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## OLYMPIC RENT-A-CAR STRATEGY FOCUS

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**FROM:** HARRISON ANASTASIO  
**SUBJECT:** LEISURE CONSUMERS AND THE INTERNET  
**DATE:** 2/25/16

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### **Executive Summary**

Olympic Rent-A-Car is one of the top four rental car companies in America, however the industry is changing and Olympic Rent-A-Car is faced with fiercer competition. Olympic Rent-A-Car's original comparative advantage was offering cheaper prices but in recent years its competitors, such as Enterprise, have offered customer loyalty discounts which is competing with Olympic Rent-A-Car's prices. As this conflict arises, Olympic Rent-A-Car needs to put together a strategy to obtain more market share. Olympic Rent-A-Car can choose from several alternatives, such as 1) Ignore the conflict, 2) Restructure Rent-A-Car's loyalty program to compete with competitors, 3) take advantage of the online customer, and 4) Focus on a niche in the market and offer the target segment more perks. Based off the information found in this paper the best possible way to achieve more market share is to focus on a niche market and also take advantage of the online customer. The following paper will go in more detail.

### **Problem and Objectives**

The rental car industry has shown an increase in demand and this has, in turn, made the industry more competitive. Olympic Rent-A-Car also has high operational costs that prevents them from competing with its competitor's new loyalty programs. In addition to that, Olympic Rent-A-Car does not have enough cars to offer 'no blackouts' which is preventing them from offering customer loyalty attributes. Olympic Rent-A-Car's main objective is to design a strategy that will achieve more market share.

## Market Analysis

The rental car market, as of 2012, has 27% of the US adult population and it is increasing as people are more willing to spend more money<sup>1</sup>. The rental car market can be split into two major segments, which are the leisure consumers and the business consumers. When comparing the two segments, business consumers are responsible for 80% of the revenue when purchased at an airport<sup>2</sup>. In addition to that, business consumers tend to buy more compact cars for more money but for less days, compared to leisure consumers. However, both consumers both display that they are looking for the best cost-valued car. Although the business consumer attracts the most revenue, consumer behavior is changing and this can change the flow of where the revenue comes from.

## Industry Analysis and Competitive Analysis

There is a growing demand in rental cars and it has resulted in a tighter competition<sup>3</sup>. The consumer, as stated in the market analysis, is looking for the best cost-valued car and because of that, competitors are implementing strategies to offer lower prices. Lower prices and loyalty programs are giving more power to the buyer and some companies are unable to survive with the consumer demand because of high operational cost. Industry substitutes have also disrupted the environment, with new companies such as Uber and Lyft. However, the largest issue is that Enterprise has almost 50% of the market by revenue, the most cars and the most locations<sup>4</sup>. This has prevented new entrants to the industry and growth among Enterprise's competitors.

## Firm Analysis

Attracting more market share is necessary for Olympic Rent-A-Car but cutting prices will not help.

Slide 1: Olympic Financials, 2008–2012 (\$ millions)					
	2008	2009	2010	2011	2012
Revenues	1459	1281	1344	1467	1540
Operating margin %	10.2	9.4	12.8	15	15.80%
Depreciation	44	39	41	43	42.3
Net Profit	-15	-12	-6	18	32.3
Net Profit %					2.10%
Working Capital					169
Long-term Debt					2109
Advertising/Promotion Expense					108

According to Olympics financials, they have very small operating margins. Realistically, cutting prices or increasing Olympics fleet can lead to a loss of income. Since Olympic offers the lowest prices so far, they can not offer the same loyalty programs its competitors offer.

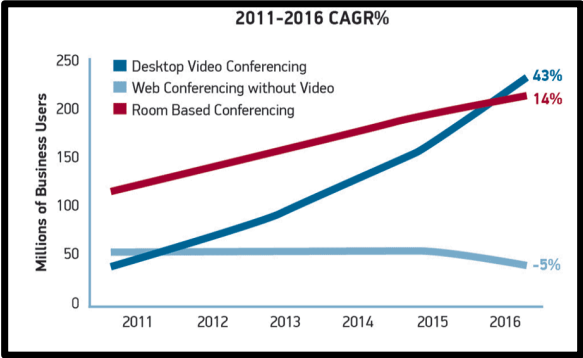
**Environmental Analysis**

There are external behaviors that affect the behaviors of consumers in the rental car industry. In recent years’ new trends have emerged in the market that are forecasted to continue as the years go on. The PEST analysis, shown below, illustrates the expected trends between the years of 2014 and 2019. One major trend that is changing the industry is the increase use of 3<sup>rd</sup> party

**Figure 1: PEST Analysis of Global Trends (2014 - 2019)**

<p style="text-align: center;"><b>Environmental</b></p> <ul style="list-style-type: none"> <li>● Fuel Emissions</li> <li>● Green conscious</li> </ul>	<p style="text-align: center;"><b>Economic</b></p> <ul style="list-style-type: none"> <li>● Slow growth</li> <li>● Interest Rates</li> </ul>
<p style="text-align: center;"><b>Social</b></p> <ul style="list-style-type: none"> <li>● Increase use in 3rd party apps</li> <li>● Increased use of social media platforms</li> <li>● More fast pace attitude</li> </ul>	<p style="text-align: center;"><b>Technological</b></p> <ul style="list-style-type: none"> <li>● Mobility</li> <li>● Ubiquity</li> <li>● Telecommunication</li> </ul>

applications (Travelocity, Kayak, etc.). This trend significantly is impactful towards the leisure consumers since they prefer the convenience of booking everything on one site<sup>5</sup>. This trend also goes hand and hand with the increase use of mobile devices and ubiquity. Since everyone is connected to the internet, people are shopping more online and spending more money because of the convenience of the website. Another large trend is the increase in video call technology. As telecommunication improves, related to video



conferencing, business travelers will diminish. One of the biggest trends is the demand of quick and convince delivery. Consumers do not want to wait on line, they want to get what they want with no delays.

### **Assumptions**

Assuming that the trends in the environmental analysis are true than the business consumer will eventually fade out, leaving only leisure buyers. If that happens then more purchases will happen online, consumers will be more cost-conscious, and will purchase in more vacation spots.

### **Alternatives**

Olympics Rent-A-Car has several alternatives to choose from. Each alternative carries its own benefits and its own consequences. The first alternative is to

- 1) Ignore the conflict – Ignoring the conflict will most likely lead to the end of Olympic Rent-A-Car. The industry is showing signs of change and Olympics' competitors are making moves and if Olympic decides not to do anything, then they will soon be left behind.
- 2) Restructure Rent-A-Car's loyalty program to compete with competitors – Consumers are responding to Enterprise's, Hertz's and Avis's loyalty programs. The loyalty programs have shown that loyal consumers will spend more money and that the best value-for-cost will attract more market share. On the other hand, offering a loyalty program better than Enterprise might affect profits since Olympic Rent-A-Car does not have the resources. In addition to that, competitors can offer similar loyalty programs that will cause a price war.
- 3) Take advantage of of the online customer – There is a trend in the use of online shopping due to the increase of mobile devices and the increase of internet use. Due to this trend, consumers are renting cars online more than ever. Shoppers online also buy more items since it is more convenient. Taking this alternative might increase revenues which would fix Olympics operating margins. The final alternative is
- 4) Focus on a niche in the market – Due to the decrease in business consumers, leisure consumers will soon be the main source of revenue. By focusing on just leisure consumers

than Olympic only needs cars in vacation spots which will allow them to cut cost. Since Olympic already offers the lowest prices it will attract leisure consumers.

### **Recommendation**

Each alternative has its own benefits but to achieve its objectives of gaining market share, Olympic Rent-A-Cars should pursue alternative four and alternative five. By focusing on the leisure consumer they would be able to discontinue shops in non-vacation spots and either transfer that money to vacation spots or decrease cost. But transferring money to vacation spots will allow them to increase its fleet and maybe offer 'no blackouts'. The next move is to satisfy the consumer wants, which is convenience and affordability.

In order to make it convenient, Olympic can implement a customer friendly website. This website should include information about the traveled city so consumers are satisfied with the overall experience. The website should also offer the option for an Olympic employee to drive to the front of the airport so a family can walk out the airport and exchange keys with the employee so no one is waiting on line and carrying big bags.

Although we will not gain market share immediately, Olympic will have the most market share among leisure consumers. And as business consumers decrease and leisure consumers increase, Olympic can soon achieve more overall market share.

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*1 This information was gathered from the Harvard Business Case*

*2 This information was gathered from the Harvard Business Case*

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