



Agenda

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Summary

Objective:

Make a good decision about the business model to improve profit!

Strategies:

Strategy 1: Eliminate low-performance cars (car profit/car revenue < 11%) and invest those car costs in the best-performance car

Strategy 2: Eliminate the low-performance cars (car profit/car revenue < 40%) and invest those car costs in the best-performance car

Recommendations:

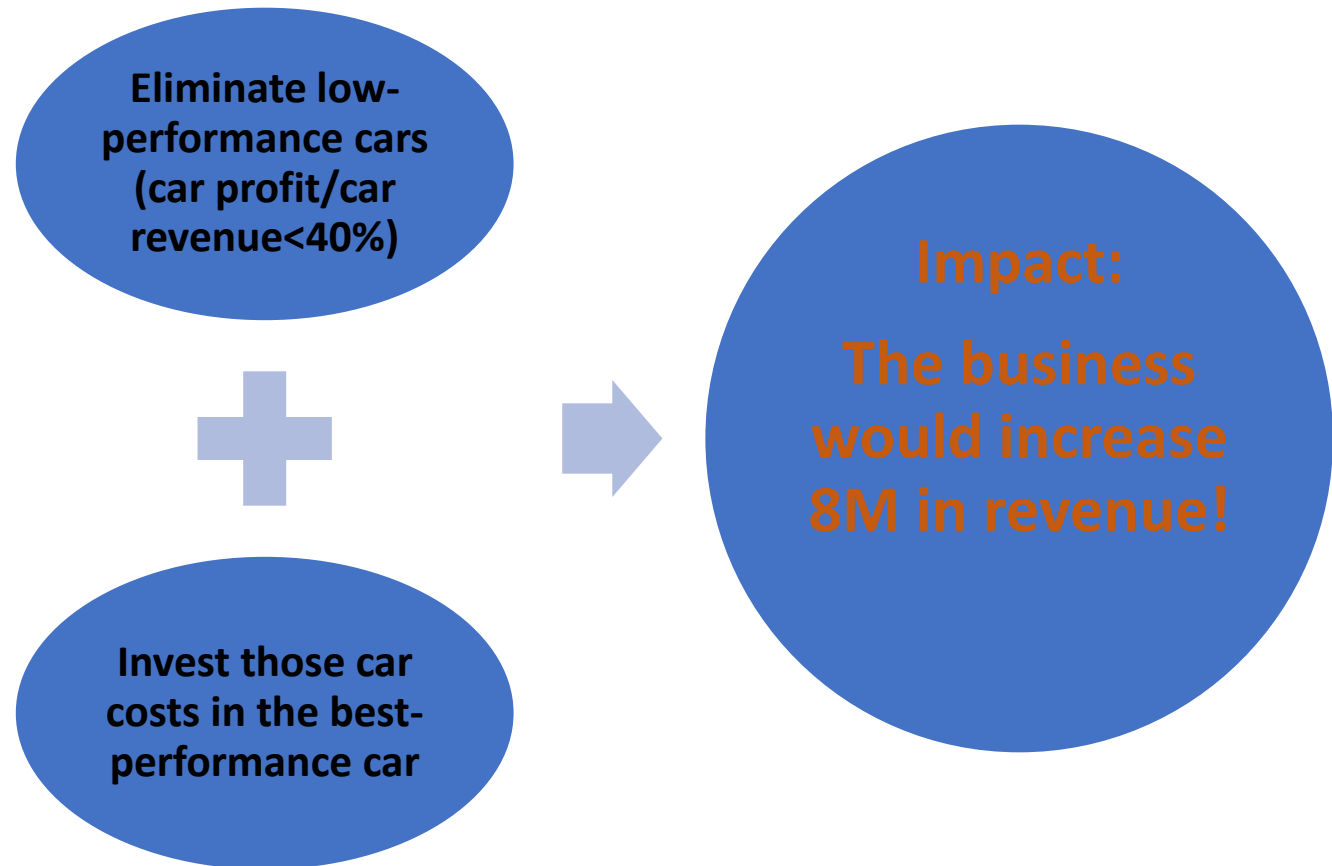
- Pick strategy 2 - eliminate low-performance cars (car profit/car revenue < 40%)
- And then invest those car costs in the best-performance cars

Impact:

If implement strategy 2, the business would increase by 8M in revenue!

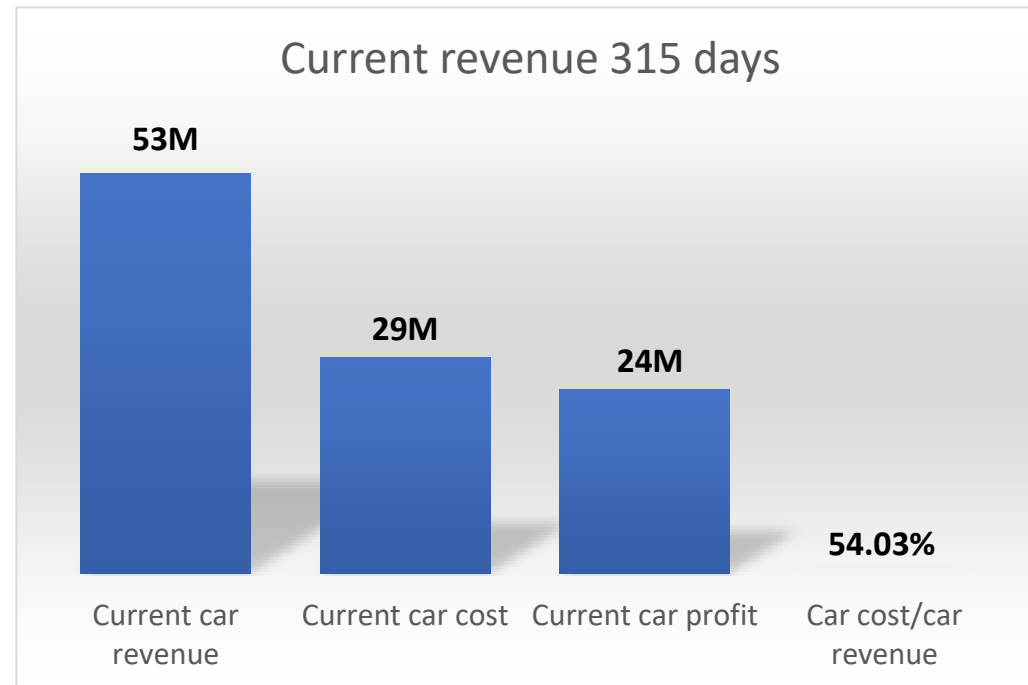
Methodology

- Profit/revenue is used to decide which cars are performing better
- After eliminating the low-performance cars, an improved cost/revenue ratio is calculated, which will be used to estimate using the same cost how much revenue and profit will be generated



Current car revenue from 1/1/2018 - 11/11/2018 (315 days)

- Current car profit: 24M
- Current car revenue: 53M
- Current car cost: 29M
- Ratio car cost/car revenue: 54.03%



(M: Millions)

*Key: car profit = car revenue - car cost
car cost = car rent + car insurance*

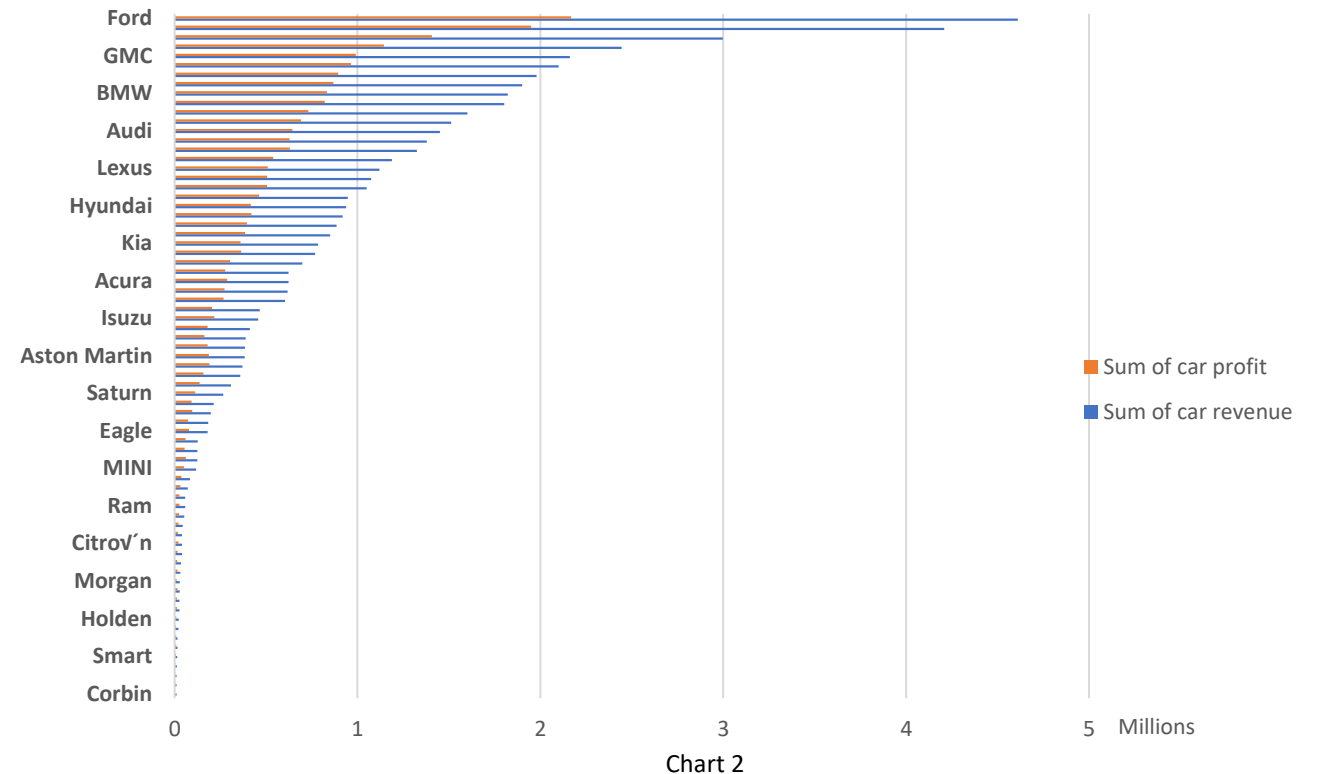
Example of some car performance (315 days)

Profit of some low-performance cars

Row Labels	Sum of car profit
Jaguar	\$ (6,708)
Honda	\$ (4,502)
Daewoo	\$ (2,733)
Mercury	\$ (1,767)
Oldsmobile	\$ (1,715)
Toyota	\$ (1,536)
Volvo	\$ (544)
Bentley	\$ (293)
Saab	\$ (78)
Volkswagen	\$ (41)
Kia	\$ (14)
Lamborghini	\$ 84
Scion	\$ 134
Infiniti	\$ 225
Acura	\$ 255
Lotus	\$ 423
Rolls-Royce	\$ 567
Land Rover	\$ 568
Suzuki	\$ 586
Mercedes-Benz	\$ 596
Merkur	\$ 639
Chrysler	\$ 663
Fiat	\$ 855
Hyundai	\$ 894
Saturn	\$ 1,070
Isuzu	\$ 1,108
Plymouth	\$ 1,227
Morgan	\$ 1,263
Hummer	\$ 1,264
Maybach	\$ 1,344
Corbin	\$ 1,454
Ferrari	\$ 1,525
Maserati	\$ 1,728
Lincoln	\$ 1,796
Lexus	\$ 1,883
Buick	\$ 1,971
Nissan	\$ 2,028
Aston Martin	\$ 2,057
Audi	\$ 2,598
Cadillac	\$ 2,786
Subaru	\$ 2,873
Mitsubishi	\$ 2,966
Porsche	\$ 2,977
Jeep	\$ 3,311
Mazda	\$ 3,674
BMW	\$ 5,429
Ford	\$ 5,837
Pontiac	\$ 6,833
GMC	\$ 8,300
Dodge	\$ 8,377
Chevrolet	\$ 12,235

Table 1

Current car profit and car revenue



In table 1, some cars show very low profits,
and some cars don't make any profit for the business

↓

Eliminating those cars will improve business profit

Strategies to improve profit

Strategy 1:

Eliminate the low-performance cars
(car profit/car revenue < 11%)
and using the would-be car costs to invest
in better-performance cars to increase the
revenue

Strategy 2:

Eliminate the low-performance cars
(car profit/car revenue < 40%)
and using the would-be car costs to
invest in better-performance cars to
increase the revenue

Strategy 1:

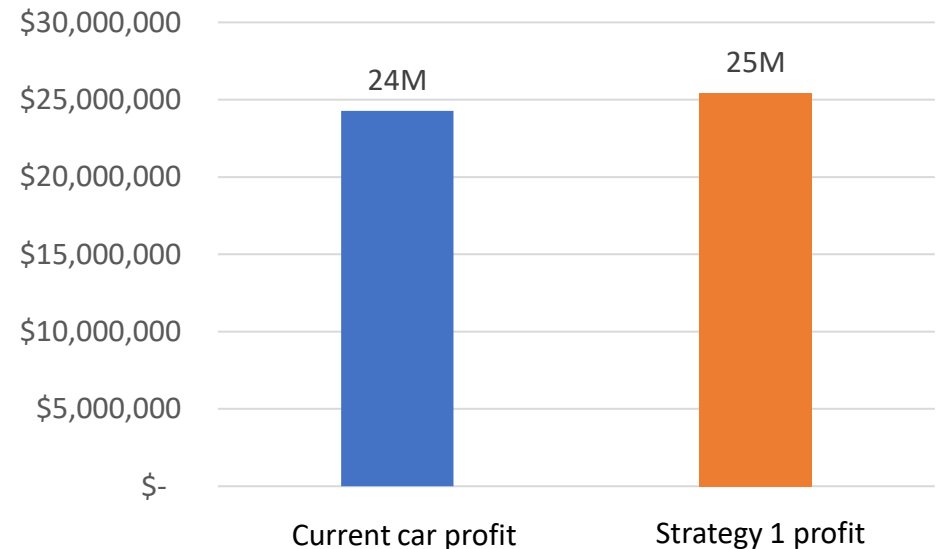
Eliminate the low-performance cars (car profit/car revenue < 11%) and invest in better-performance cars to increase the revenue

Strategy 1		
Current car revenue	\$	52,830,207
★ Car revenue estimate with the same car cost	\$	53,983,876
Increase revenue with the same cost	\$	1,153,669
Current car cost	\$	28,545,635
Decrease car cost	\$	1,293,243
Car costs after eliminating cars	\$	27,252,393
Current car profit	\$	24,284,572
Car profit after eliminating cars	\$	24,285,776
★ Car profit strategy 1 with the same cost	\$	25,438,240
Increase profit with the same cost	\$	1,153,669
Car costs/car revenue (after eliminating cars)		52.88%



- Eliminating the low-performance cars (car profit/car revenue < 11%) decreases car costs by \$1.3M, the business obtains \$24M profit (about the same as current profit)
- Use money gained from decreased car cost (\$1.3M) to invest in better performance cars **increase revenue by \$1.1 M**

Car profit strategy 1



- ★ Car revenue estimate with the same car cost = Current car cost / (car cost after eliminating cars / car revenue after eliminating cars)
- ★ Car profit strategy 1 = car revenue estimate – current car cost

Strategy 2:

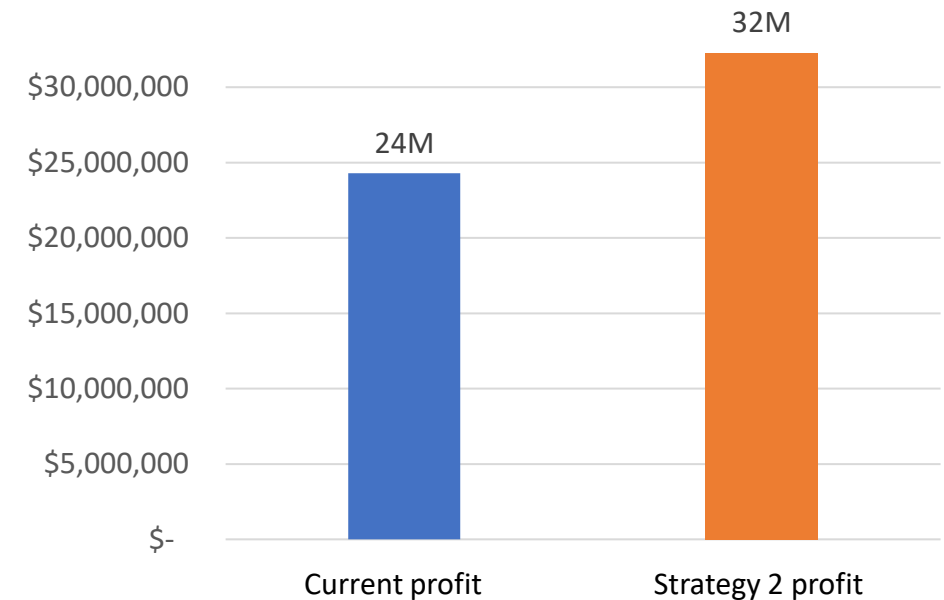
Eliminate the low-performance cars (car profit/ car revenue < 40%)
and invest in better-performance cars to increase the revenue

	Strategy 2
Current car revenue	\$ 52,830,207
★ Car revenue estimate with the same car cost	\$ 60,831,257
Increase revenue with the same cost	\$ 8,001,050
Current car cost	\$ 28,545,635
Decrease car cost	\$ 10,782,372
Car cost after eliminating cars	\$ 17,763,264
Current car profit	\$ 24,284,572
★ Car profit strategy 2 with the same cost	\$ 32,285,622
Increase profit with the same cost	\$ 8,001,050
Car costs/car revenue (after eliminating cars)	46.93%



Eliminate cars that have car profit/car revenue < 40%
(decrease car costs about \$11M), use this money to
invest in better performance cars → improves
business revenue by \$8M

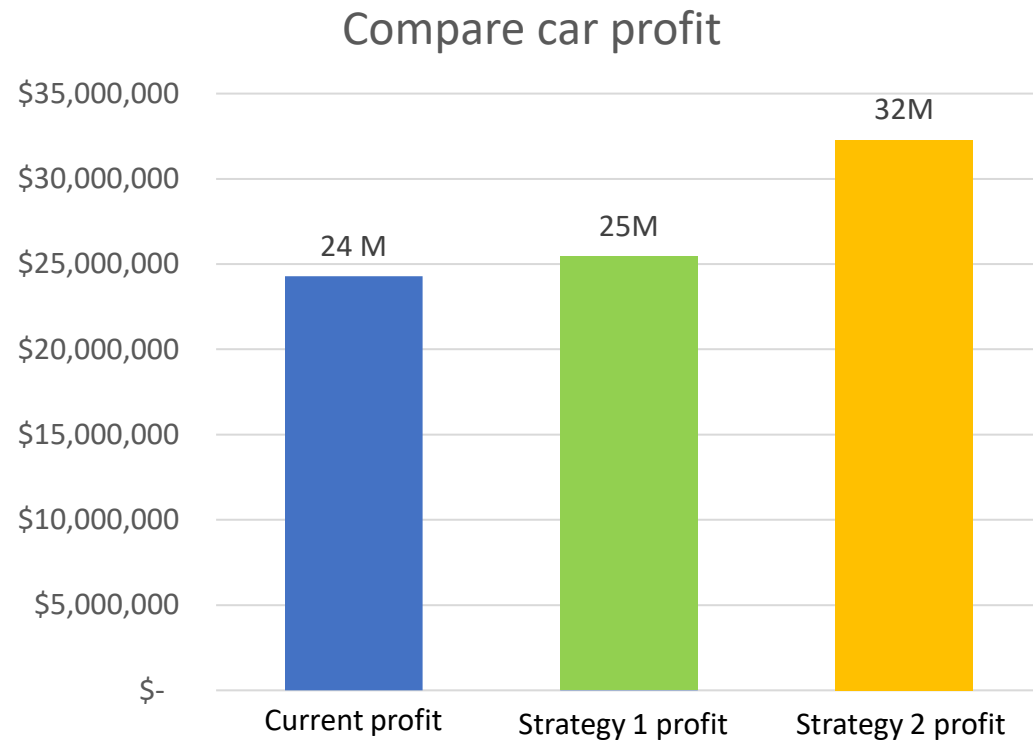
Car profit strategy 2



★ Car revenue estimate with the same car cost = Current car cost/(car cost after eliminating cars/car revenue after eliminating cars)

★ Car profit strategy 2 = car revenue estimate – current car cost

Strategy 1 vs Strategy 2



Strategy 2 shows a significant increase in profit by 8M with the same current car cost (29 M)!

Recommendations

Recommendations:

- Eliminate low-performance cars (car profit/car revenue < 40%)
- Invest those car costs in the best-performance car

Impact:

- The business would increase 8M in revenue!