

# Chapter 24

## Designing Rental Business Based on Mobile Application

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### ABSTRACT

*With the decline of the Indonesian motorcycle market in recent years, there is a declining performance of primary motorcycle dealers in general. The chapter proposes the mobile business model that enables to the assistance of enhancing the traditional business of PT Sejahtera Rental Utama (PT SRU), a major supplier of a two-wheel and three-wheel that supports the wide SME business in Indonesia. With wide coverage of the market owned by PT SRU, there are urgent needs to embrace mobile strategy and introduce innovative leasing strategy to strengthen its current marketing strategy. The chapter examines the use of Business Model Canvas (BMC) and Balanced Scorecard to assist the app development by providing a comprehensive overview to address the needs of customers, introducing financial measurement, comprehensive design of internal business process, and introducing innovative strategy through leasing business. The outcome of the chapter is expected to increase the company performance, enlarge market coverage, and an aggressive strategy to reach SMEs.*

### INTRODUCTION

Along with the development of mobile application technology, the trend of international rental business growth tends to stagnate. According to the financial reports of the three largest rental businesses in the world, increases of between 2%-3.4% (Avis Budget Group, 2018) (Morningstar Document Research, 2018) (Parot & Peligry, 2018). Ride-sharing like Uber and Grab that using mobile apps, becoming a threat to the conventional rental business globally. But the rental market remains convinced to grow visible from

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the target growth they are having, by incorporating new technologies such as mobile applications as the primary strategy, in addition to a broader expansion strategy.

In Indonesia, the trend of ride-sharing with the mobile application has become a culture, seen in the rapid development of Go-Jek and Grab. Unlike the business conditions of international rentals, the conventional rental business in Indonesia has a more significant impact. The three largest rental companies in the world are Hertz, Europcar, and Avis, still experiencing small vegetation, while some of Indonesia's general rental companies have suffered losses. Almost all rental companies in Indonesia do not utilize the mobile application, except for the Blue Bird Taxi that joins with Go-Jek.

In Indonesia, there are six domestic rental companies already listed on the Indonesia Stock Exchange, namely: TRAC Astra Rent Car, Blue Bird, MPM Rent, ASSA Rent, Tunas Rent, and Express Transindo Utama. In 2017, TRAC suffered a decline in the number of operating vehicles by 0.6% for cars and 20% for motorcycles (PT Serasi Autoraya, 2018). Blue Bird Group sustained a decrease in the 31,714 in 2016 to 29,001 units in 2017, down 8.6% (PT Blue Bird Tbk, 2018). On its annual report, MPM Rent did not report the number of its mandate, but it was published in revenue in 2017, declining 3% compared to 2016 (PT Mitra Pinasthika Mustika Tbk, 2018). In the year 2017, the Express group managed more than 9,200 regular taxi units and did not make additions (Express Group, 2018). The number of fleet Tunas Rent increased from the previous 7,730 units to 8,350 units in the year 2017 (PT Tunas Ridean Tbk, 2018). Improvements also occurred in ASSA, seen from an increase in the number of vehicles, namely 19,199 in the year 2016 to 20,880 in 2017 (PT Adi Sarana Armanda Tbk, 2018). The three companies decreased their performance, one stagnant, and the two increased.

An article about ten business trends suggesting that one direction is to imagine anything as a service. Where this trend is seen with many urban customers interested in the idea of buying transportation services based on the usage hours rather than buying vehicles (Bughin, Chui, & Manyika, 2010), motor vehicle rental business has become the primary need for companies who do not want to have their own assets (asset-less) for transportation equipment for the company's activities. Government companies and private companies begin to choose rental alternatives to avoid ownership of assets and avoid the burden of repair costs for the transportation they use. Nowadays, many operating lease rental companies are the answer to this market's desire. In the rental company, the motorcycle vehicle becomes the property of the lessor, as well as the cost of insurance and the cost of maintenance, with the terms and conditions applicable regarding the type of damage. Customers prefer the "pay only for what they use" model, which can help them avoid large expenditures, as well as the hassles of buying and repairing an item (Bughin et al., 2010). A mobile application becomes a significant factor in the success of the rental business, whether it is a conventional rental business or ride-sharing.

Besides government companies and private companies, the rental business has several advantages for individual users. Compared to buying private vehicles, rental is more profitable. The decline in the value of new vehicles makes the personal (and also the company) reluctant to have new vehicles by buying, in addition to consideration of maintenance costs and the cost of the vehicle-licenses, rental becomes a more profitable option. According to the decree of the Indonesian Minister of Finance No. 138/KMK. 03/2002, dated April 8, 2002, depreciation for motor vehicles entered into group 1 (first) with the benefit period of 4 (four) years.

This discussion is using PT Sejahtera Rental Utama (PT SRU) Group, an authorized motor dealer company in Indonesia, as a case study. PT SRU group already has 3 (three) businesses: motorcycle sales, spare-parts sales, and repair workshop for motorcycles. Motorcycle here is a three-wheeled and two-wheeled vehicle, with brands: Suzuki, Viar, and Kawasaki. During the last 5 (five) years, the company's

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