LARIAT
RENT-A-CAR
1-800-555-9345

Tam Nguyen 9/26/22

Agenda

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- **Summary** (slide 3)
- **Methodology** (slide 4)
- **Current car revenue** (slides 5,6)
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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:

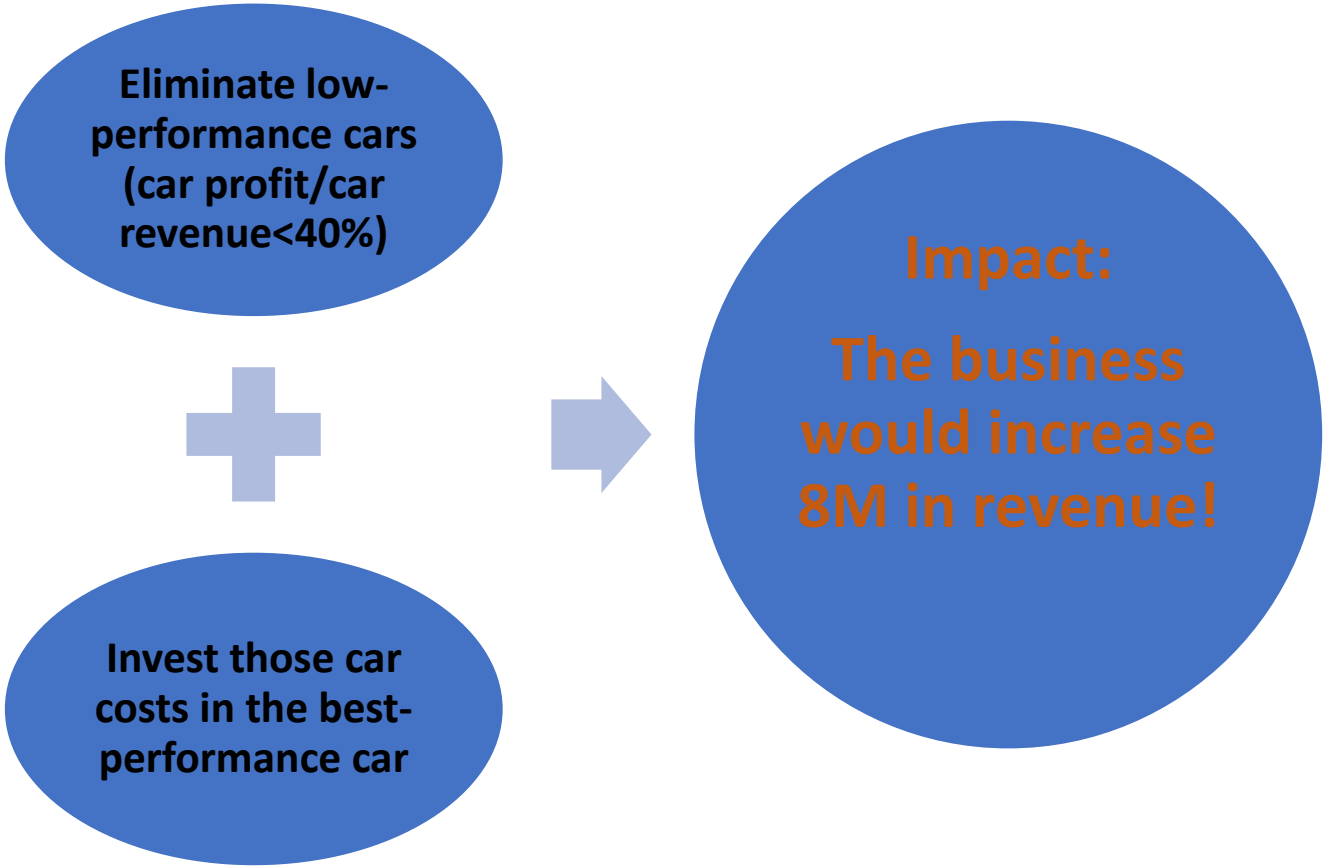
- Pick strategy 2 - eliminate low-performance cars (car profit/car revenue<40%)
- And then invest those car costs in the best-performance cars

Impact:

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

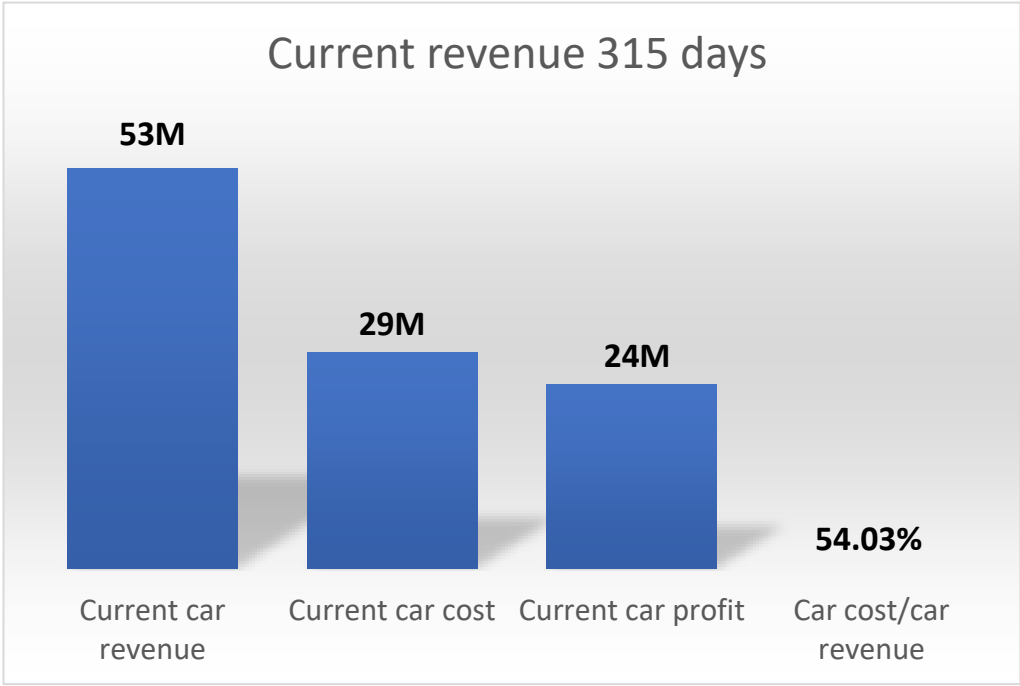
Methodology

- 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

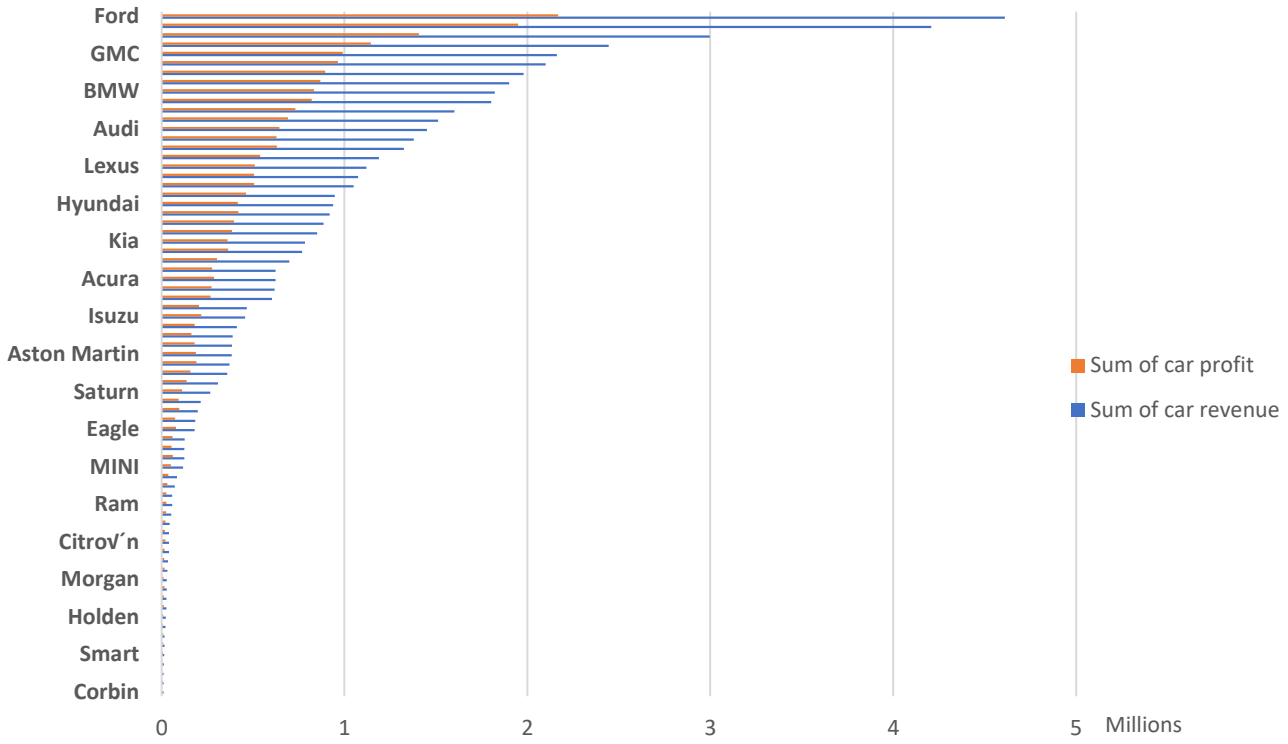


Chart 2

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:

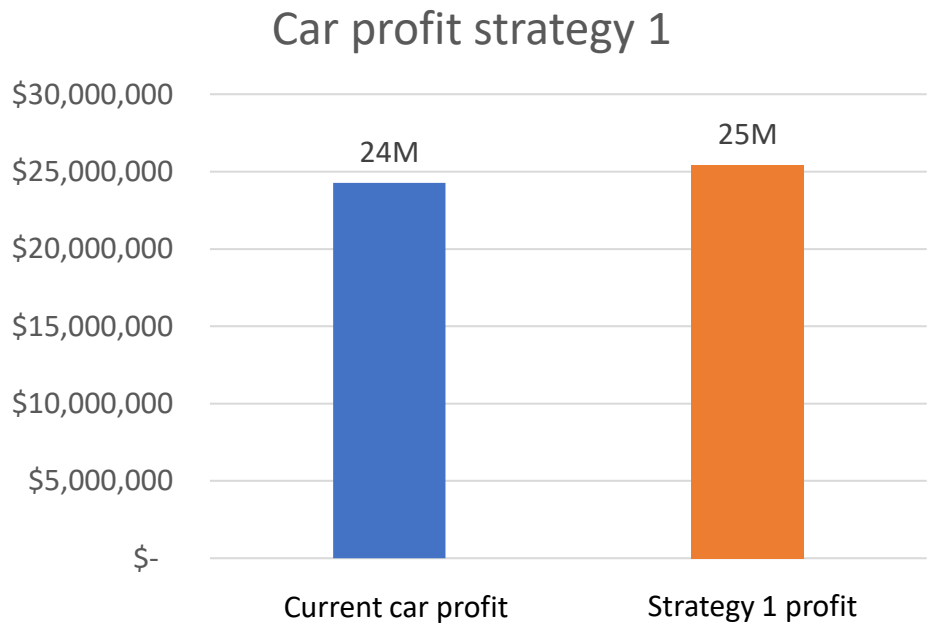
Eliminate the low-performance cars
(car profit/car revenue<40%)
and using the would-be car costs to invest in better-performance cars to increase the revenue

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

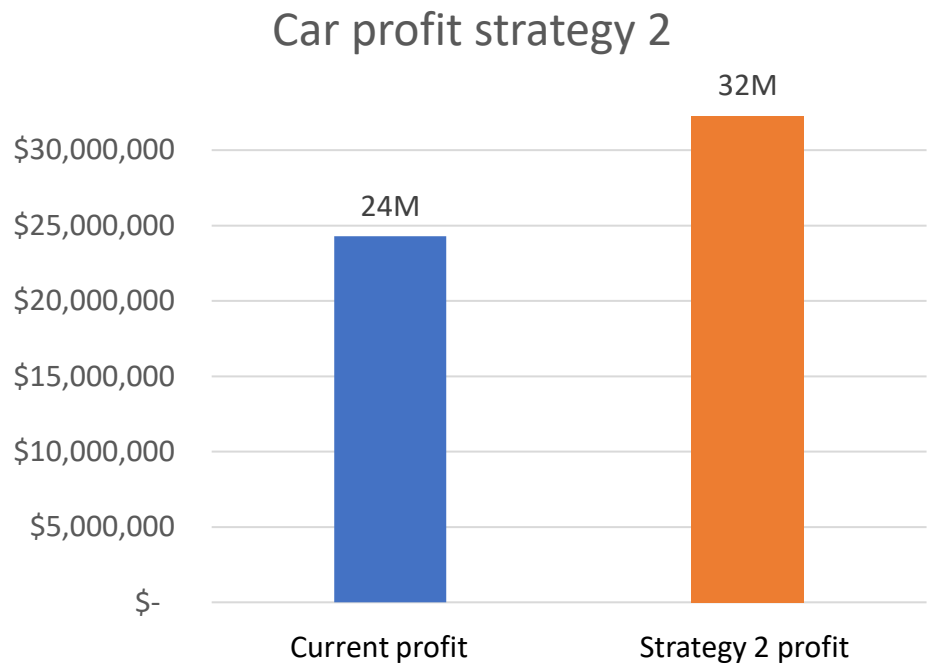
Car profit strategy 1 = car revenue estimate – current car cost

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%

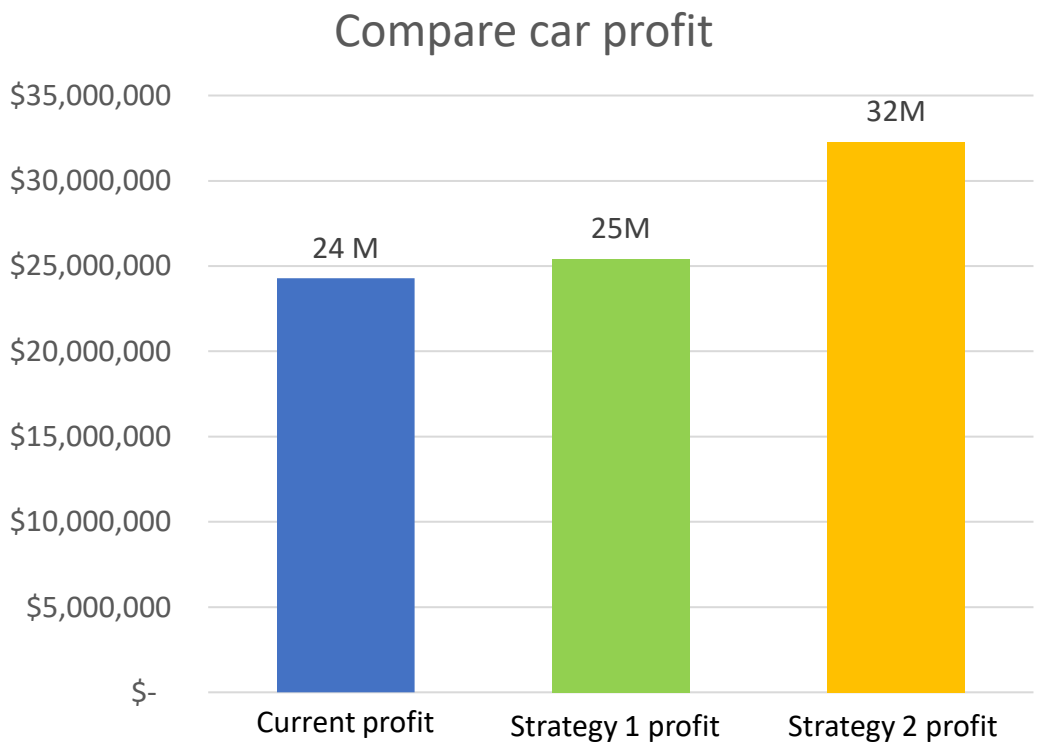
Eliminate cars that have car profit/car revenue < 40% (decrease car costs about $11M), use this money to invest in better performance cars → improves business revenue by $8M



Car 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!**