Avis Buys Zipcar For $500 Million

Eager to get a piece of the nearly $400 million car-sharing market in the U.S., Avis announced Wednesday that it was buying Zipcar [1] for $12.25 per share or around $500 million.

The agreement is a 49% premium over Zipcar's closing price on Dec. 31, and is expected to formally conclude in spring 2013. In a press release announcing the move, Avis noted that Zipcar now has 760,000 members or "Zipsters" and a presence in 20 major U.S. cities. "By combining with Zipcar, we will significantly increase our growth potential, both in the United States and internationally, and will position our company to better serve a greater variety of consumer and commercial transportation needs," said Ronald L. Nelson, Avis Budget Group Chairman and CEO in the release.

Formed in January 2000, the idea behind Zipcar was to bring car-sharing, a practice popular in Europe, to the U.S. Realizing the viability of the business, existing car rental firms copied the idea. For instance, Hertz offers Hertz on Demand, Enterprise has WeCar and UHaul ofers UCarShare. Regional competitors, including I-G in Chicago and City CarShare in San Francisco, also compete for the market. Zipcar, which has offered online (and later mobile-based) reservations for users, has attempted to maintain its edge over rivals. One such tech innovation includes an iPhone and Android app [2] that lets users activate their Zipcar's horn so they can find it in crowded parking lots and unlock it remotely.

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