

Universal Rental Car

Team 4:

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(Simulation Run)



Universal Rental Car will earn \$471 million in revenue and \$68.6million in profit next year

Tampa

	Revenue	Profit
Q1	11M	1.6M
Q2	10M	1.5M
Q3	10.2M	1.5M
Q4	10.8M	1.6M

Orlando

	Revenue	Profit
Q1	65M	9.4M
Q2	60M	8.8M
Q3	59M	8.6M
Q4	67M	9.8M

Miami

	Revenue	Profit
Q1	46.4M	6.7M
Q2	43.8M	6.4M
Q3	42.4M	6.1M
Q4	45.4M	6.6M

Assumptions:

- Assuming a similar pattern in customer and competitors' behaviors as we have observed in the third simulation
- Premium pricing at lower end, to also focus market share for upcoming fiscal year.
- Assuming a 5 percent increase in revenue and a stable profit margin
- Calculations based on previous year's earned cumulative revenue of \$450 million and profit of \$65.12 million.

Overview & Key Metrics Over The Simulations

(\$65.1 M Cumulative Profit)

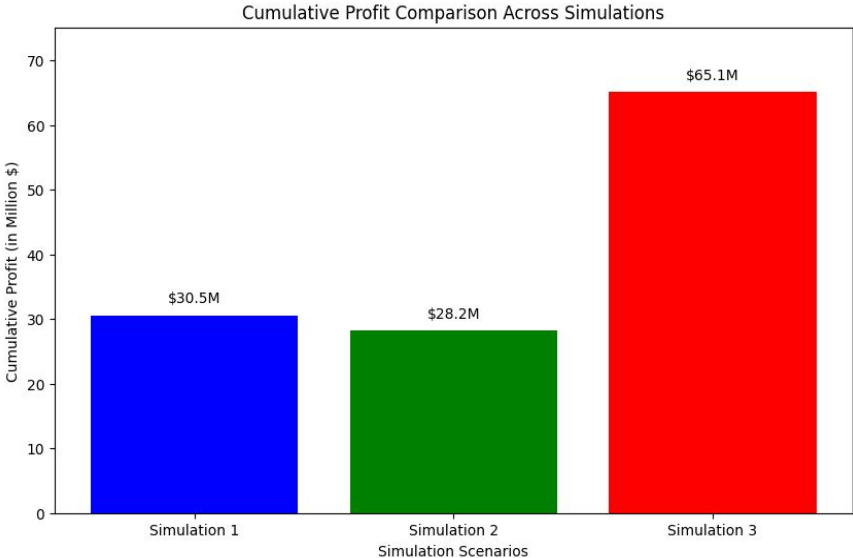
Pricing Strategy Overview

Our choice to adopt a approach for premium pricing, reduced fleet size, and increased utilization.

Simulation Run By Prateek Naharia

Simulation	Strategy	Key Outcome
1	Moderate Price Strategy	Stable demand with a 5-8% variation
2	Market Aligned Pricing	Uniform demand with less than 5% fluctuation
3	Premium Pricing Strategy	12-15% decrease in market demand & Increase in Utilization

Simulation	1	2	3
Cumulative Profit	\$30.5M	\$28.2M	\$65.1M
Final Market Share	44.7%	47.2%	41.8%
Cumulative Unit Sales	12.8M	13.4M	12.0M
Capacity Utilization	59%	66%	82%
Final Month's Profit	\$1.45M	\$1.13M	\$5.93M



Premium Pricing Strategy In Florida, highlighting the city-specific pricing strategies, utilization targets, and demand response.

City	Weekday Pricing	Weekend Pricing	Utilization Targets	Market Demand Response	Inventory Costs & Revenue
Tampa	\$43 - \$56 (Above Comp.)	\$32 - \$41 (Above Comp.)	70 - 86% (Wkdy) / Up to 53% (Wknd)	High Demand Met, Room for Growth	Moderate Costs, High Revenue
Orlando	\$41 - \$52 (Above Comp.)	\$30 - \$37 (Above Comp.)	Up to 100% (High Demand)	Fully Meeting Market Demand	Lower Costs, Premium Revenue
Miami	\$45 - \$59 (Luxury Market)	\$33 - \$42 (Above Comp.)	100% Utilization (High-End Demand)	High Demand, Luxury Focus	High Costs, Highest Revenue

- **Pricing Strategy:** Premium pricing to attract high-value customers and ensure profitability.
- **Demand and Sales:** Focused on meeting market demand while maintaining high standards.
- **Cost Management:** Balancing vehicle inventory costs with revenue generation for optimal profitability.

Strategically Elevated Premium Pricing in Tampa, Orlando, and Miami Maximizes Profitability Through Enhanced Utilization and Market Positioning

City	Pricing Strategy	Target Utilization	Market Demand Response	Profit Impact
Tampa	Premium pricing above competitors, focusing on business travelers during weekdays and leisure travelers during weekends.	Aim for 70-80% utilization to balance demand and premium positioning.	High demand from business sector, with moderate elasticity.	Increased revenue per unit, with a focus on high-value customers.
Orlando	Align prices slightly above market average, targeting both business and leisure segments.	Target near 100% utilization in peak seasons, leveraging tourist influx.	Strong demand throughout the year, especially in tourist seasons.	Consistent profitability, leveraging seasonal demand spikes.
Miami	Highest premium pricing, capitalizing on luxury and leisure markets.	Maintain 90-100% utilization, emphasizing quality over quantity.	Sensitive to seasonal changes, with a focus on high-end leisure travelers.	Maximized profits per transaction, with a focus on high spending customer segments.

The pricing strategy for each city, considering the balance between premium pricing, market demand, and desired utilization rates to maximize profitability and market positioning.

Profit Strategy For Florida Markets

Tampa

- **Weekday Focus:** A significant portion of revenue comes from weekday rentals.
- No unfilled orders
- Premium Pricing was our profit strategy here.
- Avg Market Demand for Tampa - 181.4K
- Utilization: 70 - 86% (Wkdy) / Up to 53% (Wknd)

Orlando

- **Weekend Focus:** Orlando sees a higher contribution from weekend (leisure) rentals,
- Strongest demand response observed in Orlando, indicating higher sensitivity to pricing and marketing strategies.
- Unfulfilled orders, hence there is a market demand which was unfulfilled, which we will look into.
- Utilization: Upto 100% (High Demand)
- Avg Market Demand of Orlando - 1.07M

Miami

- **Balanced Approach:** Miami shows consistent revenue from both weekdays and weekends.
- Suggesting Premium Pricing worked best.
- Unfulfilled orders, hence there is a market demand which was unfulfilled.
- Avg Market Demand for Miami - 560K
- Utilization: 100% (High Demand) , Luxury Focus

FLORIDA

Efficient Inventory Management:

- High fleet utilization in the simulation signaled effective inventory control.
- Contributed to cost control and operational efficiency.

Profitability Focus:

- Premium pricing aligned with a profitability-focused approach.
- Balanced vehicle inventory costs to maximize revenue.
- Prioritized profitability over sheer market presence.

Premium Pricing and Fleet Optimization:

- Emphasized on premium pricing.
- Reduced fleet size for optimal utilization.
- Prioritized value over volume, not fixated on market share.

Market Dynamics in Florida:

- Average market demand in Florida: 1.82 M.
- Pricing strategy: Premium to attract high-value customers.
- Focus on meeting demand with high-quality service.

Premium Pricing Based on Seasonality and Customer Segmentation

TAMPA

- Tampa's industries include Shipping, Retail, Finance, Insurance and Defense.
- 7th Largest port in the US, hence we have a higher demand on weekdays, especially from business travelers.

ORLANDO

- Vacation Destination - 50 million footfall annually.
- Higher Weekend Usage.
- Business and Conference

MIAMI

- Gateway to Latin America
- Biggest Shipping Destination in the world
- Premier destination for Spring Break for students hence increased tourist activity.

Customer Segmentation

TAMPA:

Business Travelers (Weekdays):

Higher demand on weekdays, especially from business travelers. Business during weekend was only 1%. So focused on leisure.

Weekend Explorers (Weekends):

Slightly lower demand on weekends, possibly local residents or leisure travelers.

ORLANDO:

Weekend Families (Weekends):

Higher utilization on weekends, probably from families.

Business and Conference Travelers (Weekdays):

Weekday demand probably from business and conference travelers.

MIAMI:

Tourists (Weekdays and Weekends):

Consistent demand throughout weekdays, likely due to tourist activity & utilization during weekend 52%, during weekdays its 96%

Business and Leisure Travelers (Weekdays and Weekends):

Balanced demand from both segments, requiring flexible pricing models.

Demand, Price Response & Competitor Behavior Analysis



Strategic Insights

- **Fleet Management:** Efficient fleet size management, key to maximize profitability, keeping inventory cost (low)control.
- **Cost Efficiency:** A focus on operational efficiency led to reduced variable costs, especially in Simulation 3.
- **Profitability Enhancement:** Adaptability and effective response to market dynamics improved profitability across simulations.

Note : Also overpricing can lead to significant unfilled orders, & low utilization while aligned pricing stabilizes demand.

Strategy Implication

- **Elastic Markets:** Adapt pricing strategies in elastic markets like Orlando and Miami, shows sensitivity to price increase.
- **Competitive Analysis:** Regularly monitor competitor pricing and market share.
- **Demand Forecasting:** Using demand data for informed pricing decisions.

(Demand & Price Response) Price Range / per sims	Demand Response	Price Elasticity
1. Tampa & Miami: \$41-\$49 (Wkdy), \$34-\$45 (Wknd) Orlando: \$37-\$45 (Wkdy), \$31-\$37 (Wknd)	Stable, 5-8% variation Orlando: 10-15% increase	Moderate
2. Aligned with market avg. within \$3 variance	Uniform, <5% fluctuation	Low
3. Increased by 10-15% from previous sims (Premium Pricing)	Decrease of 12-15%	High
(Competitor Behaviour) Pricing Strategy / sims	Market Share Response	Strategic Response
1. Stable or slightly lower than Universal	Steady market share	Minimal aggressive changes
2. Slightly reduced prices in response to Universal	Fluctuating market share	Responsive to Universal's strategy
3. More aggressive pricing in peak seasons but on lower level.	Notable changes in some cities	Proactive, possibly using data-driven insights

Role of Inventory and Costs in Market Dynamics

Reduced Inventory & Cost , Increased Utilization

Cost Reduction Strategy

- Reduction in fleet size: Average reduction of approximately 6% in Tampa, 30% in Orlando, and 22% in Miami.
- Significant increase in capacity utilization, especially in Orlando and Miami, indicates more efficient use of the fleet.
- Inventory cost reduction by 24% in Simulation 3 compared to Simulations 1 and 2.

Impact of Premium Pricing Strategy (Final)

- Enhanced utilization rates allowed for a successful premium pricing strategy.
- Despite a reduced fleet size, revenue remained robust due to higher utilization and premium pricing.
- The strategy led to a substantial increase in cumulative profit to \$65.1M (from \$30.5M in Sim 1 and \$28.2M in Sim 2).

Strategic Decision

- The analysis of customer and market dynamics, along with the role of inventory and costs, informs the decision to continue with a premium pricing strategy.
- Focus on maintaining high utilization rates with a leaner fleet to maximize profitability.
- Adjust fleet size dynamically based on seasonal demand and market trends.

Fleet Size and Utilization Analysis			
Fleet Size (Avg.)/Sims		Utilization Rate	Inventory Cost (Annual)
1. Tampa: 3.9K Orlando: 21.7K Miami: 12.8K		59%	\$13.934M
2. Tampa: 3.9K Orlando: 21.7K Miami: 12.8K		66%	\$13.932M
3. Tampa: 3.8K Orlando: 15.2K Miami: 10.0K		82%	\$11.19M

Quantitative Insights

- Capacity Utilization Increase: Improved from 59% in Sim 1 to 82% in Sim 3.
- Inventory Cost Efficiency: Reduction in fleet size contributed to lower inventory costs, enhancing overall profitability.
- Revenue Maintenance: Successfully maintained revenue levels despite fleet size reduction, validating the premium pricing approach.

Tailoring pricing through segmentation, informed market research, Yield Management, Advanced Analytics & AI

Customer Segmentation

Purpose: To understand more different customer segments in-depth (e.g., business vs. leisure travelers).

Application: Tailored pricing strategies for each segment, maximizing revenue from high-value customers, maintaining market share in more price-sensitive segments.

Yield Management

Purpose: To maximize revenue through dynamic pricing based on demand fluctuations.

Application: Adjusting prices in real-time for different days, seasons, or even times of day, especially for last-minute bookings.

Market Research

Purpose: Conduct surveys to identify customer preferences and buying behaviors during weekday and weekend for better pricing decisions.

Application: Analyze the competitors thoroughly each market in Florida to position our offerings strategically in the market.

AA & AI

Purpose: To leverage big data for predictive modeling and customer insights.

Application: Using AI-driven tools for dynamic pricing, customer segmentation, and demand forecasting.

Proactively mitigating risks & forecasting economic trends

Techniques from The Course

Pricing Tools >> >> Cost Plus

Psychological Pricing

Customer Value Analysis

Economic Forecast

Apply pricing techniques such as value-based pricing, dynamic pricing, cost plus/component based pricing to respond to real time market changes promptly.

Utilize advanced analytic techniques to analyze market data for data-driven pricing strategies.

Purpose:
To have a detailed understanding of fixed and variable costs.

Application:
Ensuring prices cover costs and contribute to profitability; identifying opportunities for cost reduction.

Purpose:
To understand how pricing affects customer perception and buying behavior.

Application:
Implementing pricing strategies that make prices appear more attractive (e.g., \$49.99 vs. \$50.00).

Purpose:
To understand the value customers place on different aspects of the service

Application:
Aligning pricing with the perceived value, potentially introducing tiered pricing models.

Purpose:
Conduct analysis beyond current market conditions to forecast upcoming economic trends.

Application:
Conduct analysis on global market trends, govt policies and their potential impacts on local markets.

THANK YOU!