1. Characterize TNG's business in terms of its cost structure, its customers and markets, and its relationship to its parent corporation. Considering this characterization, what do you see as the key management challenges TNG faces?

**Cost structure**

* Operating costs – most are fixed with some variable costs (servicing leases, cleaning and repairing returned equipment)
* Capital cost - specific equipment
* Lower the lease price to match competitor’s rates

**Customer**

* Highly diversified – from local proprietorships to large multinational corporations
* Core customers – agricultural producer, consumer goods distributor, forest products company, truckload & less-than-truckload trucking company
* Professional buyers that always bid for the lowest price (customers shopping primarily for price)

**Markets**

* semitrailer lease market in North America
* TNG is the market leader which owns 35% market share in North America but also a price taker, the biggest competitor is company Excel who owns 22% market share
* Highly seasonal nature of demand -> market lease rates vary over time

**Relation to its parent corporation**

* TNG is a wholly owned subsidiary of a financial services conglomerate
* TNG isn’t the core but just another asset category of its parent corporation. Thus, TNG put intense focus on ROI to secure an adequate share od capital budget.

**Key Challenges**

* Manage the local branch lease rate pricing in different periods
* Manage the one-way leases -> reallocation of equipment and trailer
* Heavily ROI oriented operating strategy

2. What is your assessment of TNG's current lease performance measures and controls, especially its use of ROI measures?

TNG's approach to assessing its lease performance primarily hinges on Return on Investment (ROI) measures alongside other operational metrics.

**ROI-Centric**

Focusing on ROI is a solid strategy for a capital-intensive industry. It ensures that each equipment generates a satisfactory return relative to its cost. This approach aligns with the parent company's expectations and the financial imperatives of ensuring capital is deployed efficiently. Though, relying too heavily on ROI could overlook other critical aspects like customer satisfaction or competitive positioning. High ROI on certain leases doesn't necessarily indicate strategic success if it leads to market share erosion or customer dissatisfaction.

**Seasonal and Geographic Pricing Flexibility**

TNG’s approach to adjusting lease rates based on demand variations across seasons and locations is a good strategic use of lease control. This flexibility helps maximize revenue in peak times and maintains utility during off-peak seasons.

**Autonomy of Branch Managers**

Giving branch managers the authority to adjust pricing and lease terms based on local conditions allows TNG to be nimble and responsive to market dynamics. This local autonomy is crucial in lease performance and controls.

However, TNG’s focus on empowering branch managers for local decision-making is a double-edged sword. It may lead to inconsistencies in strategy application and missed opportunities for leveraging nationwide data and trends to inform pricing and asset allocation decisions.

3. How might TNG implement revenue management? What ideas or approaches seem most viable in a business like this?

**Advanced Inventory Management**

As I mentioned in the first question – TNG has the challenge in managing the one-way leases. They can use predictive analytics to better manage inventory allocation across branches, ensuring trailers are available in regions where and when they are most needed, thereby maximizing utilization rates and revenue.

**Capacity Management**

TNG can implement or adjust minimum lease durations during peak demand periods to ensure that inventory is used in the most profitable and efficient manner.

They can also construct overbooking policy for certain types of trailers or during specific times, based on historical no-show rates, to compensate for last-minute cancellations or non-returns.