Lariat Strategic Business Models

2019

Strategies

- **Strategy 1:** Discontinue car models that on average, are losing money

- **Strategy 2:** Discontinue all cars that are not making money, individually

- **Strategy 3:** Swap discontinued cars with the top 10 most profitable cars

- **Strategy 4:** Open 5 new branches located in the most populated US cities
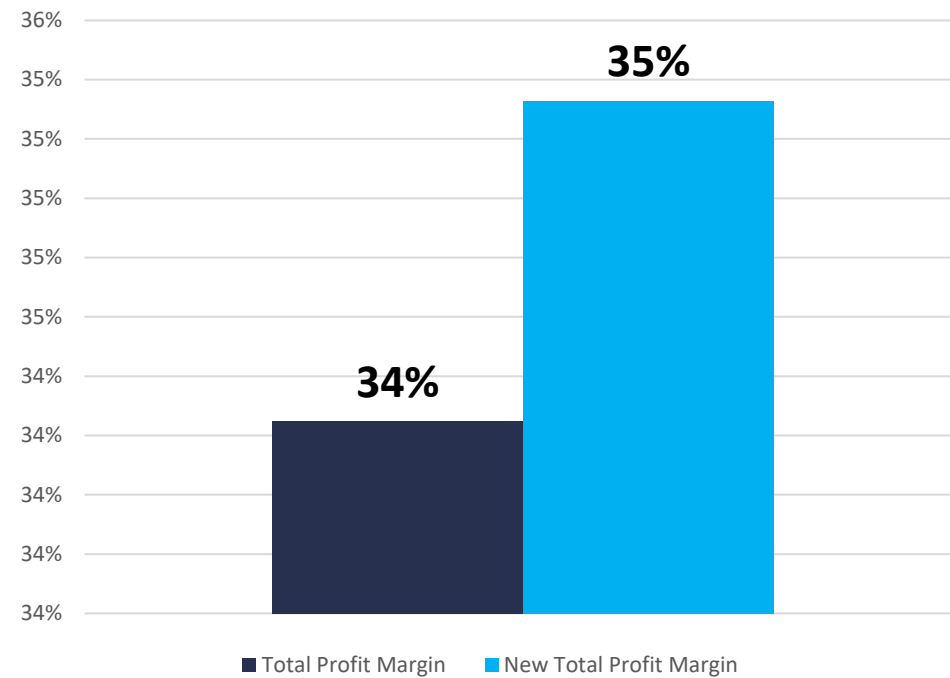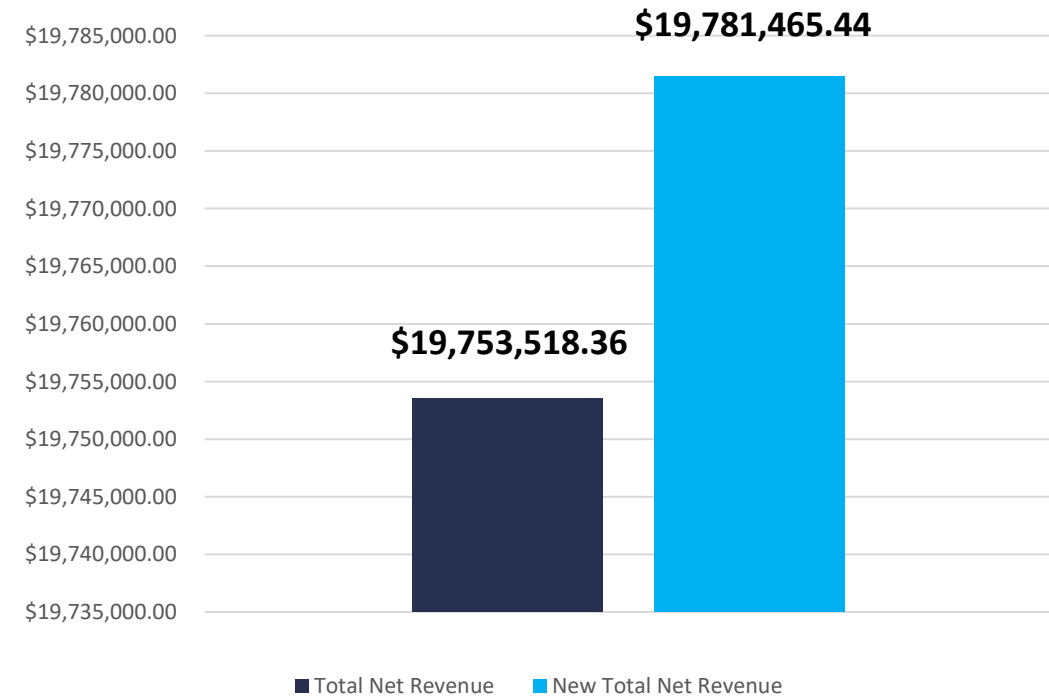
Strategy 1

- Is it the model?

- Average the sales per model

- Discontinue all the car models that are losing money

- 44 Car Models removed
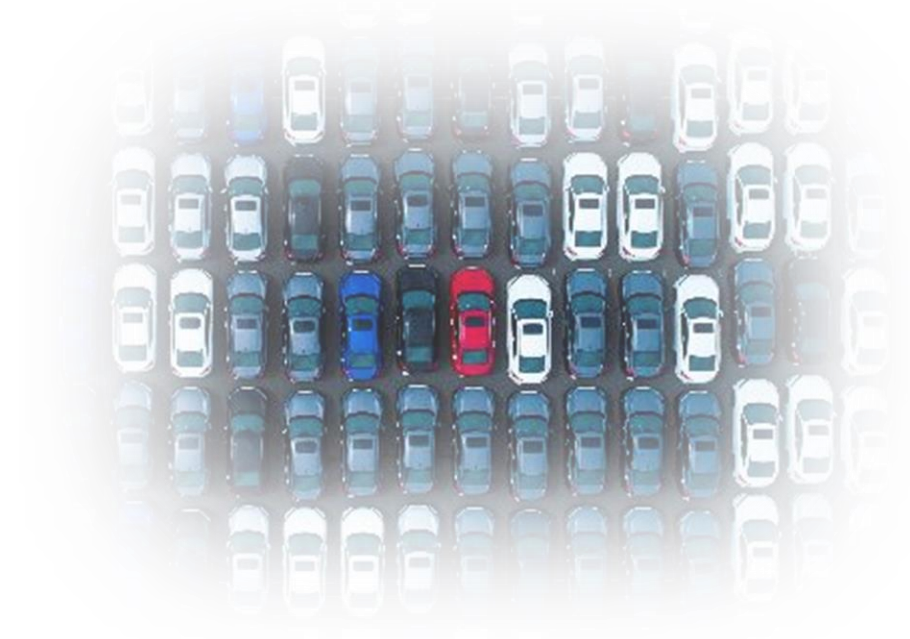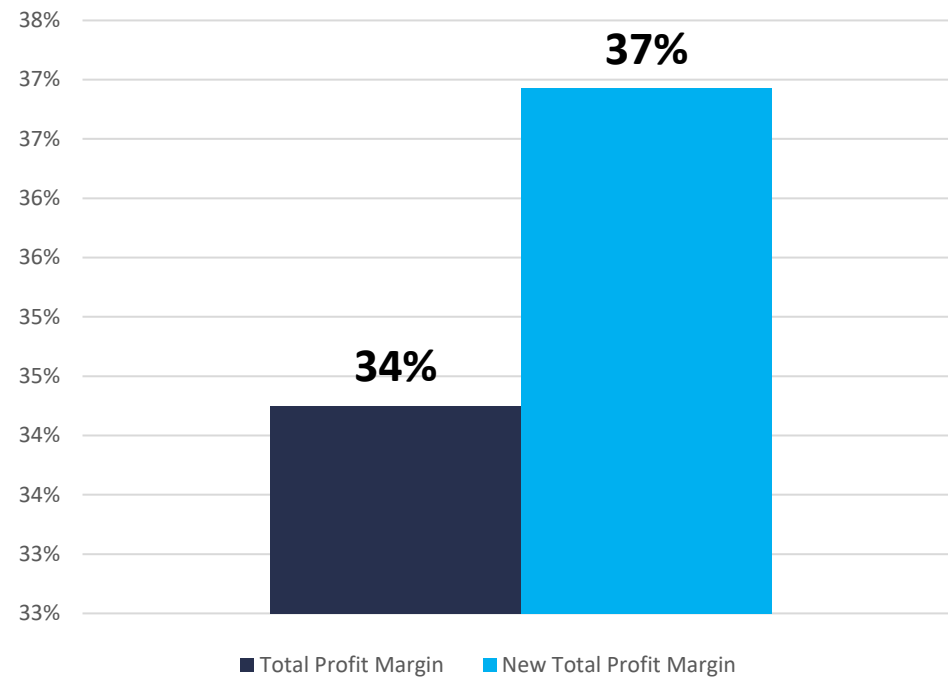
Strategy 1

Profit Margin

36%	
35%	35%
35%	
35%	
35%	
34%	34%
34%	
34%	
34%	
34%	
34%	

■ Total Profit Margin   ■ New Total Profit Margin

Net Revenue

$19,785,000.00	$19,781,465.44
$19,780,000.00	
$19,775,000.00	
$19,770,000.00	
$19,765,000.00	
$19,760,000.00	
$19,755,000.00	$19,753,518.36
$19,750,000.00	
$19,745,000.00	
$19,740,000.00	
$19,735,000.00	

■ Total Net Revenue   ■ New Total Net Revenue

Strategy 2

- Are there other factors involved?

- Select cars individually

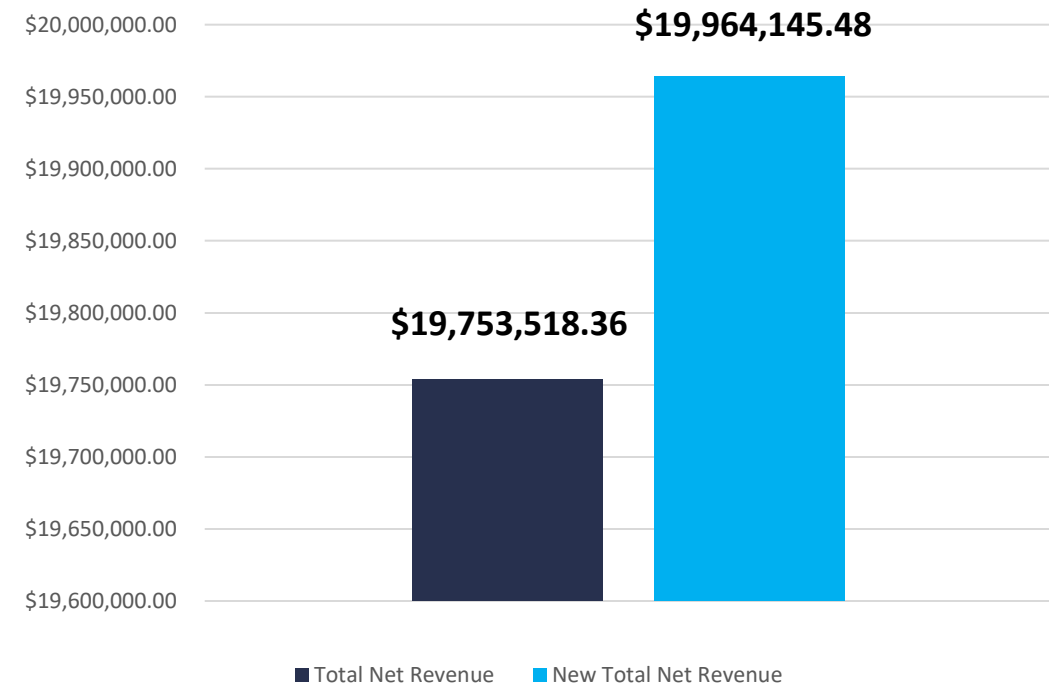- Discontinue 212 cars

- Use <1% Profit Margin to guide selection

Strategy 2

Profit Margin

37%

34%

- ■ Total Profit Margin
- ■ New Total Profit Margin

Net Revenue

$19,964,145.48

$19,753,518.36

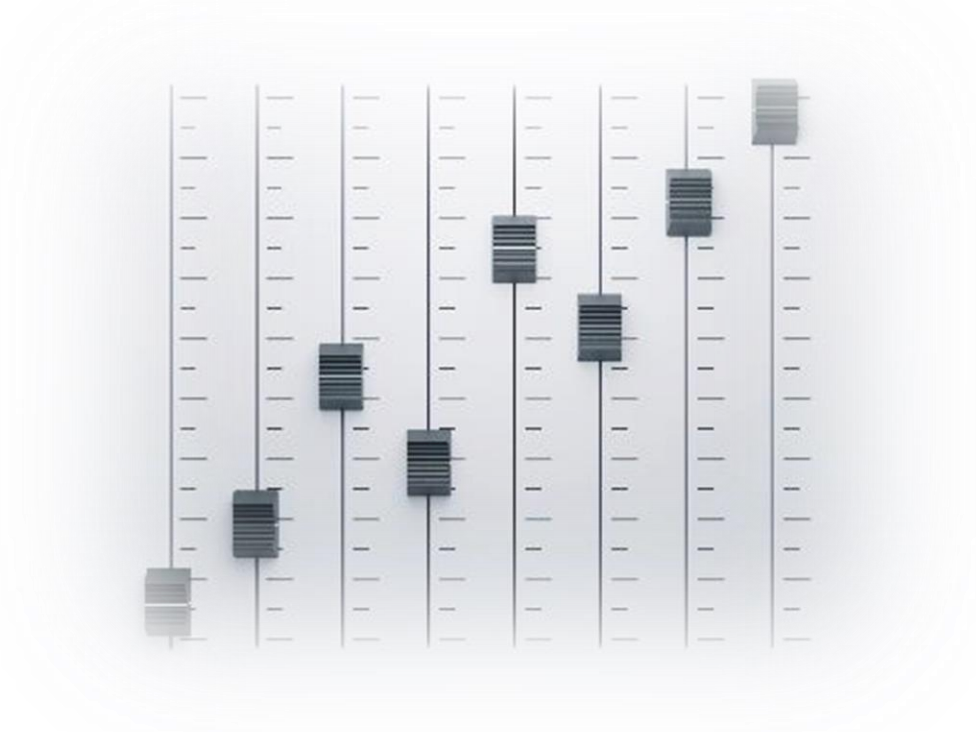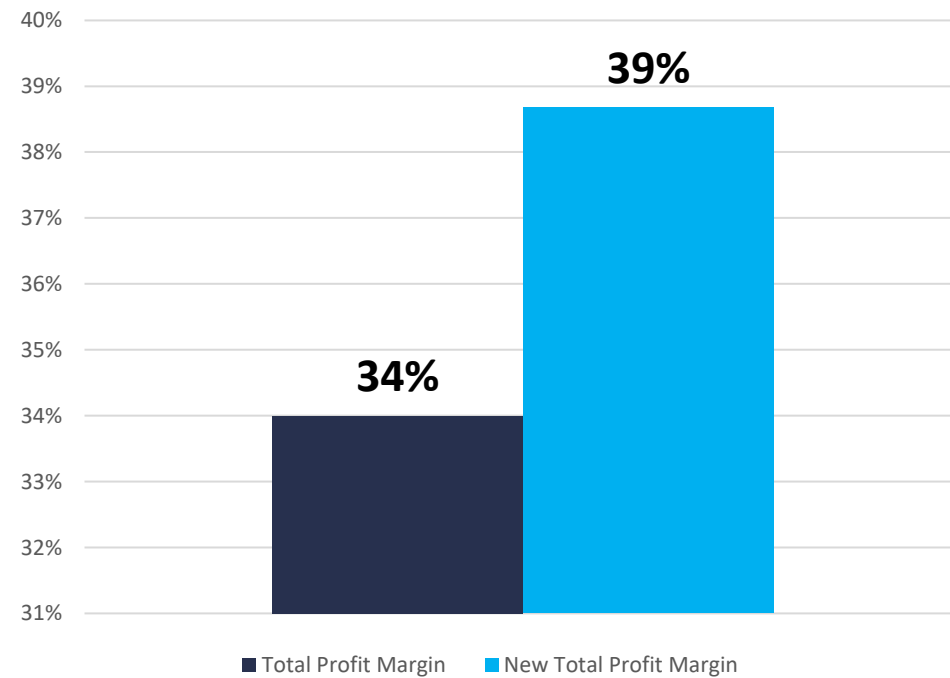- ■ Total Net Revenue
- ■ New Total Net Revenue

Strategy 3

- Demand does not change

- We can meet demand with an updated fleet

- Transfer would-be sales of removed cars to sales of new cars

- Use average profit margin of top 10 cars (70%)
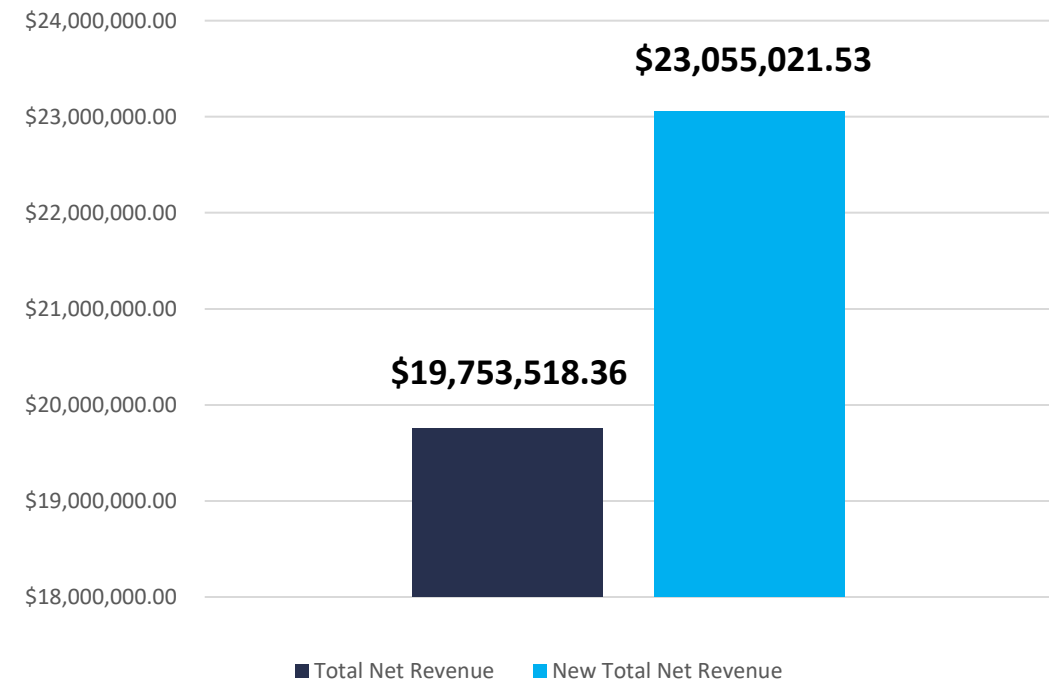
Strategy 3

Profit Margin

■ Total Profit Margin	■ New Total Profit Margin

34%
39%

Net Revenue

$23,055,021.53

$19,753,518.36

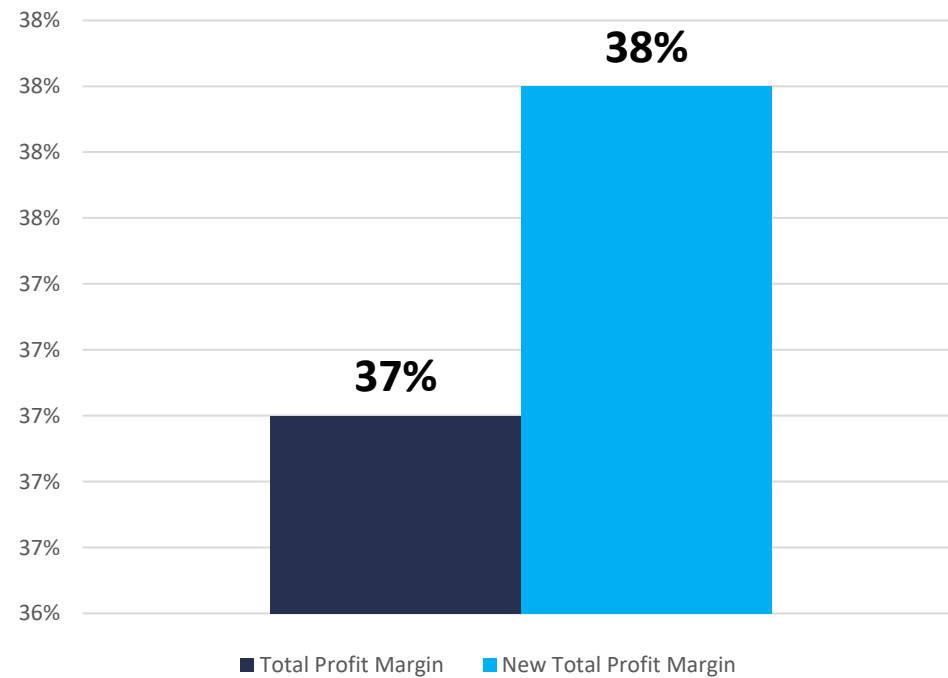|	
■ Total Net Revenue	■ New Total Net Revenue

Strategy 4

- Untapped market

- Top 10 U.S. cities by population

- Use existing average branch revenue for the

  new branches ($ 1,056,604.14)

	Population (Millions)
Chicago, IL	2.7
Phoenix, AZ	1.8
Philladelphia, PA	1.6
San Diego, CA	1.5
Dallas, TX	1.4
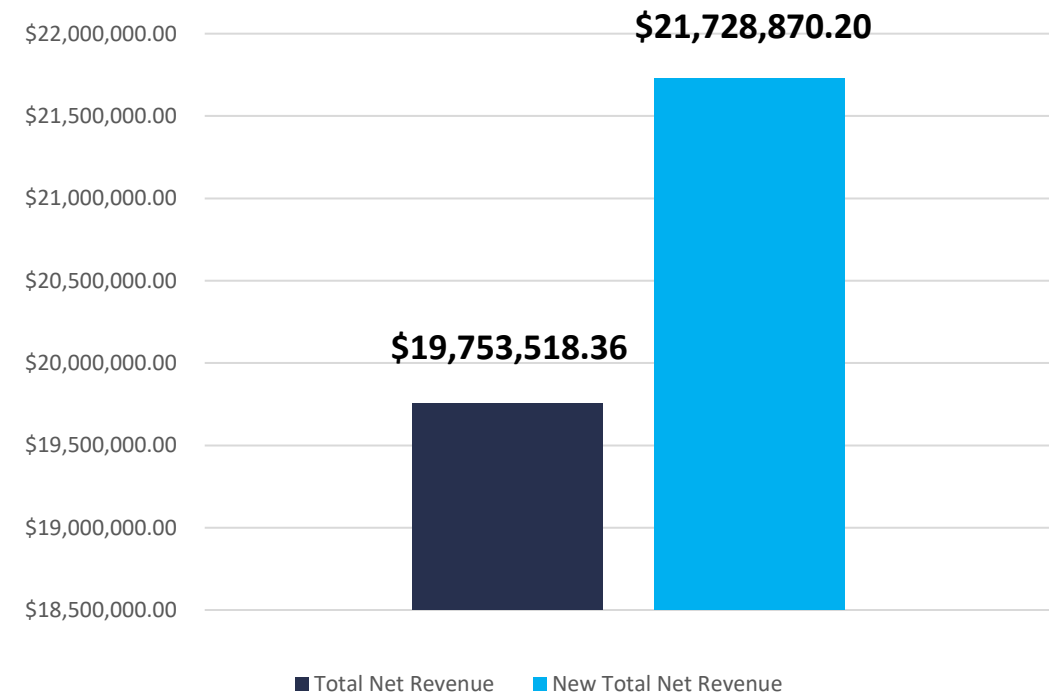
Breakdown

- Strategies 1 and 2 are different ways to cut car costs

- Strategies 3 and 4 are different ways to increase revenue

- Strategy 2 is superior to Strategy 1 because it removes individual car losses more efficiently that grouping car models as a whole

- Strategies 3 and 4 are not mutually exclusive

- Strategies 2, 3 and 4 can be combined for best results

Comparison

Gross Revenue

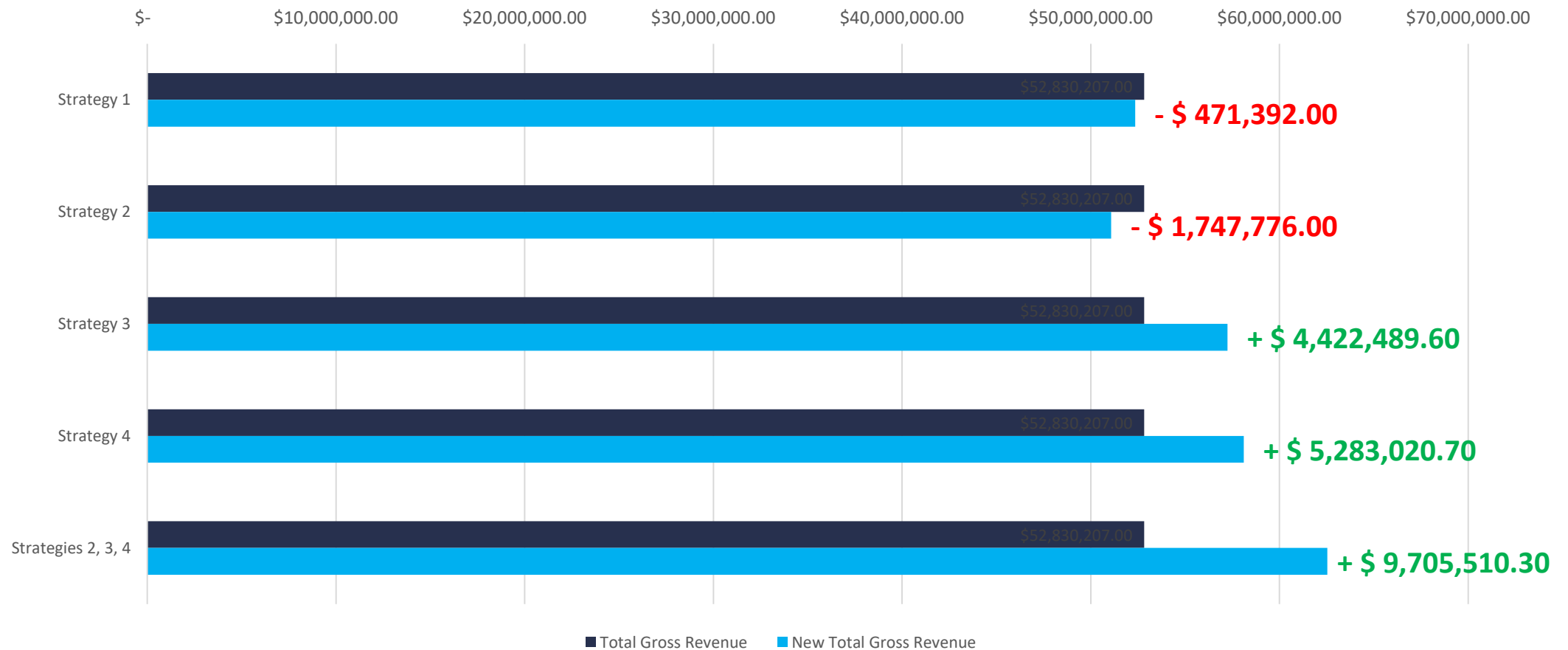|	$-	$10,000,000.00	$20,000,000.00	$30,000,000.00	$40,000,000.00	$50,000,000.00	$60,000,000.00	$70,000,000.00

Strategy 1 — $52,830,207.00 — **- $ 471,392.00**

Strategy 2 — $52,830,207.00 — **- $ 1,747,776.00**

Strategy 3 — $52,830,207.00 — **+ $ 4,422,489.60**

Strategy 4 — $52,830,207.00 — **+ $ 5,283,020.70**

Strategies 2, 3, 4 — $52,830,207.00 — **+ $ 9,705,510.30**

■ Total Gross Revenue   ■ New Total Gross Revenue

Profit Margin

	Strategy 1	Strategy 2	Strategy 3	Strategy 4	Strategies 2, 3, 4
■ Total Profit Margin	34%	34%	34%	37%	37%
■ New Total Profit Margin	35%	37%	39%	38%	46%

■ Total Profit Margin   ■ New Total Profit Margin

Net Revenue

Bar chart comparing Total Net Revenue and New Total Net Revenue across strategies.

- Strategy 1: + $27,947.08
- Strategy 2: + $210,627.12
- Strategy 3: + $3,301,503.17
- Strategy 4: + $1,975,351.84
- Strategies 2, 3, 4: + $9,421,237.08

Legend: ■ Total Net Revenue ■ New Total Net Revenue

Y-axis: $-, $5,000,000.00, $10,000,000.00, $15,000,000.00, $20,000,000.00, $25,000,000.00, $30,000,000.00

Summary

Combining strategies 2, 3, and 4 provides the most overall gain

Goals

Discontinue all cars with <1% profit gain

Stock more of the most profitable cars

Expand to the biggest cities in the US