

Business Case Scenario

Clark's Charter, a local bus and coach company in South of England near Brighton Beach, has been operational for fifty years providing transport services to and from school for children aged eleven to eighteen. The company has five buses and seven coaches, some of which are nearly 20 years old. The company is also used by many of the local schools to provide day trips and occasional field trips which require a coach for a week at a time.

In an effort to offset the reduction in demand during the school day, the company offers day trips for senior citizens and nearby retirement communities. These trips generally start after delivering the children to their respective schools and finish an hour before the children need to be collected and carried home. Demand for the daytime trips is sporadic, but increases in the summer when the schools are not offering transportation services and just before Christmas. Demand has been negatively affected in the last six months as the older vehicles have become less reliable and have experienced many breakdowns. Customers have commented on the frequency of new drivers and tour guides over the last year, with only a handful staying more than a few weeks.

In response to local emission authority requirements and to address reliability issues, the company has begun a replacement program for its fleet of vehicles. Failure to comply with the new legislation targets, which can only be met using vehicles produced in the last five years, could result in a fine costing up to £5,000 per vehicle. The average cost of a new vehicle is £75,000. As a result, the company is considering the option of leasing rather than buying. Typical leasing terms in this area are 3 years in length and cost £3,000 per month. New vehicles also meet the new stringent safety and accessibility requirements, including provision of seatbelts and wheelchair access.

Identify at least four costs and four benefits (mixed between tangible and non-tangible) together with three risks associated with the company's situation and their intended replacement program. Can you suggest an alternative option to consider?

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Tangible costs: (1) Vehicles replacement cost (buy or lease)

(2) Higher vehicle depreciation

Intangible costs: (1) Inability to leverage all the vehicle benefits due to customer set

(2) Reduced productivity while training inexperienced drivers & tour escorts

Tangible benefits: (1) Reduced repair costs

(2) Increased accessibility

Intangible benefits: (1) Modern fleet – increased reputation

(2) Increased staff morale and retention

Risks: (1) Higher costs of new vehicles forces retail price increase. Price changes may impact company's competitive standing.

(2) School children may damage new vehicle interiors.

(3) Vehicle issues may not be the only issue with staff turnover.