

Aparkalo (A): Dynamizing a Sleepy Industry

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Introduction

On a chilly evening in September 2010, Luis Roma, a second-year EMBA student at IESE Business School, drove to a stadium outside of San Sebastián, in Spain's Basque region. An ardent fan of legendary rock band U2, the highlight of his weekend would be to fulfill a long-time dream—seeing his favorite band live in concert on their 2009–2011 360° Tour. But his day spent enjoying tapas had run later than planned, and by the time he made his way to the venue, the parking garage closest to the stadium was completely full.

While there were other car parks in the area, they were farther away, and there was a good chance of running into the same problem. There must be a better way, Luis thought as he searched for a spot, increasingly exasperated. Two hours later, he finally arrived at the concert—which was already half over.

Back in Madrid, Luis returned to the routine of his classes. When it was time to develop a business plan for his year-long course on entrepreneurship, he thought about that evening in San Sebastián, and the frustration he had felt at arriving late to see U2 perform because he could not find parking. Maybe that frustration had been shared by others, and so might indicate the presence of a business opportunity. Would it have been nice to have had the opportunity of reserving a parking space ahead of the concert?

Luis conferred with his classmate Iván Hernández, and they brainstormed possible solutions. One of these was to build a digital platform to book parking spaces ahead of major events like concerts or football games, when demand spiked. They could perhaps combine this with the idea of dynamic pricing, which they had come across in one of their marketing courses. Such a platform would therefore create value for both car parks, which had largely resisted digital transformation and were still reliant on antiquated business models and technologies, and their customers.

This case was prepared by Professor Christoph Zott and Claire Peeters, research assistant. July 2020.

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Along with four other classmates, Iván and Luis put together a business plan for their new venture called “Aparkalo.” What follows is the original business plan submitted in class.

1. Executive Summary

Aparkalo provides online parking spot reservation services for major events such as football matches or concerts. Parking lot owners get additional revenue from their existing parking spots. The revenue model is simple: The customer makes an online reservation for a parking space and pays a fee of €6 that is shared 50/50 between the parking lot and Aparkalo. The company will be funded with equity equal to €70,000 from its founders, and €50,000 from a business angel. It expects 225,000 reservations and €675,000 in revenue at the end of the second year.

2. People

Luis Roma – Aparkalo’s CEO and member of the Board of Directors (part-time)

Luis is a seasoned expert in best shoring and operations management at Hewlett Packard. He currently leads Supply Chain outsourcing projects for a blue-chip Fast Moving Consumer Goods customer, delivering projects in more than 12 different countries. Luis holds an Industrial Engineering degree from the Universidad Católica Andrés Bello, as well as an Executive MBA from IESE Business School and a Master in Supply Chain Management from the Universitat Politècnica de Catalunya.

Iván Hernandez – Founder and member of the Board of Directors (part-time)

Iván is an account manager from SAS Institute, the largest independent software vendor in the business intelligence market. He has 10 years of experience designing software solutions and brings extensive know-how on the Internet and e-commerce business. Iván trained as a Computer Science Engineer at the Universidad Politécnica de Madrid and holds an Executive MBA from IESE Business School.

3. Business Concept

Cultural industries in the European Union—cinema and audiovisual, publishing, music and crafts—as well as sports are important sources of revenue and jobs, employing more than seven million people across the continent. These industries generate over 25,000 events held across the EU every year. There are 5 premium events categories—sports events, trade shows, theatre plays, festivals, concerts, etc.—in European capitals, such as London, Berlin, Paris, Barcelona or Madrid, alone.

Although public transportation is widely available to attend these events, there is still a large number of attendants that prefer to get to events using a more convenient means of transportation: their cars. However, there is a lack of covered parking services close to locations where premium events are being held, like football stadiums, major theaters, conference centers, etc., and the demand exceeds by far the supply.

As a result, it is very hard to find a convenient parking spot. People tend to arrive early hoping to find one, and find themselves idle before the event, consuming time that may have been spent more productively. To make things worse, since 2007 few parking spots have been created in European capitals, preventing supply from meeting the demand.



But let's focus just on Spain. Every year, Madrid and Barcelona together host over 500¹ major events that cause demand for premium parking spots to skyrocket—significantly exceeding supply. Considering that they have nearly 2,000 premium parking spots near these major events, we have in these two cities alone a market of 1 million annual premium parking spots, whose premium status is not being exploited either by customers or by parking lot owners.

Aparkalo seeks to fill that gap by providing an online reservation service that allows customers to make online reservations for premium parking spots in parking lots conveniently located close to major events, while also allowing parking lot owners to obtain additional revenue from their current parking spots.

We plan to start this service in two phases. During the first phase, our main focus will be to reach partnership agreements with strategic parking lots and to get Aparkalo's web portal up and running. In the second phase, we will pursue a two-pronged strategy. We will expand our network of affiliated parking lots, and integrate available IT systems of parking lots into our web portal so that reservations in these premises require little or no human interaction.

Aparkalo's founders will provide €70,000 in equity to start the business. After six months of operations, and once the company has demonstrated its value, Aparkalo will need an extra €50,000 in equity to fund growth. Aparkalo's founders would like this funding to be provided by a business angel in a first round of financing. In other words, the management team expects that Aparkalo will need a short-term debt of up to €30,000 during Year 2 to cover for cash deficit. This short-term debt will come from the bank, from the founders, from the business angel, or from third party entities.

3.1 Revenue Model: Sharing the Reservation Fee With Partners

The simplicity of our revenue model is one of our advantages. The customers make online parking spot reservations by paying a €6 fee. The purpose of the fee is unique: it assures an available parking spot at the moment of arrival. This fee does not include the length of the stay in the parking, and the customer has to pay for the stay to the parking owner in the usual way.

From the total amount we charge to our customers, 50% will go to the parking owner and 50% will go to Aparkalo. This is going to be the single source of revenue for our company.

The philosophy behind our pricing model is that there is an unfulfilled demand for parking spots, and there are customers willing to pay a premium for having a parking spot reserved in a convenient place close to their destination.

3.2 Current Solutions

Nowadays there are no solutions for booking car parks. A taxi is an option, but the cost of a taxi trip is increasing every day, and there are fewer taxis available in large cities, mainly in the evenings. Moreover, a taxi is never as comfortable as your own car.

Some restaurants offer you a "valet parking" service, but you have to leave your car with a stranger who takes no responsibility for fines or, even worse, theft.

¹ topticket.com.