

BuildMax Rentals

IB9E00 Pricing Analytics Group 15

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Section 1

RM suitability for BuildMax

What is Revenue Management?



Revenue Management (RM)

Pricing strategy that **maximises** revenue by **optimising** inventory allocation based on demand and pricing flexibility



Objective

Implement RM to increase revenue & utilisation for BuildMax Rentals

RM Suitability for BuildMax



Why RM is Effective for BuildMax

- Fixed Capacity Limited Equipment Supply
- Variable Demand High Demand Variability
- Perishable Inventory Cost of idle inventory
- Segmented Pricing Different Customer Segments
- Low Variable Cost Low rental cost



Expected Benefits

- Smarter fleet allocation
- Improved pricing strategy
- Higher overall revenue and profitability

Section 2

Optimisation strategies and results

Optimising Equipment Rentals

What's Our Goal?

We want to boost our rental revenue

How Do We Do It?

Rentals: Decide how many pieces of equipment to rent each week

Inventory: Keep track of what's available at the end of each week

What Are We Considering?

Price: Daily rates for each rental duration

Demand: How much equipment our customers need each week

How Does the Model Work?

Revenue Calculation: We add up all the rental income

Constraints

Make sure we don't rent more than we have

Keep inventory levels accurate

Meet customer demand without overcommitting

What's Our Approach?

We use a smart solver to find the best rental strategy

Why Is This Great?

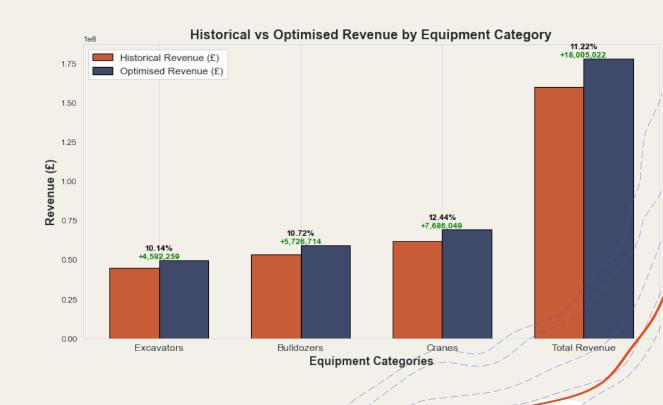
We'll see more revenue

Our inventory will be managed efficiently

Customers will be happier with our service

Optimisation Strategies and Advantages

- Optimising pricing and fleet allocation
- Maintain an optimal inventory balance by ensuring that equipment not currently in the fleet is rented out, preventing any idle inventory
- Priority scheduling for high-value rentals
- Achieve a revenue increase of 11.22%
- Enhance utilisation of high-demand equipment
- Improve ROI from 264.1% to 304.9%



Section 3

Limitations and Implementation

Future Challenges



Integration

Complexity in implementing a uniform system across all branches



Customer Behaviour

Behaviour might not always remain stable and predictable over time. Thereby, affecting demand



Contract Strategy

Long-term clients might demand fixed pricing, reducing flexibility



Maintenance Approach

RM requires fast turnaround times to **minimise** downtime while **maximising** rentals



Fleet Rebalancing

One-way rentals can lead to fleet imbalances and increased costs



Dynamic Pricing

Price sensitivity may drive some clients to competitors

Implementation



Demand Forecasting & Dynamic Pricing

Machine learning to predict demand fluctuations

Adjust pricing based on real-time availability



Centralized Inventory Management

Track equipment locations & redistribute fleet efficiently

Reduce one-way rental inefficiencies



Flexible Booking System

Online and branch-based dynamic pricing updates

Incentives for early reservations to balance demand



Segmented Pricing Strategy

Long-term clients (mining/oil):
Discounted rates

Short-term construction: Premium pricing for urgent needs

Key Takeaways and Next Steps



Key Takeaways

Revenue Management can be effective for BuildMax with the right adjustments

11.22% revenue increase

ROI improved by 15.45% without requiring additional capital investment



Next Steps

Conduct a pilot implementation

Invest in Revenue Management technology

Maintenance Schedule Integration

Expand Revenue Management model

Incorporating feedback from stakeholders



Bottom Line

Enables dynamic pricing
Enhances fleet utilization
Support sustainable growth

