Working Paper for the 9th International Sustainability Transitions Conference, "Reconfiguring Consumption and Production Systems", 11 - 14 June 2018, The University of Manchester.

ID 192, accepted for a full paper session

The disruption of private car use – moving from ownership to access. Insights from the Dutch Lease market

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Abstract

The car mobility regime is currently dominated by private car ownership, while businesses often use lease services to finance and manage their vehicle fleet along with rental and taxi services providing for temporary purposes. Actors and their business models as well as regulations, infrastructure and consumer behavior patterns have stayed stable for decades and favor this kind of car use. But recently private leasing has grown significantly, changing the actor and business model structures, user behavior and regulations. The development on the private lease market shows three interesting phenomenon: The growing trend of consumers valuing access instead of ownership; the switch of companies to set up B2C customer channels, next or instead of their traditional B2B customer relationships; and the developing of a new market that was not tapped into before. This study researches the developments on the Dutch car lease market in a phenomenon-driven, explorative way through expert interviews, document analysis as well as in-depth case studies of four leasing organizations. The study identifies four factors that contributed to the successful growth of the private lease market since 2013. The challenges that lease companies faced when integrating private lease in their business model are identified as well as the useful competences and resources that give lease organizations an advantage in the market. The different strategies of integrating private lease are identified and compared between the different types of lease organizations.

Introduction

Currently the automobility regime is dominated by private car ownership and lease services for businesses along with rental and taxi services for temporary purposes, and the business models have stayed stable for decades. Regulations, infrastructure and consumer behavior patterns favor this kind of car use. But other forms of car distribution and use have grown slowly in niches, and with recent technological and business model innovations as well as changes in consumer patterns became an option for wider audiences.

Across many sectors, a growing trend from ownership towards access is clearly visible and opens up new opportunities and markets. Access over ownership, or the access economy, describes the trend of users to opt for only accessing an asset temporarily instead of buying and owning it permanently. When taking the perspective of businesses instead of the users view, another phenomenon is strikingly growing in many parts of the economy: a move from a business-to-business model towards a business-to-consumer model. Services and products can be provided to private customers directly opening up opportunities for new customer groups and supply channels. Incumbents can strategically enter a new field, where new competences are needed.

One peculiar phenomenon combining these trends is the development on the leasing market in recent years. The car lease market has switched from originally only providing lease cars to businesses to also providing lease contracts to private customers, a market that is tremendously growing in recent years. Lease firms have thus expanded their business from providing only in a B2B model to also providing directly to private customers in a B2C model and private car users are increasingly switching from owning cars towards accessing them through a lease contract. The growing access and sharing economy trend has introduced further opportunities on the lease market: enabling the sharing of the lease car makes it more affordable for users, interesting for lease firms and impactful through better utilizing the asset. Some lease firms have picked up on this opportunity through new service offers or partnerships with carsharing organizations.

Integrating a B2C model into the traditional B2B way of doing business requires new competences and resources yet also brings advantages compared to other actors on the automobility market through the complementarities of offering access to cars to businesses. Converting the leasing business to serve the need of individual consumers is not a straightforward issue. Car leasing has traditionally been a business working on B2B model, where the leasing companies offer their services to company fleet managers. In this market, there are a few knowledgeable customers making large orders. In the consumer markets, there are many customers, most of whom are leasing a car for the first time. When serving these customers, the leasing companies have to adhere to totally new institutional frameworks such as the consumer protection laws. Therefore, approaching the private leasing customers requires quite a lot of tweaking to the original business model. The transition is made even more complicated by the fact that leasing companies´ original business is not diminishing. They rather have to run separate business models within the same organization. Actors on the lease market have reacted differently to the new opportunities that private lease and carsharing offer, offering a nice opportunity to study the reasons for differential strategic responses of incumbents to an innovation.

This study is set up in a phenomenon driven exploratory way and seeks to describe and conceptualize the strategies of Dutch lease companies towards private lease and carsharing. Expert interviews and document analysis are used for a first sensemaking of the market developments and structures and for identifying relevant cases. Four firms are then analyzed in depth to explore their strategical decisions so that finally explanatory factors for differing strategies are identified. The study can thus contribute to strategic response theory and supply chain management literature as well as offer insights to the opportunities of the access and sharing economy from a business perspective.

Theoretical background

From a B2B model towards including B2C (private) lease

Converting the leasing business to serve the need of individual consumers is not a straightforward issue. Car leasing has traditionally been a business working on B2B model, where the leasing companies offer their services to company fleet managers. In this market, there are few knowledgeable customers making large orders. In the consumer markets, there are many customers, most of whom are leasing a car for the first time. When serving these customers, the leasing companies have to adhere to totally new institutional frameworks such as the consumer protection laws. Therefore, approaching the private leasing customers requires quite a lot of tweaking to the original business model. The transition is made even more complicated by the fact that leasing companies´ original business is not diminishing. They rather have to run separate business models within the same organization.

Recently, a literature stream has emerged discussing strategic and organizational design issues on running several business models within one organization (Casadesus-Masanell & Tarziján, 2012; Kim & Min, 2015; Constantinos C Markides & Oyon, 2010; Constantinos Markides & Charitou, 2004; Constatinos C Markides, 2013; Costas Markides, 2015; Sabatier, Mangematin, & Rousselle, 2010; Snihur & Tarzijan, 2017). This literature has focused on how to design the strategy and the organizational structure to support the dual business models especially focusing on, whether companies should separate the business models into different business units or not.

Another research stream related to the phenomenon of private leasing is the one examining manufacturer strategies of moving from the classical manufacturer-wholesaler-retailer-customer value chain to selling directly to customers through electronic channels (Chun, Rhee, Park, & Kim, 2011; Cui & Pan, 2015; Jelassi, 2003; Tsay & Agrawal, 2004). In a way, this is a specific example of running two business models simultaneously and running B2B sales channel parallel to the B2C channel. This literature has primarily focused on two things: development of the e-commerce channel (Cui & Pan, 2015; Jelassi, 2003) and possible channel conflicts and optimal channel strategy (Chun et al., 2011; Tsay & Agrawal, 2004). The first line of research has discovered that the companies usually develop their e-commerce capabilities gradually motivated by getting more information about the customer preferences. The second line of research has demonstrated that, when done well, also classical channel based on wholesale and retail can benefit from the manufacturer´s direct channel. However, the manufacturer should be mindful about the interests of its dominant channel because it holds a lot of power in terms of which brands are promoted to the customers.

What is in common with both the research streams – the one studying competing with several business models and the one studying manufacturer's direct sales strategies – is that they do not talk about major changes in the industry value chains. Most of this literature looks at how incumbents can protect their existing business against disruptive business models, whereas only a few studies so far (Costas Markides, 2015) have looked at entering new markets entirely. Private leasing represents a an entirely new business opportunity to the leasing companies that does not threaten its current B2B business. Therefore, our study does not represent the classical setting, where entrepreneurs with innovative business models are threatening incumbents business territory. Instead, private leasing represents a situation, where one type of incumbent (car leasing companies) are entering the area of other incumbents (car dealers).

It is likely that the lack of research in these types of situations is because for a long time most of the value chains of most consumer commodity markets have remained fairly intact due to the fact that ownership has been the primary mode of using different commodities. For manufacturing companies, the electronic sales channel is just a way of providing the goods for the customers who would traditionally buy them from stores. This model is only one e-commerce model where most deal with automatizing and streamlining existing value chains with IT solutions (Wall, Jagdev, & Browne, 2007). However, we argue that private car leasing is part of a bigger societal shift of moving from ownership to access in many commodity markets.

Change for consumers from ownership to access

This second phenomenon of shifting from ownership to access is a change in consumer habits and thus on the demand side of the market but has large impacts on the way business is organized as well. Following Bardhi and Eckhardt (2012) access-based consumption can be defined as transactions in which no ownership transfer takes place. Consumers acquire consumption time with the item and it may be market mediated (Durgee & Colarelli O'Connor, 1995). Consumers can access items that they could either not afford to own or choose not to own and attain access on the basis of rental or access-based payments (Lovelock & Gummesson, 2004). Historically, based on cultural values about perceived advantages, ownership has been the normative ideal mode of consumption. Also government and market practices reinforced this. But in recent years there has been a growing trend towards access systems in the marketplaces that go beyond traditional forms of access. Earlier access was perceived as an inferior mode of consumption but recently there has been a shift in the sociocultural politics of consumption and market-mediated access is becoming a more important phenomenon (Bardhi & Eckhardt, 2012). Companies start marketing access consumption because they have found ways to monetize it. Another reason this phenomenon is appearing is the growth of a liquid society. Instead of ownership that embeds solid relations, access can enable flexibility and adaptability. Attributes that consumers use to face the challenges of our fast-paced ever-changing societies. Customers have the option to choose between access and ownership and many, mostly young people, choose for finding meaning and satisfaction in having access to things instead of planning their lives around acquiring and owning private property. People realize that access have positive externalities such as the freedom from the burdens of ownership (Denning, 2016). Another reasons why access becomes a more important form of consuming is the global economic crisis, where finances are limited and spending habits and values are re-evaluated. Accessing on an on-demand basis can be a good solution for managing tighter budgets. When taking this phenomenon of access over ownership to the topic of car mobility previous research notes that consumers used to forge strong attachments to their cars and cars were seen as a symbol of masculinity and independence (e.g. Ball & Tasaki, 1992). But today, especially in the group of millennials, this attachment towards cars becomes less. Young people buy less cars, drive fewer miles and get a driver's license less often. And this is probably not just a temporary phenomenon because of the economic recession but rather a permanent generational shift in tastes and spending habits (Thompson & Weissmann, 2012). Brenner et al. (2018) actually suggest that cars have already been undergoing an evolution from ownership towards usership for a longer time, which has recently taken up pace. A shift toward subscription and pay-per-use models can be observed in many industries and different industries have migrated from selling products to providing products-as-a-service (Spotify in music, Netflix in movies, Dropbox in data storage). The automotive industry has already adopted this by offering leasing options and players are now looking for full-service leasing packages, incorporating also more recent trends such as carsharing and pooling.

Access-based consumption has thus large impacts not just on consumers but on business as well. Rifkin (2000) argues that living in an age of access changes property regimes to access regimes that are characterized by short-term and limited use of assets that are controlled by networks of suppliers. Denning (2016) describes that the changes towards an access economy bring challenges to businesses facing a new type of competition with new rules. He identifies different strategies reacting to the trend: not over-reacting because new products are still needed even if the assets are accessed instead of consumer-owned, delaying the changes, joining the new models instead of fighting them, cherry-picking the opportunities that seem promising and scale them or offer solutions. This last strategy means that organizations can try to blend their traditional operation with the new trend of access. Companies adjust by de-emphasizing the sale of things and refocus on managing the whole value chain of their client and become a "solution provider" (Rifkin, 2015). This does bring problems for firms, as their business practices and management structures are not designed for adapting quickly, being centered around the customer and responding to user needs and problems. Organizations have thus to develop new capabilities and make shifts in their management practice since satisfying customer requests requires a new management mind-set. Organizations operating in the access-market also have to struggle with margins moving closer to zero which forces them to offer a whole ecosystem for customers and combine access, products and services so that customers are willing to pay a premium.

<u>Competences for entering a new market</u>

Following up on these last points a third phenomenon that can be observed is entering a new market area. Through designing an new service innovation organizations can access new customer groups and revenue potential. But most often service innovation is only incremental and only rarely a new service is developed that creates a new market or reshapes a market in a way that the companies enjoy large profits. Such a 'market-creating service innovation' can be defined as an idea that enhances the performance in a way that customers find it to be so appealing that the behavior is dramatically influenced. Businesses can for example either innovate through offering an important new core benefit or through a delivery benefit that revolutionizes the customers' access (Berry, Shankar, Parish, Cadwallader, & Dotzel, 2006). Entering a new market requires new product systems, management structures and channels. Organizations need to acquire new competences in order to survive in a new market area. Existing competences, skills and knowledge bases might not be useful in the new area and market-based competencies, the value network and old business model can lose their value. The adaptive capacities of organizations describe the ability to integrate, build and reconfigure new combinations of assets (Teece, Pisano, & Shuen, 1997) and differ between organizations giving them better or worse opportunities to enter a new business area and adapt their organization structure to new requirements. Organizations are furthermore also constrained to adapt by their routines, dependencies and prior investments as well as the fear of cannibalizing existing investments, a constraint that is of great importance when an organization needs or wants to add a new business model to their existing organization goals. Observing differences in strategies of firms entering a new market area can thus be dependent on their competences, resources and motivations.

The strong rise of digitization and connectivity drives the transformation from selling stand-alone products to providing consumer-oriented service solutions in multiple industries. Also the automotive and specifically the leasing industry are affected by this and on the verge of significant, fundamental changes. Traditional car leasing will be transforming into a car-as-a-service model, shifting asset-oriented, fixed period leasing programs towards service-oriented and flexible mobility solutions. Increasing mobility demand as well as the transformation of consumption provides thus large opportunities for leasing companies (and other mobility solution providers). Incumbent market players can profit from their competences in B2B leasing and high entry barriers secure their good position, but new market players with totally new business model can also be a threat (Brenner et al., 2018).

The access based business models are expected to triple from 250B$ in 2014 to more than 900B$ in 2025 (Yaraghi & Ravi, 2017). As a result many value chains might be reconfigured entirely (Howard-Grenville, Buckle, Hoskins, & George, 2014). Therefore, exploratory research on private leasing as a manifestation of this phenomenon is warranted.

The Dutch Leasing Market

Leasing is a financial arrangement where the lessor, or owner, is paid by the lessee, or user, for the use of an asset (OECD, 2001). In the case of car leasing, a consumer who leases a car pays the lessor for the right to drive the car (the asset). The ownership stays with the lessor. Monthly, a fee is paid by the lessee, that covers vehicle depreciation and interest (Pierce, 2012). Historically, leasing was used by businesses to finance vehicles and businesses and public organizations stayed the main customer group of leasing organizations until recently. The basic value proposition of financing vehicles grew over the years to include services around the vehicle up to the management and organization of whole vehicle fleets with booking systems. Only since the last couple of years has leasing also reached private customer groups. Lease organizations now also offer single cars for lease to individual customers.

The car leasing market is growing strongly in Europe and elsewhere and multiple new trends such as consumer-focused car-as-a-service products broaden the scope of the market (Leaseurope, 2017; Technavio, 2017). This trend towards car leasing becomes clear when noting that in the Netherlands in

2017 almost half (47%) of all new cars and small vans were lease cars, and with that almost every tenth car in the Netherlands was a lease car in 2017 (VNA, 2018a). The Dutch car lease association (VNA) reports an increase of lease cars in the Netherlands by 9% from 2016 to 2017. But especially private lease, the lease of a car to a private consumer and not to or through a business, is growing tremendously, by 61% from 2016 to 2017 (VNA, 2018a). Private leasing presents a large business opportunity to the Dutch leasing organizations. The branch has grown from non-existence in 2012 to more than 100.000 contracts in 2017 representing now 12% of the total lease contracts and 60% of the growth of the lease market last year (VNA, 2016, 2018b). There is also ample room for growth in the segment: there are about 7 million private cars in the Netherlands, so the current leasing contracts represents only about 1,5% of them (VNA, 2016). Almost all lease organizations in the Netherlands are members of the VNA with 91% of lease cars being leased through a VNA member organization. 15% of leased cars of all VNA members were private lease cars in 2017, growing from 10%, and 84% of the VNA members have private lease customers. This shows that private lease is increasingly becoming an important business to the lease organizations. The situation is very different in the company car market, which is the core market of the leasing companies. There, the 582.000 leasing contracts represent about 65% of the total fleet of company cars (VNA, 2016). It seems that the market is quite saturated considering the fact that from 2007 to 2016 it has grown only 3% (VNA, 2016).

When analyzing adopters of private lease in the Netherlands it can be noted that private car leasing is used by people of all ages, but that middle-aged people between 26 and 55 make up the majority. The average age of private lease adopters is 45 which is thus younger than the average new car buyer. Two thirds of adopters are male, matching the male dominated car buyer and early adopter groups (VNA, 2018a).

The automotive industry is, driven by digitization and connectivity, transforming from only selling a stand-alone product towards providing customer-oriented service solutions. And also the car leasing industry is entering this trend of car-as-a-service (Brenner et al., 2018). Next to private lease which is offered by 84% of Dutch leasing organizations, a few larger organizations have engaged in carsharing related models. Some organizations (Multilease, Alphabet, Business Lease, Kyotolease) have engaged with carsharing development by signing the 'Green Deal Autodelen', a network of organizations and institutions committing to promoting carsharing. Multiple organizations allow their private lease cars to be shared on P2P carsharing platforms, others allow and facilitate private lease customers to share their car to friends and families. Few organizations also give a reduction of monthly fees if the private lease customer shares their car.(ShareNL, 2017)

Method

The three phenomena identified on the lease market, the trend of access over ownership, the switch from B2B to a B2C business model and the differing strategies of entering a new field, are not yet studied in detail and existing theory streams do not answer the question of differing strategies of leasing companies towards private lease and carsharing. Therefore, this study uses a phenomenon driven exploratory approach to make sense of the developments on the lease market. The aim of phenomenon-based research is to capture, describe and document, as well as conceptualize, a phenomenon so that appropriate theorizing and the development of research designs can proceed. Phenomena can be defined as regularities that are unexpected, that challenge existing knowledge (including the extant theory) and that are relevant to scientific discourse (Von Krogh, Rossi-Lamastra, & Haefliger, 2012). The study is set up in a phenomenon driven exploratory way and seeks to describe and conceptualize the strategies of Dutch lease companies towards private lease and carsharing. Expert interviews and document analysis are used for a first sensemaking of the market developments and structures and for identifying relevant cases. Four firms are picked as cases and are then analyzed in depth using interviews with key decision makers in the organizations to explore their strategical decisions so that finally explanatory factors for differing strategies are identified. NVivo is used for coding. The organizations that are chosen as cases differ in their size, in their leasing type (car brand specific, dealer bounded, open) and in their activities concerning private lease as well as carsharing.

Results

First of all it becomes clear that the lease organizations on the Dutch market can be clearly categorized in different types. They can be clustered according to their size in small (often local), medium and large (often international). On the other hand an important differentiation is along their offer: There are universal leasing organizations, that offer all kind of car brands and models and are independent. There are dealer bound leasing organizations that mostly belong to one car dealer group, often larger holdings, where car brands of this holding are leased and other services such as repair are all under one roof. A third type are the captive lease organizations, that belong to one of the car manufacturers, for example BMW financial services which belongs to the BMW group. Another characteristic that can be used to differentiate lease organizations is their financial and owner background. Is it related to a bank, is it a stock market listed organization, is it privately owned? *"You can classify them from large, medium and small. But you can also look at what type of lease organization they are. One categorization that we use is, are they a universal, a dealer-bound or a captive lease organization?" (*I 2).

Next to keeping in mind the different types of organizations it is also of importance to know the market history and development. Vehicle leasing started after the second world war from a financial perspective and developed over time to have a strong service-minded character. *"I am giving you a car, but I also take care of everything around that."* (I 2). This led to larger businesses outsourcing their whole vehicle fleets to be managed by lease organizations. And most recently it can be observed that lease organizations really become mobility providers. Providing services is the core value proposition of lease organizations and they thus develop over time. *"..and we are going more and more in the direction of providing a service, to really take care of mobility."(*I 2). The leasing market used to be a very stable and steadily growing market, with a simple B2B business model that was well understood by all stakeholders. The only difference lay in the purchase advantages of the larger organizations and so more and more takeovers can be observed since 2000. The scale benefits are becoming more important. *"Yes, the take-overs are there since the beginning of the 2000s but it becomes more important. It is becoming more and* *more important to have scale size to join in the 'big game'"*. (I 2). *"We see a lot of development in the sector, there were many fusions and take-overs. We saw many small leasing organizations being taken over and integrated in larger ones."(*I 1).

Private lease, the leasing of cars to private consumers, only grew in the last 5 years, since 2013. *"The funny thing is that private lease has already been tried a couple of times in the history of the car leasing sector. But never successfully until at some point in 2013 when it re-emerged again."* (I 2). "*The funny thing is that the product existed, but didn't do anything, and from one moment to the other it went flying."(*I 1). There are multiple reasons why private leasing took off and grew rapidly in 2014/15. One expert describes it as a 'perfect storm'. Four factors can be identified that made the large growth of private lease possible: Low car prices, the trend of the access economy, the good image of the leasing product, and the IT development making automation easier. Leasing organizations could get very good prices when purchasing cars, because manufacturers had a large overproduction. Lease organizations could profit from this, as they were able to purchase large quantities and get large price reductions, helped also by the low interest rates. This enabled the lease organizations to offer cars for much lower prices, than what an individual car purchaser could get. *"The car manufacturers had a structural overcapacity and large quantities of cars were in the market, without demand. The lease organizations can make smart use of that, cherry picking and purchasing large quantities of cars with high discounts."*(I 1). But not only the changes in the offering was important but also the changes in consumers. The second factor is the growth of the access economy. It is a societal trend towards access instead of ownership and people get used to the idea in many sectors of their life. *"It also depends a lot on societal developments. It started with Netflix and Spotify and that sort of thing. I mean through these kind of models, the consumer becomes acquainted with it and saw the benefits…"(*I 1). The consumers noticed that these models are also possible for car use and could be beneficial. *"And you saw in 2014/15 that the consumer was like: Hey, this is actually really nice. It is carefree mobility. Somebody else, the lease organization, does everything, the investment, the service, I don't have to organize things, I don't have the risk about what the car is worth after a while. And I actually also want this."* (I 2). Next to the general trend of the access economy, also the specific ownership of cars loses value in the society and it's status power. Investing in a car is not seen as a smart choice anymore. *"Men had large savings back in the day. And you invested that, as my grandpa did, every time in a new car. Nowadays you say, well, this isn't the best investment. Because the moment you drive away from the car dealer the thing is instantly worth much less. There are other things that you want to invest in."* (I 2). A third factor contributing to the 'perfect storm' is the good image of the lease car. Through the long, good development of B2B leasing, the lease car had a good image in society. It proofed to be a good product, to businesses but also to the employees riding the business lease cars. *"And really, through the years, the image of the lease car was built to something that you actually were a bit jealous of."* (I 2). The last factor is the development of IT, making automation for lease organizations easier. Processes could be automated, that were earlier manually done by employees, an important factor when taking into account that through private lease the number of customers grew tremendously.

'Perfect storm' factors:

- Good car purchasing prices

- Access economy development
- Good image of lease car
- Automation/IT

The setting was thus favorable for leasing organizations to start and grow the private lease model, but next to the opportunities of entering this market, other motivations can be identified. Their 'old' model of B2B lease had reached a point of saturation and growth opportunities were seen to be limited. *"And what we also saw, the lease market in the Netherlands wouldn't grow much anymore. Because the B2B was really a bit at a saturation point. We actually already have many more business lease cars proportionally in the Netherlands than in other countries. So beside the chances that there were, the lease organizations really looked at a market that wasn't growing much anymore. So added up, it resulted in the first pioneers coming to the private lease market. "*(I 2). The lease organizations wanted and needed to tap into a new market. Some lease organizations also see the chances that an early engagement in the private lease market brings them. They can experiment and collect data on what works, what doesn't and which customer groups there are. The data is needed to develop the young product. *"They started with large campaigns, just to see what it brought. And get an image of what works, what doesn't work. And well also what groups are attractive. And some just have the data earlier and that helps in the development of the product."* (I 2).

The Dutch vehicle lease association VNA, representing most leasing organizations offering private lease, started an initiative early on to stop wild experimenting and protect the lease sector and the customers. They set up an official quality label 'Keurmerk Private Lease' for private leasing. The lease sector saw that they had worked long and hard on the image of the car leasing product and they did not want to run into the same problems as the banking and insurance sectors did when they offered products that did not protect the consumers enough. *"We saw what happened in 2008 to the insurers and the banks, setting up bad products for years, where the consumer wasn't protected and was seduced with annuity policies and the such. And since 2008 the banks and insurances are doing really bad in terms of reputation."* (I 2). The VNA set up the label together with the customer protection association to set up minimum standards for private lease in order to protect the consumer, basically against himself. The rates must be fixed, the financial situation of the consumer must be checked and the consumer can offset the contract. Setting up the label was a strategical, political choice. Leasing organizations wanted to prevent a strict law-making procedure and rather lay the standards to protect the consumers themselves, before any issues could arise.

Through the predefined quality conditions, there aren't very large differences between the offerings of different lease organizations. Some fight through offering low prices, others try to succeed by offering more services. *"That is also a strategy: Am I a price fighter or a service offeror? Am I an up-seller or do I stick with my large-volume standard product?"* (I 2). And another important differentiation in the value proposition of the private lease offers are the volume lease product versus the configure lease product. The former is the offering of an exact lease product with a specific car, without choice possibilities. Lease organizations offer this, when they purchase large quantities of a specific car model and need to lease this specific model to their customers. Low prices are usually attached to this offer. The latter offer lets customers choose the exact configurations of the car. *"I walk in, I am enthusiastic about a car and tell* *the seller: I want the Fiat 500, but in pink, and with white wheel caps, I want a different interior and a sliding roof and this and that…"* (I 2). These two models describe two very different products for the customer, but also for the organizations concerning their processes and strategies. *"These are two essentially different products. Also for the organizations of course. In their business model, it's about process models but also strategies, these are two essentially different products."* (I 2)

Introducing private lease, organizations have to make major changes to their business model. Switching from 1 customer with 100 lease cars to 100 customers with each 1 car is difficult. More individual solutions have to be thought of and automatization is essential. *"Not that long ago, the large leasing organizations said, you know, below 50 cars we won't even start to think about it. That is too much work and hard to make profitable. And now with a bit of time loss they have to deal with individual customers!"* (I 1). Next to automating processes and being able to deal with requests of many more customers, lease organizations also have to deal with and follow consumer protection laws. The rules and laws around selling to private consumers are much stricter than in the B2B contracts. *"With the private lease product you are confronted with the consumer law and rule-making. And that is very different than the 'normal' rulebook."* (I 2). And also the thinking and mindset of the employees has to change. *"So it is indeed a huge turnaround for the business model, but also the organization for the processes and the people."* (I 2). Changing the processes can be especially difficult for large organizations. *"Sometimes the large organizations are not the quickest.. they can't turn around and switch fast."* (I 2). The lease organizations have to setup a new strategy and vision on their future business.

These changes require new resources and competences in the lease organizations. Especially the customer service is a challenge and completely different than for the B2B product, where one deals with less, but well informed, professional clients. For the private lease product, it is important to know the laws and rules concerning private customers and their contracts. Taking care of the cars, for example when a repair has to be done, is on the other hand not very different compared to the B2B product and the old processes can be used. The IT system needs to be reorganized, since private customers have to be e.g. background-checked following privacy protection and the financing has to be registered. This checking procedure is sometimes even outsourced, because it requires so many new resources. Because of this automatization the organizations also need different kinds of employees with more IT competence. *"For developing private lease, you really need a different type of employee.. it has to be somebody who understands the zero's and the one's you know. Somebody who can program and automate."* (I 1). Another new competence needed is marketing and developing a new distribution channel and a new customer base. Lease organizations tried at the beginning very different marketing channels to reach new customer groups and show their private lease product. Lease organizations used rather unorthodox methods to gain new clients. *"So all kinds of new marketing campaigns develop, really the whole distribution channel is completely turned around. And that is really nice."* (I 2). *"At the hardware store I enter to buy a can of point and then I am offered a lease car."* (I 2). The very active and new marketing of leasing organizations was disruptive even for the large car manufacturers. Instead of customers coming to the manufacturers with their car demand, they were roped into lease contracts at unusual places like an electronic retailer or a hardware store. *"Car manufacturers really watched it and were surprised. They said: what is happening? Usually the consumer comes to me? And now he can get a* *car at the Media markt (electronics retailer)…"* (I 2). But lease organizations do not necessarily threaten car dealers since their customers are a different group of people. They are tapping into a whole new consumer group who were not looking into buying a new car at all but are now brought into contact with private lease as an alternative for their old car. *"If you drive an older car and you then hear you can have a fun Fiat 500 for €149…"* (I 2). *"For example you are driving an old diesel car and you cannot enter the city with it anymore where you work or some situation like this and then you might even pay more for this old car than what you pay nowadays for a private lease car."*(I 1).

It can be thus seen that many new competences and resources are needed to successfully set up private leasing but some competences that lease organizations have from their 'old' B2B business model are also essential. Incumbent lease organizations have clear advantages over new players because knowledge of the lease product is essential, knowledge of the cars, the market, the fleet management, as well as risk estimations. *"But you have to have knowledge about the lease product… you have to know a lot about the cars, and you have to be able to do a good fleet management and you have to know a lot about risk predictions if you want to make a nice profit."*(I 2). Lease organizations also see themselves in the advantage over car manufacturers, because they have better competences to be a future mobility provider, such as the pre-financing of cars, whereas manufacturers are only good in producing cars and selling them off with a direct profit.

Another important consideration that leasing organizations have to make when starting private lease concerns the organization structure. Some organizations stay with their old organizational structure, but add an office for the private consumer specific things. Others do the opposite and start a new private lease organizations where only some back-office structures are shared. To the outside, some organizations use a new label to market private lease products. Some organizations went for the strategy to first do private lease in the old organization structure but give it more independence once it grows.

Next to analyzing the differing approaches to integrating private lease, it is also of large interest to analyze which companies have not taken up the new B2C model. Especially small organizations are not (yet) engaging in private lease, mostly because they cannot manage all the changes required concerning additional tasks and new automated processes. They are also not able to dare taking on the risk of an uncertain profit outcome. Another reason is that smaller organizations cannot get the same large discounts when purchasing cars, so they cannot offer private leasing with the same low prices as the large organizations can. In the future there might be partnerships to be able to also reach the required scale or the outsourcing of some of the new required ICT and processes.

The most recent developments on the private lease market concern the integration of sharing concepts into the private lease offering. Lease organizations were already familiar with sharing car fleets, because they had gotten requests from their B2B customers to be able to share pool-cars between employees. *"So the sharing of pool-cars, that is actually not different than the private consumer carsharing, with that lease organizations already had gotten requests and also had already some experience with it."* (I 2). Lease organizations clearly recognize that sharing is part of the mobility future and observe the sharing economy trends. And they get requests from their private lease customers to allow the sharing of the lease cars. *"So it is really both. It is the consumer, but also the lease organizations look at the market and* *think: the sharing economy is coming, don't I have to add the sharing component to make the private lease even more attractive?"* (I 2). The lease organizations see it as an opportunity because through allowing sharing, consumers can practically lower their monthly rates and leasing a car becomes affordable for a larger group of people. The leasing organizations only have to figure out the technicalities and the insurance situation to be able to allow the sharing of private lease cars. It gives them room to experiment with the topic. Lease organizations generally do not see carsharing organizations as a threat, because the carsharing market is growing only slowly and the profitability is questionable. Some see private lease as the better service for consumers in the Netherlands. *"But this car2go, it is not coming of the ground. And it is not very profitable I heard. And I think the option of private lease with carsharing as an addition that is easier to be made profitable I think."* (I 2). But some leasing organizations are actually investing in startups on the innovative mobility market. So leasing organizations are certainly thinking about the future market possibilities but are in an experimental phase. *"They think into that direction more. Mobility-as-a-service type of things. But it is still a struggle, and the largest part of the sector is still just busy with making a car accessible."(*I 1).

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