Strategies to Maximize Profit

By Alexandra Wells

Introduction

Business Objective:

- Our objective is to improve Lariat's business model by reducing the Company's overall expenses to maximize profitability.

- Strategy 1: Remove all negative profit generating models from Lariat's fleet.

- Strategy 2: Remove all negative profit generating models from the bottom five profiting Lariat branches.

- Strategy 3: Determine the top five profit generating models and the bottom five profit generating models in Lariat's fleet. Once identified, replace all negative profit generating models in the bottom five performing branches with the top five profit generating models.

Overview

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

50 Branches

4,000 Models
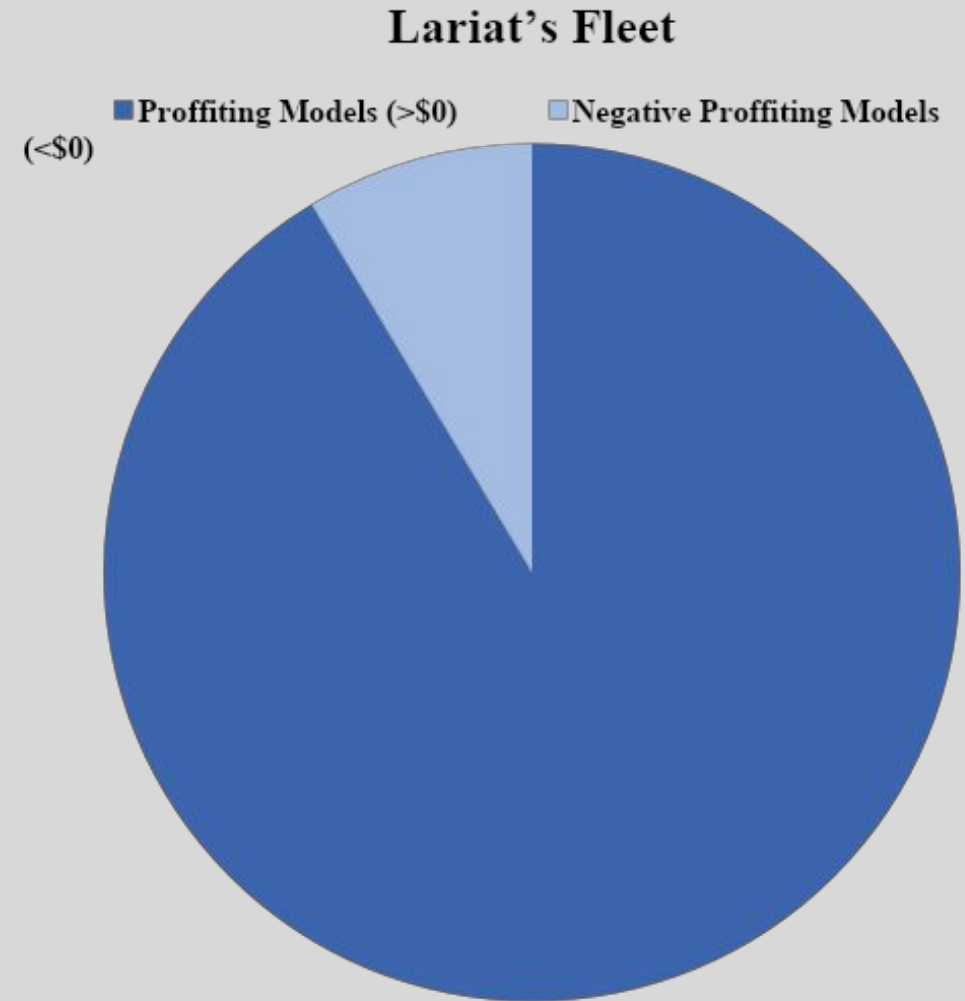
$32,207,481.36 in Profit

Strategy 1: (Analysis) Negative/Positive Profit Generating Models

Profit Generating Models:
- **91% (3,656 models)**

Negative Profit Generating Models:
- **9% (344 models)**

Lariat's Fleet

■ Proffiting Models (>$0)   □ Negative Proffiting Models (<$0)

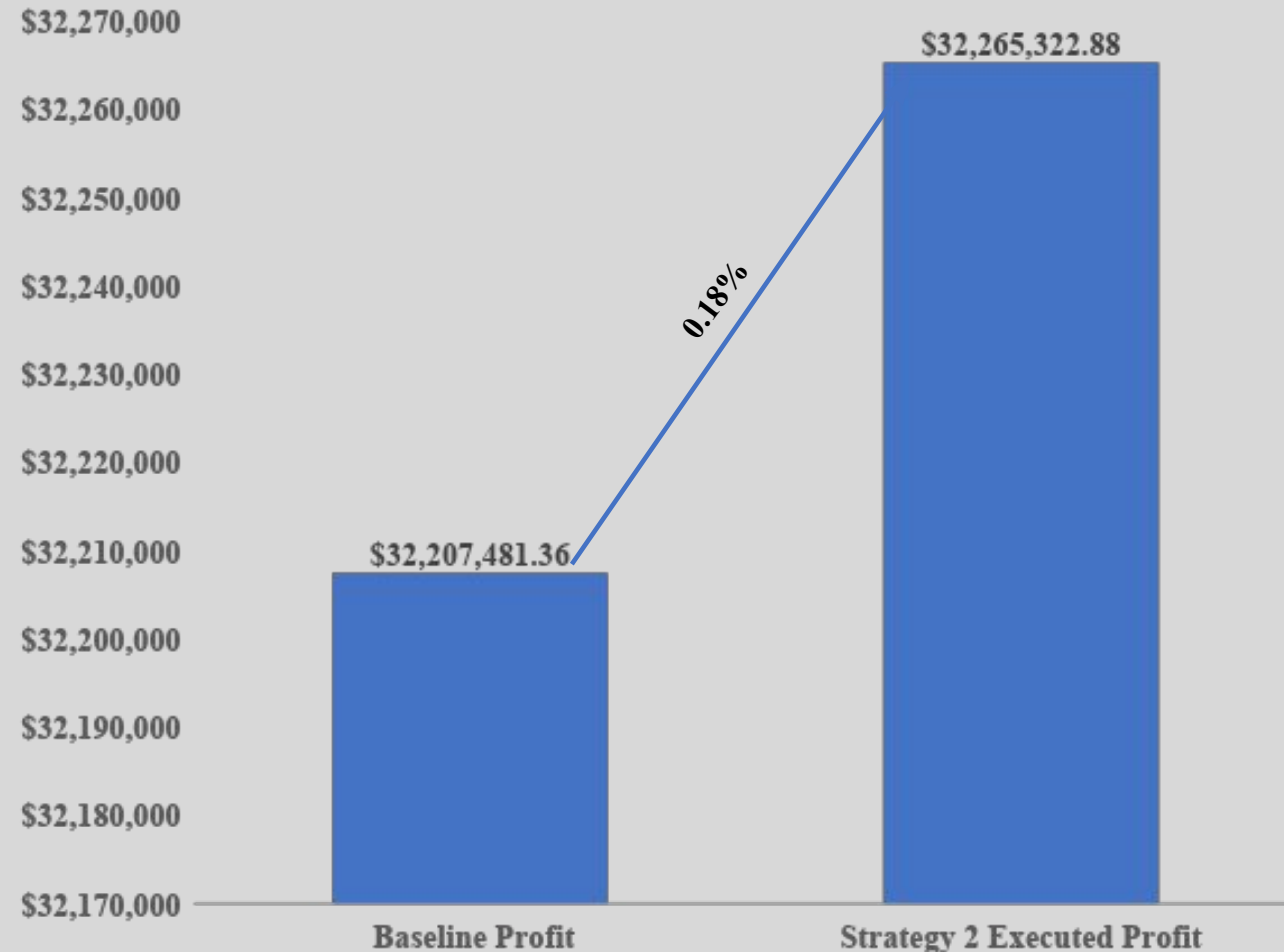*Source: AW Capstone Data (Strategy 1)*

Strategy 2: Remove Negative Profiting Models from the Bottom Five Performing Branches

Strategy Overview:
- Remove all negative profit generating models from the bottom 5 performing Lariat branches

Strategy Outcome:
- Lariat's overall profit increased by 0.18% (+$57,841.52)

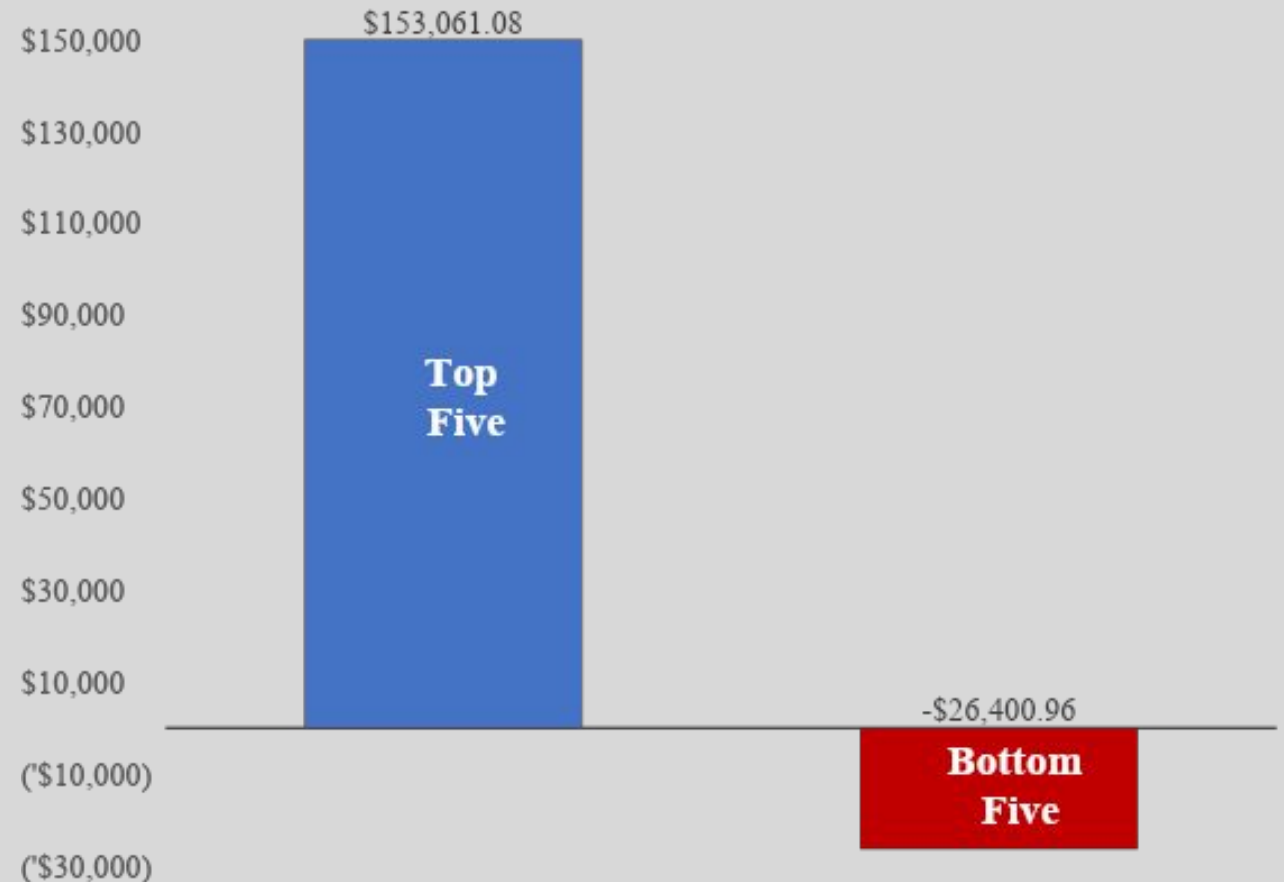*Source: AW Capstone Data (Strategy 2)*

Strategy Overview:
- Determine the top five profit generating models and the bottom five profit generating models in Lariat's fleet

Strategy Outcome:
- <u>Top Five Profit:</u> $153,061.08
  1) Pontiac-Firebird
  2) Dodge-D150
  3) Nissan-Pathfinder
  4) Mitsubishi-Eclipse
  5) Kia-Sedona
- <u>Bottom Five Profit:</u> ($26,400.96)
  1) Volkswagen-Type 2
  2) Chevrolet-Uplander
  3) Jaguar-XJ Series
  4) Ford-Escort
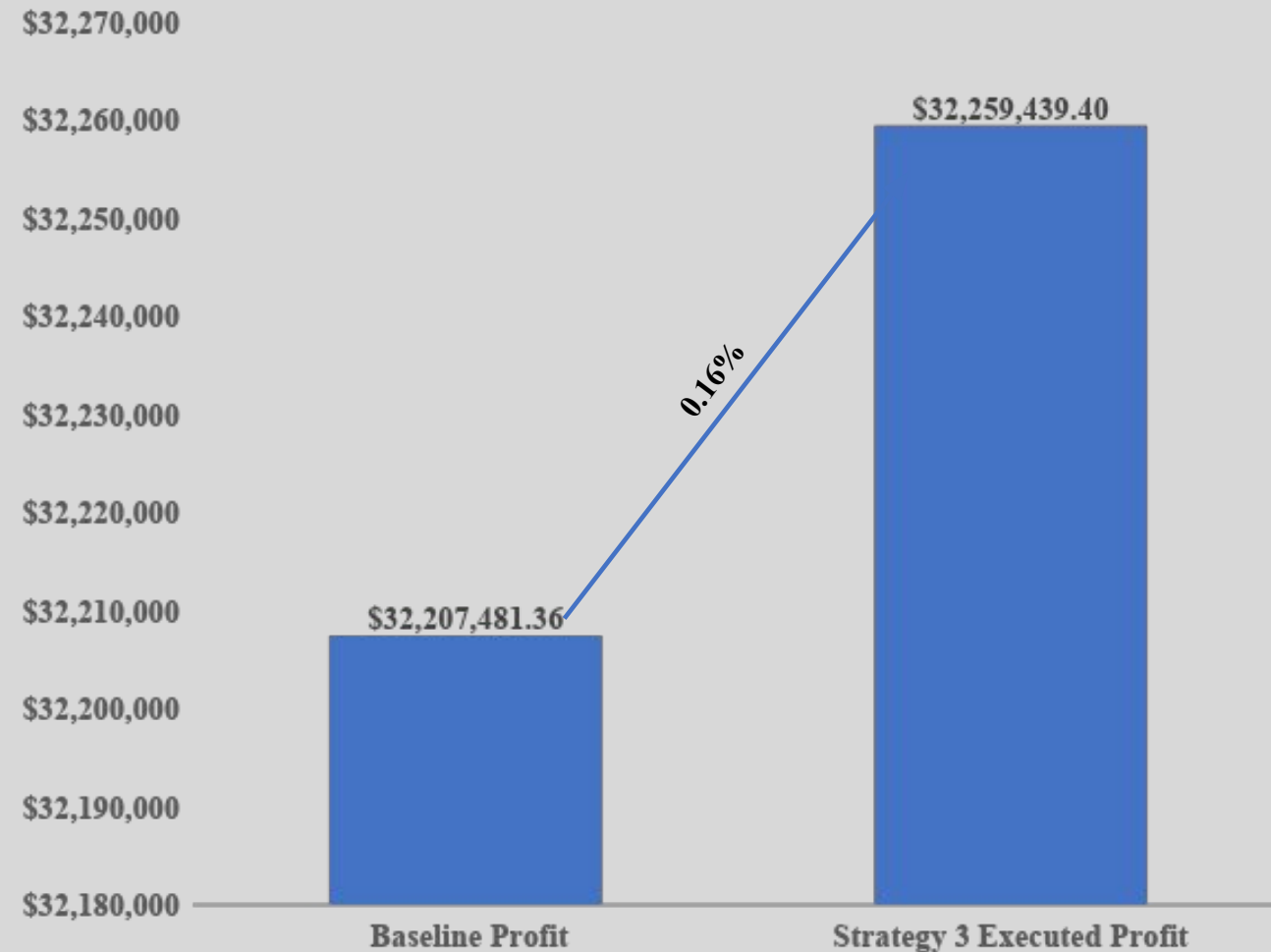 5) GMC-Yukon

Source: AW Capstone Data (Strategy 3)

Strategy 3: (Executed) Replace All Negative Profiting Models of the Bottom Five Profiting Branches with Top Five Profiting Models

Strategy Overview:
- Replace all negative profit generating models of the bottom 5 performing branches with the top 5 profit generating models

Strategy Outcome:
- Lariat's overall profit increased by 0.16% (+$51,958.04)

$32,270,000

$32,260,000 — $32,259,439.40

$32,250,000

$32,240,000

$32,230,000

$32,220,000

$32,210,000 — $32,207,481.36

$32,200,000

$32,190,000

$32,180,000

0.16%

Baseline Profit   Strategy 3 Executed Profit

Source: AW Capstone Data (Strategy 3)

Conclusion & Recommendation

Conclusions:

- <u>Strategy 1:</u> The removal of all negative profit generating models (344 total models) has the greatest impact on Lariat's total profits.

- <u>Strategy 2:</u> The removal of negative profit generating models improved individual branch profits.

  - This strategy shows that with the Company only removing the negative profiting models from the bottom 5 performing branches (31 total models) resulted in a 0.18% increase in profits. This strategy takes the least amount of action needed by Lariat to improve revenue.

- <u>Strategy 3:</u> The replacement of the bottom five performing models with the top five performing models improved individual branch profits.

  - This strategy shows that with the Company replacing only 31 of its worst performing models with 5 of the best performing models (62 total models) to increase its profit by 0.16%.

Recommendation:

- We recommend that the Company executes a combination of the strategies <u>within their budget constraints</u>. This would entail removing as many of the negative profiting cars across all branches and replacing them with the top five models.

Questions?

Thank You!