

Finding a fresh approach to car ownership with FlexClub



By [Evan-Lee Courie](#)

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Tinashe Ruzane has always been fascinated by products that scale massively to support underserved customers. Following several early entrepreneurial pursuits to achieve this in the transportation space and a career in management consulting, Tinashe founded FlexClub with Rudolf Vavruch and Marlon Gallardo, with the mission to democratise car ownership for underserved drivers



Tinashe Ruzane, CEO and co-founder of FlexClub

Through his experience at Awethu Project, Ruzane gained an understanding of how to increase access to finance for microbusinesses in South African under-resourced communities. This role exposed him to the plight of drivers looking to join Uber but lacking access to finance to purchase a car.

In an effort to learn more, he purchased a car to rent to an Uber driver. After discovering the power of the data being generated on the Uber platform, he became convinced of its potential to help banks better assess the risk of Uber drivers and unlock access to finance.

He eventually joined Uber and focused on solving that same problem of increasing access to cars for drivers. He came to the realisation that in emerging markets, there was a large opportunity to provide drivers renting cars in the informal car rental market with a cheaper flexible alternative.

Ruzane shares insights into his journey to democratise car ownership for underserved drivers.

■ **Can you tell me a bit about FlexClub?**

FlexClub is a car subscription platform that offers our members the most flexible way to buy a car. We're currently focused on democratising car ownership for Uber drivers in Mexico and South Africa, as an official partner to Uber.

■ **What services are offered?**

Our core product is our Drive-to-Buy subscription, which allows our members to earn credits that they can use to purchase their car. After between 12 months and three years of being on the platform, our members can use a mix of the credits they've earned and cash to purchase the vehicle. The longer they're a member, the more credits they earn.

We're working on adding more ways to earn credits, further reducing the cash they need to become owners. We're on a mission to democratise car ownership by providing a more flexible alternative to car loans for small and microbusinesses in emerging markets.

■ ***How did you get started? And what drove the idea?***

As the former head of vehicle solutions for Uber across Europe, Middle East and Africa, I became acutely aware of two key insights about how Uber drivers accessed cars in emerging markets.

The first insight was that most drivers in emerging markets have no path to ever owning a car. It's a function of the fact that banks perceive ride-hailing drivers as too risky for traditional car loan products and recognise that they don't have the operational capabilities to manage products for such customers, so their default is to exclude the vast majority of these drivers from accessing car loans.



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As a result, more than 70% of ride-hailing drivers in SA are forced to rent cars, either informally from individual car owners on Facebook/classifieds or formally from car rental companies, depending on their ability to pay a large upfront deposit.

The second insight was that these individuals renting out cars they bought to make extra income (what Uber refers to as "Fleet Partners"), intended for their fleet to be a largely passive investment.

Unfortunately, most people miscalculate the complexities of fleet management and the operational responsibilities involved. In an effort to make up for their inefficiencies and avoid losing money, they often end up charging drivers exorbitant rental rates.

The vast majority of these individuals didn't enter this space to become fleet managers. Instead, they are working professionals, hungry for new passive investment opportunities that could produce monthly income like property, but with a lighter funding requirement than property.

We believed that by building on our experience at Uber across over 40 countries, we could create a better solution for drivers looking to own a car and turn the cars into an asset class that anyone could passively invest in - even institutions.

🔴 ***FlexClub is definitely innovative. In your opinion, how important is innovation in today's business landscape?***

The problems of modern society require a fresh approach in order to find scalable solutions. To quote a phrase often miscredited to Einstein, "Insanity is doing the same thing over and over again and expecting a different result".

By that logic, it would be insane to continue expecting new business growth doing the same things over and over again. Put differently, if you're not innovating in today's landscape, you're standing still.

If we continue to regard consumer credit as the silver bullet for improving economic access, our society will have a far bigger problem in future. Thankfully, startups all around the world are now challenging major consumer credit categories, introducing innovation to serve customers excluded by home loans, student loans or in our case, car loans.

🔴 ***What has been a major obstacle you've had since starting out? One of the biggest challenges when starting something new is winning the trust and confidence of customers.***

Most people are accustomed to associating cars with liabilities and/or expenses. The idea that a car can actually be a sound investment is a foreign one. So much so that it required deep customer education on our part before we could start to bridge the trust gap, and this will continue as we grow.

It has been a challenge tailoring our message to resonate with both the average Joe or Jane and the seasoned financial minds that understand the difference between acronyms like CAGR and IRR.

🔴 ***How did you overcome this?***

With every passing month, we kept thinking through how to be better at building trust and finding the true voice of our product. We probably went through about five pivots on our product messaging in just three months. Eventually, we decided to invest deeply in bringing onboard credible institutional partners to bridge the trust gap.

It's a work in progress, but we're grateful to now also have our first institutional partner in Optimise, the third-largest Section 12J fund in South Africa with over R350m under management.

In 2020, they have already powered the ownership dreams of over 100 members in SA, with plans to commit as much as R20m towards this mission. That will surely have an impact on how individual vehicle partners perceive the opportunity to work with us.

We're equally optimistic about bringing onboard more top calibre institutional partners that value this innovation and the social impact it can create.



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🔴 ***As a successful entrepreneur, what advice would you give to other aspiring entrepreneurs?***

I wouldn't classify myself as a successful entrepreneur yet. There is still so much more for us to learn to achieve lasting success. General advice that I've found useful is to focus on reducing your overall business risk as early as possible. Most startup failure is linked to one of 4 risks: team risk, execution risk, capital risk or market risk.

We were fortunate that we had built deep domain expertise in the ride-hailing vehicle ecosystem at Uber before starting FlexClub, so that gave us high conviction that we had a good chance of out-executing others in this space and we obsess about continuously improving the quality of our execution.

In truth, execution and team risk are the only risks you can really control. For capital and market risk, you're at the mercy of external forces. I'm constantly surprised by how many potential entrepreneurs think that a great idea means much in isolation. The role models we look up to have just been exceptional at executing a simple idea better than incumbents.

In our limited experience, sophisticated early-stage investors will always bet on lower execution risk and team risk over a "game-changing" idea.

■ ***What has been your proudest achievement thus far?***

Without a doubt, it has to be seeing images of one of our earliest members in Mexico arriving to collect their vehicle with the entire family. It really hit home just how much progress and accomplishment means to all of us, regardless of the cultural and geographical lines that separate us. The fact that we had an opportunity to play such a meaningful role in helping our member realise an aspiration he's held for a very long time just energised us so much more.

■ ***What does the future of entrepreneurship look like to you?***

I can't profess to hold a crystal ball on how entrepreneurship will evolve, but a trend that I'm already excited about is that technology is making it easier and easier for anyone from anywhere to put their ideas in motion. Today it's already magnitudes easier to start selling products to a large audience than it was 20 years ago.

“ *The next revolutionary entrepreneur that transforms society as we know it, could very well be a young child in a rural village at this very second.* ”

Technology has the potential to level the playing field of what that child is exposed to over the next decade or two. That idea gets my heart racing faster.

■ ***What do you think is the importance of startup accelerator/incubator programmes?***

They most certainly have a role to play in the startup ecosystem. We should just remain mindful that they're not a universal remedy for improving startup outcomes. As with a medical remedy, it should fit the diagnosis.

The deficiencies that could be holding a startup back from realising success may vary from a lack of product validation, lack of access to experienced mentors, lack of access to capital... and the list goes on. Horseshoes for courses.

■ ***What would you like to see changed in the South African startup ecosystem?***

It's an ecosystem that faces a chicken vs. egg dilemma, as experienced by all young startup ecosystems around the world. The absence of meaningful global exits for true early-stage investors means that the appeal of being an early-stage investor in SA can be limited unless you have a broad geographic mandate, which I imagine is a difficult thing to manage as well.

So, I would argue that a private equity mindset still dominates the SA early-stage investor ecosystem, with angel investment and venture capital largely being in its infancy.

To be fair, several SA startups still choose to build for a very small audience, which in turn reduces the appeal for potential global acquirers and thus perpetuates the lack of liquidity events for investors. I'm not suggesting it should all be about the sale for SA startups, but we should be mindful of the global interest of whatever it is we choose to build.

I'm also not eliminating the possibilities that local listings may present, but I'm not aware of a good tech case study and don't know enough about the JSE.

“ Until the entire startup flywheel gets cranking in a more meaningful way in SA, startup founders should seek opportunities to broaden their horizons well beyond our borders - even if just to learn. ”

▣ What do you believe are the traits an entrepreneur needs in order to succeed?

I'm not convinced yet that it's formulaic because we're all so different, but I can say that across my peers, the one thing I consistently see in them that I recognise in myself is grit. We expect the world to doubt us and criticise us, but we're convinced that our perspective needs to be given a chance. We'll plough on until more people start to pay attention.

For me, the perspective is practically an extension of my personal identity and I understand that can be dangerous, but until I'm shown credible evidence for why my specific insights are wildly off, I will refuse to give up.

When I look around at others that inspire me, I see the exact same unwavering belief in whatever their mission is. If you're prone to throw in the towel after people call you a fool, save yourself the pain and don't do it.

▣ You've recently been named an Endeavor Entrepreneur. What does this mean for you?

It's incredibly humbling. A decade ago, at an Endeavor event in my early twenties, I had my very first opportunity to engage with Adrien Gore - one of my entrepreneurial influences and the Endeavor SA patron. Despite not coming from an affluent or connected family, there I was rubbing shoulders with one of the greats. If this was the network Endeavor could bring, being a part of the club would be a milestone etched in my mind that day.

In more recent times, listening to podcasts of Linda Rottenberg and Wences Casares gifted me with such a strong sense of belonging, that when the opportunity to apply came through, it was a no-brainer.

The fact that I made it through the tough and challenging selection process, to come out the other side with validation from a network of seasoned global entrepreneurs makes me incredibly proud. Closer to home, Endeavor's stamp of approval has given my whole family a bit more comfortable with my rationale for leaving a great job at one of the biggest tech companies of the past decade.

▣ How will this impact FlexClub?

There is no doubt that Endeavor has already helped us raise our profile, not only amongst potential investors but in building trust amongst our customers as well. We've been lucky to receive incredible general interest as a result of being welcomed into the Endeavor network, including being nominated for the FNB Business Innovation award in 2019, our first year of operation.



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As far as access to capital is concerned, pattern recognition is key for investors. For investors who are as excited about emerging markets as we are, they hold Endeavor entrepreneurs in high regard and see the association as a key marker in their investment calculus. This feels like we made it into the emerging market “Stanford of entrepreneur networks”. If you don't have unlimited resources, there aren't many ways to build global credibility.

“ As an Endeavor entrepreneur, I hope to eventually support another South African kid with dreams too big to contain in

joining the global network. ”

Where would you like to see FlexClub in the next 5 years?

Our hope for our team is that we're able to take this to unimaginable heights, powering the dreams of over 100,000 members looking to own a vehicle for their small business. At that point, I hope we can all look around the room, surrounded by people from all walks of life that we're incredibly proud of. There's a long way to go between then and now, but we're up for the challenge.

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