logan and John were approached in 2008 by an angel investor, who invested $30K, enabling Zimride to develop an interface using the Facebook API platform and begin grassroots marketing and development at Cornell University. From the beginning, Zimride has relied heavily on Facebook, both for its software platform and for its extensive networks and communities, which has provided a significant headstart in reaching the critical mass and level of trust necessary for Zimride to succeed.

In July 2008, Zimride received an fbFund grant from Facebook for $250K to further develop their application, followed more recently by a $60K convertible note. To date, this is all the outside money that has gone into Zimride, although they have spoken with several VC's over the last year and Zimride has entered into a partnership with Zipcar to connect both companies' services. By the end of the year, Zimride expects to be at least cash flow neutral.

**A. Why is this or is this not a company you could see yourself founding? What do you like about it? What would you have done differently?**

There are many extremely attractive aspects of this venture. Most significant is the lack of dilution by outside money and influence. Also, with only the small initial angel investment, and the virtually no-strings-attached grant and the later convertible note from Facebook, Zimride is nearing cashflow positive status.

Without the requirement for significant development capital upfront, unlike many of the R&D-intensive biotech ventures discussed in class, Zimride is able to modify and experiment with their business model, much like we saw in Realwide.com. With the angel funding, Logan and John were able to target a very specific "captive" market with a clear transportation need and a lack of viable solutions at Cornell University by coordinating ride-sharing from Ithaca to Boston and New York airports at Thanksgiving. This proof-of-concept in a confined network of trusted users with an explicit transportation need minimized early costs and risks and allows Zimride to easily scale their platform to many clients with minimal tweaking.

I also like the flexibility in business and revenue models that comes with a platform like Zimride, similar to the other platform ventures discussed in class. There are opportunities for Zimride in providing a subscription ride-sharing application to large corporate and university clients, in serving as a transaction engine for individuals where a rider would offset some of the travel costs incurred, or as a travel aggregator and online hub – "the Kayak.com of ground transit" as Logan described it. This multi-faceted approach gives Zimride a greater chance of success if one avenue is less feasible or lucrative than anticipated.

However, there are also several issues surrounding the business that would worry me as a founder. First, significant inertia is working against anyone trying to convince Americans to eliminate their cars. A car is perceived as essential for convenient, efficient and independent living in many areas. Many previous attempts, both privately financed and government-subsidized, have failed in this space.

Additionally, potential legal liabilities are a concern in entering this space. Although Zimride is simply facilitating a transaction between a driver and a passenger, there could be significant consequences if something tragic happened during a Zimride carpool. For example, a serious accident involving an uninsured Zimride driver or a Zimride passenger attacking a driver could result in huge lawsuits, not to mention irreparably damaging the Zimride brand and scaring away potential users.

Looking to the future, it is unclear what might happen if Zimride achieves great success. It does not appear that Zimride has any way to prevent competitors from entering the space and stealing away users and revenues. They are simply relying on their first mover advantage and having established a trusted brand and network of devoted users and clients. In nearly all the cases discussed in class, there has been considerable emphasis placed on IP and competitive advantage. Not having a significant barrier to entry has generally raised red flags about a venture.

My primary concerns seem to be about the space, and not the way the founders have approached the venture, so I am unsure whether I could change much to assuage my worries. Although it is certainly an interesting space and business, with so many unknowns and so much out of my control, this is likely an opportunity that I would be uncomfortable pursuing.

**B. Imagine that you are responsible for moving the company forward over the next year. Identify:**

a) What the company's goals should be

Zimride's main goal for the next year is getting from 35 to 100 clients. However, it is important that they not neglect the other critical aspect to their large-scale success – the network of regional users.

Currently, Zimride has 25K monthly users – 100K in the next year would be an ambitious but realistic goal. Getting from 35 to 100 large clients is primarily a sales challenge – the value proposition and business concept has been demonstrated with previous clients. However, they have not yet proven able to catch on with the general public yet to grow the regional user base.

Beyond growing the user base, Zimride should continue to explore the legal issues of their transaction engine business model. Engaging a lawyer well versed in this arena would be the first step, perhaps even hiring him or her part-time with the complexity of these issues and significance to the business.

b) The biggest risks facing the company

Zimride's biggest risk is not gaining buy-in from the general commuting public, and being limited to large corporate and university clients. These individual users are less predictable in commuting routes and times, more fragmented in their networks, and less willing to change behaviors. We saw similar challenges faced by Zaplet, which failed in large part because they were unable to convince consumers of their value proposition.

Another significant and yet unaddressed risk is that Zimride could very easily be outmuscled or outrun by competitors in this space. As they grow larger and show that they have a viable business, they will attract attention from other ground transportation players like rental car companies or private shuttle and bus companies who could use their established brand and deeper pockets to take over the market. Or, seeing Zimride's success, a new flock of ride-sharing startups could learn from Zimride's lessons and simply move quicker than Zimride to poach away users and revenues.

c) What if anything should be done with the company's founders, management and culture

Both Logan and John appear passionate and enthusiastic about the carpooling space. However, as the company grows, they will likely find themselves lacking sufficient experience to remain as CEO and COO. They should certainly remain as visionary leaders and faces of the company, but more experienced managers may grow the company faster and sustain success. John's position as COO would likely be replaced first, given the benefits of having someone with solid operations experience early on, as we saw with Melinda Thomas and NanoGene.

The rest of the 6-person team consists of a Sales VP, a Marketing VP, and two software developers. The VP of Sales seems highly qualified with an MBA, 18 years in software and technology sales, and 2 software companies launched. The VP of Marketing, however, seems severely underqualified, being only two years out of college and having virtually no relevant experience. A VP more experienced in the web marketing domain seems imperative in the immediate future to expand the individual user base. With little information about the two software developers, we will assume for now that they have the necessary technical skills.

Zimride's culture appears to be generally frugal, yet still casual and fun. The founders indicated that they have not taken large salaries, but a reasonable amount to live comfortably. Bootstrapping and a strong work ethic seems to be a central theme since Zimride's launch –

from grassroots marketing at Cornell in frog and beaver suits to spending the last year focused on building the business on their own rather than seeking out VC money.

Interestingly, it does not appear that the founders are ardent carpoolers themselves. I think it would set a fantastic example and demonstrate a true commitment to the concept if both founders were to sell their cars and rely only on Zimride. Additionally, the founders would gain valuable user insights on a daily basis.

d) Should the company be thinking about an exit strategy? If so, what strategy do you believe appropriate (and why)?

The founders mentioned an IPO as their mostly likely exit. However, at this point, it seems far too early to be considering that. It seems unlikely that an IPO would generate much excitement or interest at this time, with Zimride not yet at cashflow neutral status and having not yet proven their staying power or the ability to produce big revenues.

In general, Zimride's exit strategy is a little unclear since they are in such a new space. Zipcar is the closest to a "major player" in the field, and given their recent partnership, could provide a good exit. Even though the two companies might be perceived as competitors, there are complementary aspects that make their partnership a logical one. Similar to RealWide.com navigating the established players in the real estate industry, the founders of Zimride can leverage other players in the ride/car-sharing arena for mutual benefit through partnerships like these. Zimride and Zipcar would make for a logical merger, or more likely, given that Zipcar is much more established and has much greater brand recognition, an acquisition.