METROCAR SLIDE STORY

Slide 1

Hi there, welcome to the presentation of the results of our project. Today, we're going to talk about the customer funnel of Metrocar and possible solutions to tackle the problem of customer retention at each of the customer funnel's stages.

Slide 2

Let me remind you of the goals of our exploratory data analysis. The primary objective of this project is to analyze Metrocar's customer funnel to identify the reasons for customer drop-off at various stages, while pinpointing the current business challenges.

To achieve these goals, we have explored the server data using SQL and have also visualized and communicated our findings through interactive Tableau dashboards. The results are summarized in a detailed report, and I will now present the key statements from it.

Slide 3

The year 2021 was a financial success for Metrocar, with revenue growing exponentially throughout the year to reach $3.4 million. By January 2022, the monthly revenue had increased by an astounding 142 times on an annual basis. This significant growth was driven by a rise in the number of paying users, which increased from 4% of total downloads in January 2021 to 26% by the end of the year.

With a monthly ARPU of approximately $213, a relatively small fraction of loyal paying customers drives the monetization. On the other hand, though, a large monetization opportunity is being missed, as 74% of potential paying customers drop off at various stages of the customer funnel.

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Metrocar's carsharing is a service used primarily by a relatively young and dynamic audience, particularly millennials, who show a strong preference for Apple devices, predominantly accessing the service via the iOS app. Excluding the 30% of paid users whose age is unknown, millennials (ages 25 to 44) make up 70% of the paid user base, with well over 60% of them using the iOS platform.

Moreover, iOS users also dominate within other generational categories, such as Gen Z (59%) and Gen X (56%). Nevertheless, these two demographics show a visible inclination towards Android devices, with usage exceeding 30%.

Importantly, the platform structure remains consistent throughout the customer funnel, from downloads to paid users, indicating that user preferences for iOS and Android do not drastically shift as customers progress through the stages.

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Anyway, let's return to the core question of our presentation: Why does Metrocar lose so many potential customers at each stage of the funnel? Why is only one out of every four downloads monetized? To understand this, let's break down the customer funnel into four key stages and define the main metrics for each.

> **Stage 1: Acquisition** – This is when a potential user downloads the app, marking the entry point into our funnel. We consider this the 100% baseline of our potential customer base.
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> **Stage 2: Conversion** – At this stage, the user is prompted to sign up and create an account. The key metric here is the conversion rate, which reflects the percentage of customers who sign up after downloading the app. In 2021, only 75% of users who downloaded the app completed the sign-up process.
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> **Stage 3: Activation** – Even after account setup, there's often a delay before the customer begins using the service. We define this stage as Activation, where the customer requests their first ride. According to the activation rate shown on the right chart, Metrocar's user base drops to 53% of the initial downloads at this stage, meaning we lose nearly half of our initial users by this point.
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> **Stage 4: Monetization** – Finally, only half of the activated users complete a ride and pay for the service, moving to the Monetization stage, where the key metric is the approval of the customer's transaction. This stage accounts for just 26% of the original customer base, representing the 6.2k paying customers who drive Metrocar's revenue, primarily through multiple transactions.

Slide 6

Interestingly, the customer funnel ratios remain relatively consistent across all three user platforms. While iOS users tend to perform slightly better than Android app users or web users, the differences in conversion rates are minimal. These small variations have strategic implications, as similar retention strategies could be effectively applied across both mobile platforms.

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In this slide, we've summarized the 10 key issues identified throughout the customer funnel. Each of these challenges has a corresponding set of strategies that we'll discuss at the end of the presentation. Before proceeding further, please take a minute to have a quick look at them.

As you can see, the issues are not evenly distributed across the stages we've covered. The Activation stage, in particular, has the highest concentration of critical issues impacting business performance. These include prolonged activation times—measured

as the duration from sign-up to the first ride—and a high cancellation rate, which affects a staggering 42% of requested rides.

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Before we dive into the user drop-off at the Activation stage, let's first examine the issue of the lengthy activation period between sign-up and the first ride. On average, it takes 6 days for a newly signed-up customer to request their first ride. However, there are significant differences across platforms: while the average iOS user completes onboarding in just 3 days, it takes an average Android user 12 days to do the same. What accounts for this stark difference? Is it due to poor feature parity between the two app versions, or does it stem from the generally older demographic of Android users? We don't have a definitive answer yet, but it's clear that this issue has a demographic dimension. For instance, Gen X users (ages 45 to 54) have the longest inactive periods on both platforms, suggesting that this demographic may need additional onboarding support.

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To understand what is happening at the activation stage, we have constructed a separate funnel, which exhibits the user experience journey and is measured in rides rather than users. On average, 12.4k active customers request 385.5k rides (or 31 per customer). However, only 64% of requests accepted and only 58% are completed, since cancellations occur even after the ride is accepted. Moreover, only 55% are actually monetized, because even not all the completed rides are paid by approved transactions.

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The drop-off at the stages of accepted and completed rides results in a staggering cancellation rate of 42% of all requested rides. We believe this is the core issue at the Activation stage, causing 6.2k users to drop off before they can be monetized and contribute to revenue. While the data doesn't specify whether drivers or customers are primarily responsible for these cancellations, 85% occur before the ride request is even accepted, with the remaining 15% being last-minute cancellations, likely from both customers and drivers. Interestingly, we can't attribute these cancellations solely to long wait times, as the wait times appear reasonable, even without comparison to industry benchmarks.

Slide 11

After this brief review of the issues causing significant drop-offs at each stage of the customer funnel, let's explore some strategies to address these challenges. At the Acquisition stage, we noted that the share of Android users in our mobile user base is lower than the U.S. market average. This discrepancy may be due to both the income

and spending habits of our customers, and more concerningly, feature non-parity and UX friction. To address this, we recommend focusing on User Experience improvements, such as ensuring feature parity across platforms, along with Android-specific marketing campaigns to help balance the user base.

At the Conversion stage, where the main challenge is to encourage users to proceed to the service quickly and seamlessly, a combination of strategies focused on user experience—such as onboarding optimization—and app performance improvements—such as reducing friction—should help decrease the drop-off rate.

At the Activation stage, the long activation delay can be addressed through a blend of platform-specific strategies—such as providing a step-by-step guide tailored for Android users during the signup process—and demographically specific approaches, like offering a dedicated helpline or chat support to assist older users with any questions or issues they encounter. To tackle the cancellation issue, efforts should target both the driver and user sides by improving the booking experience and implementing targeted incentives, such as a fair cancellation fee policy, the surge pricing, and reward systems for drivers who consistently accept rides.

At the Monetization stage, it’s crucial to focus on optimizing payment systems by introducing features like subscription models for frequent users, multiple payment options, and itemized billing. To improve payment collection, enhancements such as pre-authorization, auto-debit, and post-ride payment systems should be implemented or refined. For a more in-depth analysis of these strategies, I recommend referring to our extended report, where they are discussed in greater detail.

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In addition to the insights we've covered today, we've identified several critical business issues that extend beyond the current scope of our funnel analysis. Addressing these could substantially boost our overall performance:

1. **Price Surging Strategy**: We've established a strong case for implementing price surges twice a day. This strategy could greatly enhance driver motivation and reduce cancellation rates, leading to a more efficient and reliable service.
2. **Driver Attitude and Training**: Our user sentiment analysis highlights that negative ratings are predominantly tied to drivers' attitudes. To address this, we recommend implementing extensive, regular training programs for drivers to improve their interactions with passengers.
3. **Geographic Coverage**: Our analysis of ride geography indicates that areas such as South Brooklyn, South Queens (incl. the JFK airport), and Staten Island are currently non-covered. Expanding our coverage in these regions could improve our business performance and enhance our brand perception.

Unfortunately, we don't have the time to delve into these issues in detail today, but I am more than happy to answer any questions you may have or discuss these topics further.

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I would like to thank you for your attention today and remind you to refer to the full-fledged analysis of implementation strategies in our extended report.

Additionally, I encourage you to explore our interactive dashboards. They are designed to serve as ready-to-use business intelligence tools, allowing you to track operational issues down to the finest detail.

We are particularly enthusiastic about our geospatial approach to benchmark analysis, which provides a comprehensive view of business performance from a high-level perspective down to individual pick-up ride points. Also, we have applied the geospatial analysis to divide the business performance into several geographic units, which will help you to literally locate and localize the root of many operational problems and inconsistencies.

Thank you once again, and I look forward to receiving your feedback and discussing any questions you may have.