Targeting Taxi Cabs: Gaining Market Insight Using the MarketStance Database

Investigating state-to-state variations in factors such as growth rates, accounts size and ownership structures can uncover potential competitive and operational advantages. MarketStance enables such assessments, as this review of the Taxi Cab segment illustrates.

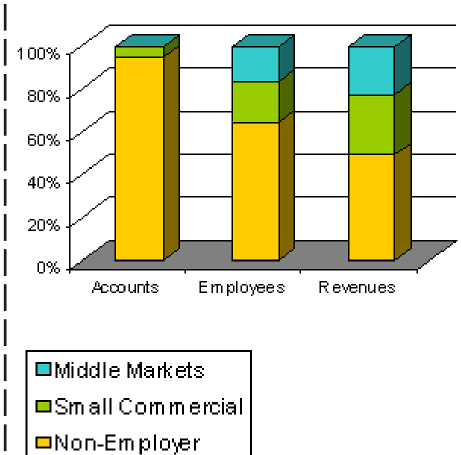
Nationally, about half of all taxi-firm revenues are accounted for by the smallest firms: those owner/operators with no employees. The almost 54,000 so-called non-employers account for about 65% of all taxis employees/operators, but only about 49% of taxi revenues—a good measure of total exposure in this risk class.

By state, owner/operators have a share of total revenues rangin from a low of 1% in Nevada, to a high of 77% in New York. Other states with especially high concentration of owner/operators include the District of Columbia, Louisiana, Oklahoma and New Jersey. In California, in contrast, only 32% of taxi revenues are generated by owner/operators.

96 accounts have 50 or more employees, fitting the MarketStance definition of middle markets. These firms generate 23% of national taxi revenues and such larger firms are especially important in states such as Arizona, Nevada and Oregon. Indeed, Nevada's 16 taxi firms with 50+ employees account for some 98% of that state's taxi fares.

Composition of Taxi Class by Account Size

Non-employers comprise the bulk of firms and employment in the taxi class nationally, but represent less than half of its revenues



Non-employers: % of State Taxi Revenues

Non-employers are substantial contributors to statewide taxi class revenues in New York, New Jersey, Oklahoma, Louisiana and the District of Columbia.

- 61 to 77%
- 49.5 to 60%
- 32.5 to 49.4%
- 0 to 32.4%

Middle Market Firms: % of State Taxi Revenues

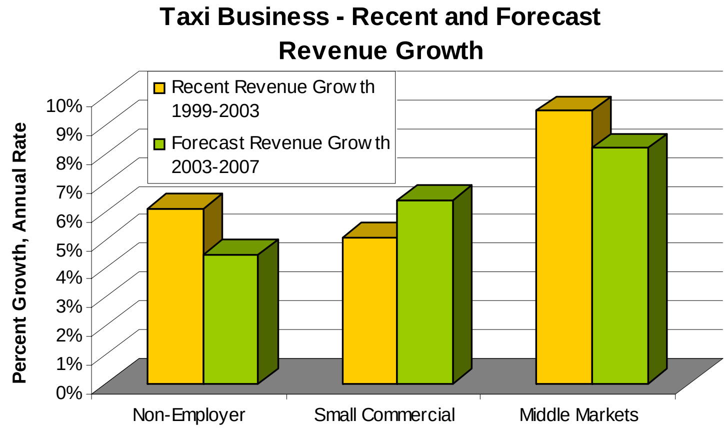
Firms with 50+ employees are espectially important in states such as Arizona, Nevada and Oregon.

- 37.6 to 98.17%
- 22.7 to 37.5%
- 5.0 to 22.6%
- 0 to 4.99%

Taxi Class Growth

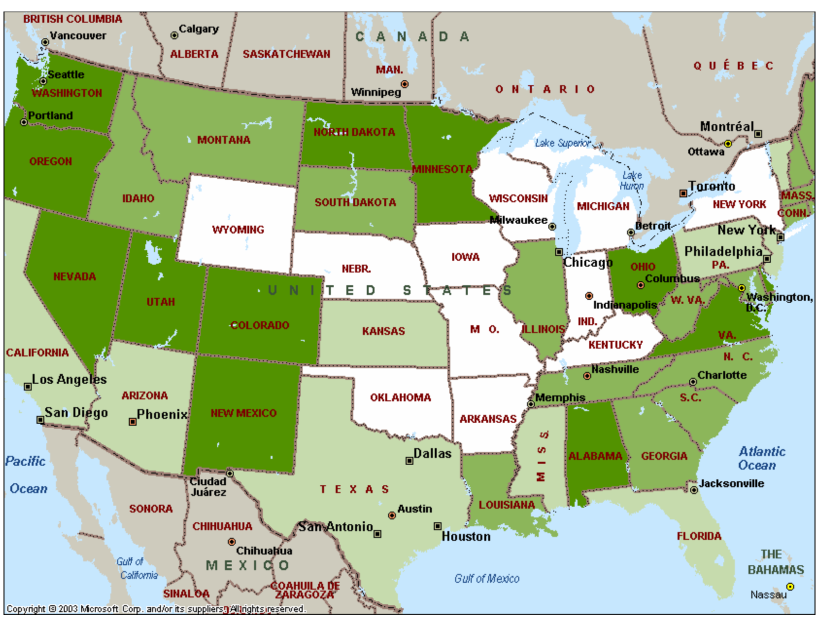
Over the past four years, taxi firm revenues have grown at a strong 7% annual rate nationally. However, growth has been noticeably stronger in the non-employer and middle market segments than in the small commercial segment—defined here as firms with 1 to 49 employees.

Over the 2003-2007 period, in contrast, growth in taxi class revenue is forecast to pick up somewhat in the small commercial segment (1-49 employees). Nevertheless, the middle market segment is expected to maintain the strongest taxi revenue growth. In large part, this is attributable to a number of fast-growth Southwestern states where larger taxi fleets account for a major portion of the taxi industry.



Interestingly, revenue growth also is forecast to be strong in several states usually perceived as “rural”, such as Utah and North Dakota, an in states which have seen rapid population expansions over the past decade (Nevada and Colorado).

Within major states, projected growth is surprisingly disparate among the counties. In California, for example, the major metro areas are expected to have fairly modest taxi revenue growth. The one exception is San Diego. Together with Santa Rosa and Fresno, San Diego is forecast to experience strong 8%-plus revenue growth among the county’s taxi firms. Such strong revenue growth suggests that loss experience in these territories may considerably outpace that of the state as a whole.



Other exposure insights

Logically, how extensively a given vehicle is driven can suggest something about potential losses. Just as logically, this “intensity” of use is lowest for non-employers and highest for large employer fleets.

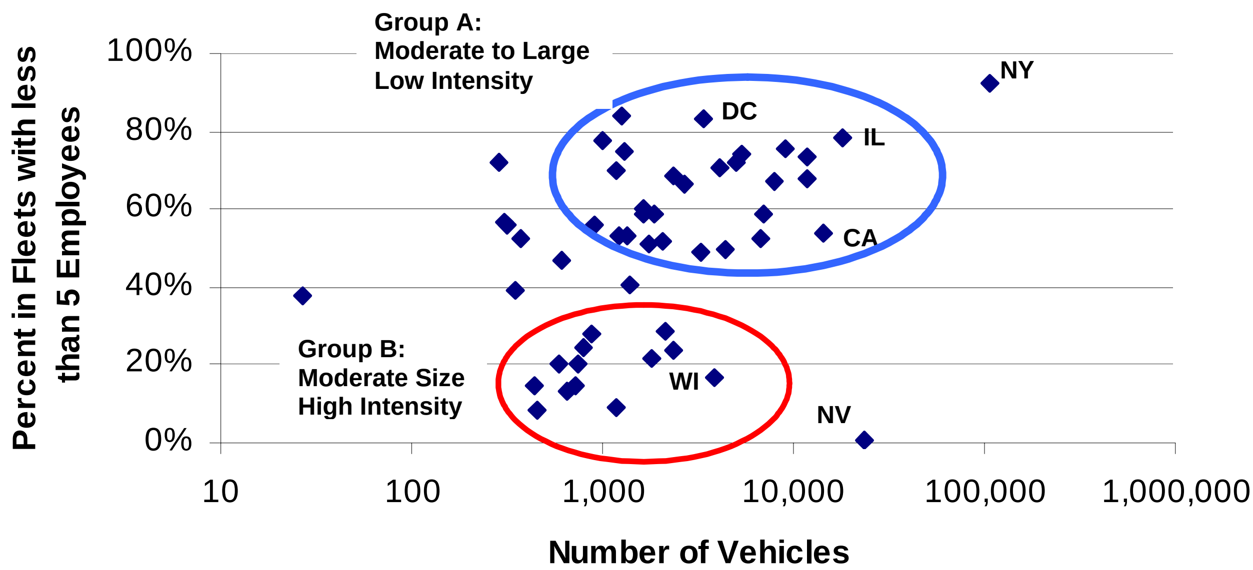
Taxi Business: Recent and Forecast Revenue Growth

Revenue growth–an with it, exposure growth–is expected to be strongest in the middle market.

Forecast Growth in Taxi Revenues: 2001-2007

Taxi Clasee revenue growth is forecast to be strongest in staes that may be unexpected, such as North Dakota, Utah, Colorado and New Mexico.

- 7.6 to 10.8%
- 6.0 to 7.5%
- 5.0 to 5.9%
- -.7 to 4.9%



By comparing number of vehicles and their distribution among smaller and non-employer firms by state, we can make some judgments about the potential profitability of this class by territory. Additionally, we could conclude that in states in Group A (below) , a single set of rates should suffice, while in the Group B states, a tiered rating structure might be advisable.

Conclusions

MarketStance separately tracks and rates taxi cabs, as it does virtually all the classes contained in its database, reflecting sensitivity to the unique conditions and exposures that can bear upon successful product design, marketing and underwriting. A particular strength of the MarketStance information is that it integrates class of business and exposure data. While estimates of total registered taxis in a given state would be relatively easy to obtain, and government data on the size of taxi establishments also may be accessible, MarketStance is the only place that puts this data together. Doing so provides better descriptions of potential insureds—for the taxi market and the many other classes MarketStance monitors.

In targeting taxis, by using MarketStance data on employment, number of accounts, revenues, and the information on the class's rating base—number of vehicles—significant intelligence can be found and very effectively applied to marketing, pricing and underwriting decisions and create a competitive advantage

Above: Taxi Industry Size and Structure by State

For more information on how MarketStance can help you identify marketplace insights that you can turn into operational and competi-tive advantages, call 888-777-2587 or e-mail info@marketstance.com

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