# LARIAT FLEET IMPROVEMENTS

An Analysis of Lariat's Car Rental Fleet and Revenues, and Recommendations for Fleet Alterations to Lower Costs and Grow Profits

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# FINANCIAL SUMMARY FOR 2020

- 4000 Cars in Fleet

- $53m in Revenue

- $33m in Cost

- $20m in Profit

- Average of about $5000 in yearly profit per car in fleet

# INITIAL OBSERVATIONS

1. The fleet is too large for Lariat's customer base.

   - The average utilization of a car in the fleet is about 22%.

   - Downsizing the fleet will lead to lower costs without affecting revenue.

2. Lariat has a large range of prices for car rentals

   - Customers are unlikely to rent a car that is out of their preferred price range

   - I have split the fleet into Economy, Mid-Size, and Luxury

# ASSUMPTIONS FOR ANALYSIS

1. Simply adding or subtracting cars from fleet should not affect quantity of rentals.

   - Adding a car will shift existing sales over from other cars in the fleet.

2. Customers will stay within their preferred car class.

   - When altering the fleet, the redistribution of sales (days rented per year for individual cars) is determined by the Class and relative popularity of the vehicles.

   - If we add a Luxury car to the fleet, rentals will shift over from existing Luxury cars only.

     - Economy and Mid-Size rentals will stay the same.

# FLEET CHANGE OPTIONS

1. No fleet changes, rely only on projected growth in customer base

2. Eliminate lowest profit cars in fleet, reducing fleet size

3. Add more of highest profit cars, thus raising the average profit per car

# NO FLEET CHANGES

- I assumed a 10% growth in customer base for the upcoming year

- Leads to:

  - 10% Growth in Revenue

  - 0% Change in Cost

  - *26.7% Growth in Profit*



No Fleet Changes
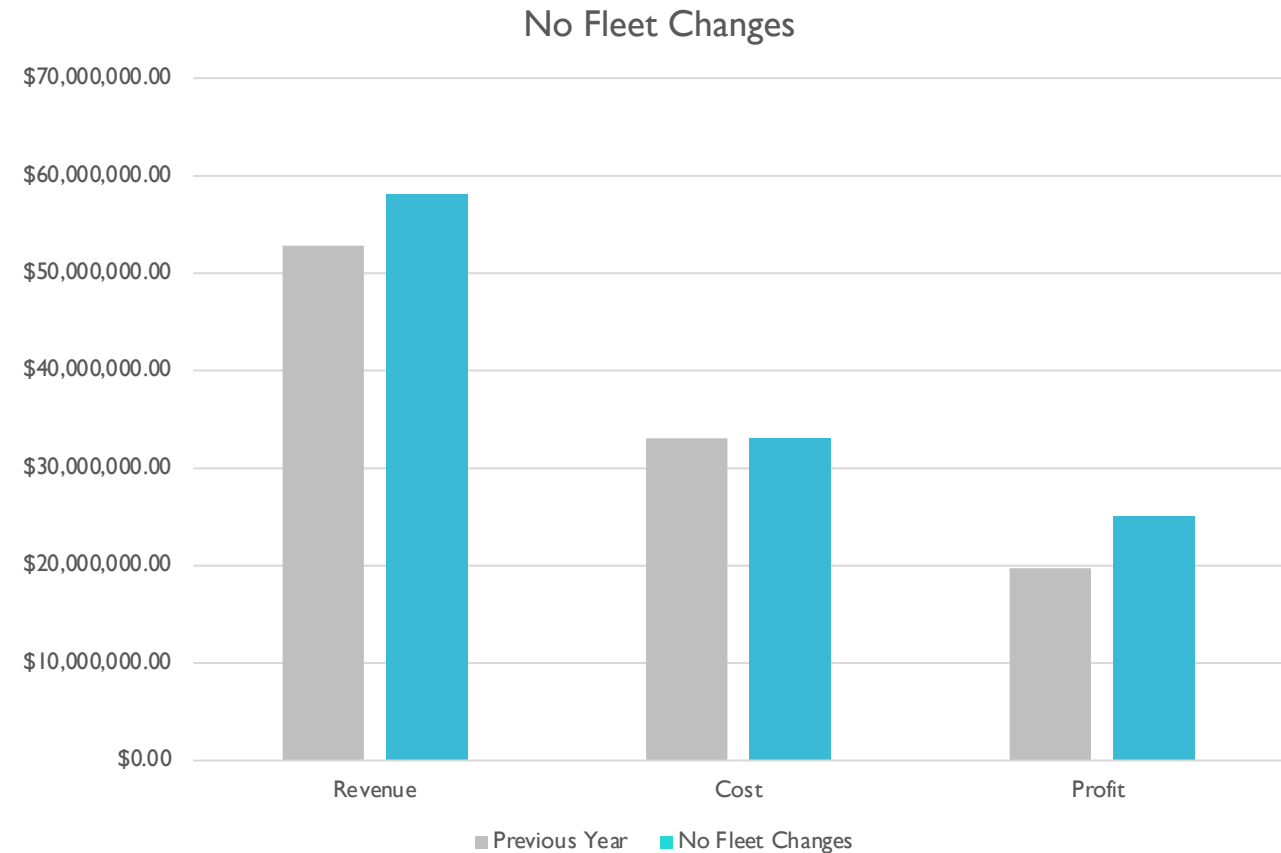
# ELIMINATING LOW PROFIT CARS

- Assume 10% growth

- I eliminated the 1000 lowest ranked cars by profit

- Fleet of 3000

- Leads to:

  - 10.3% growth in revenue

  - 26.9% reduction in cost

  - *72.4% growth in profits*
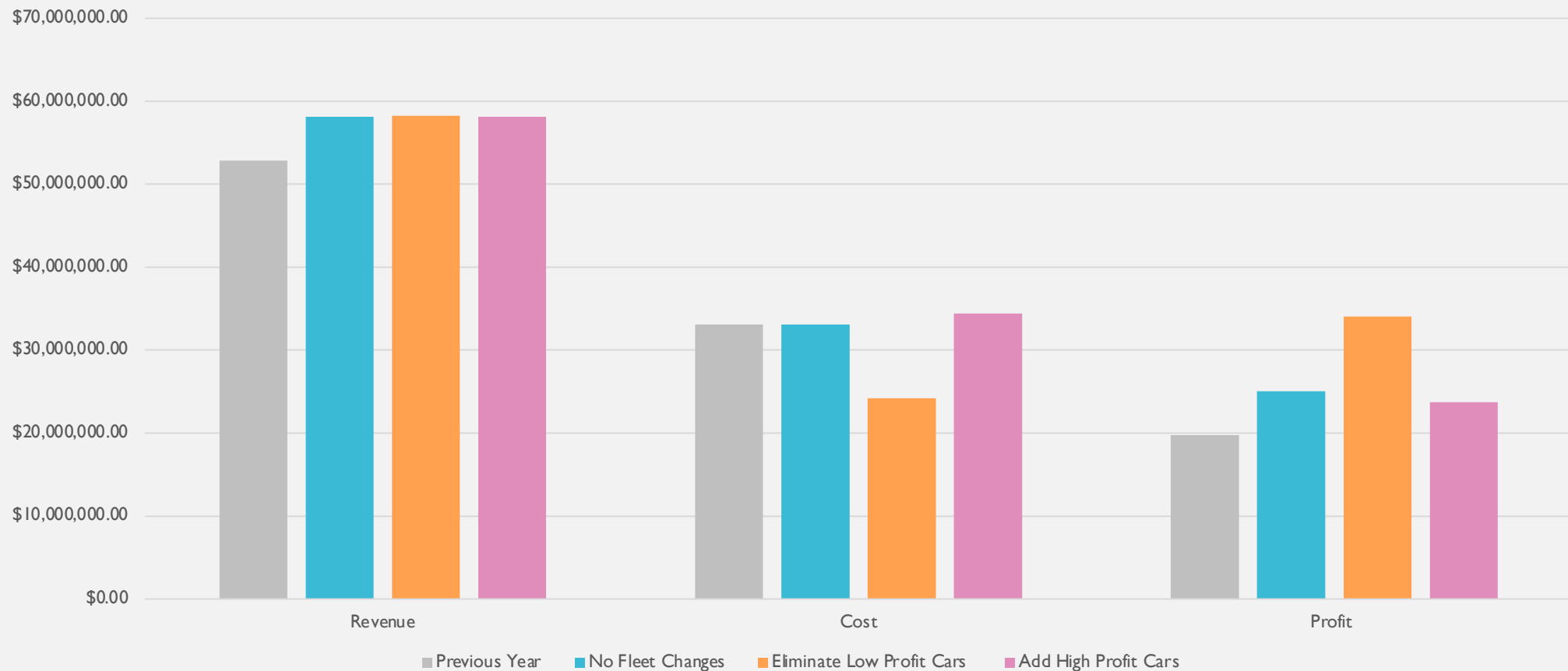


Eliminate Low Profit Cars
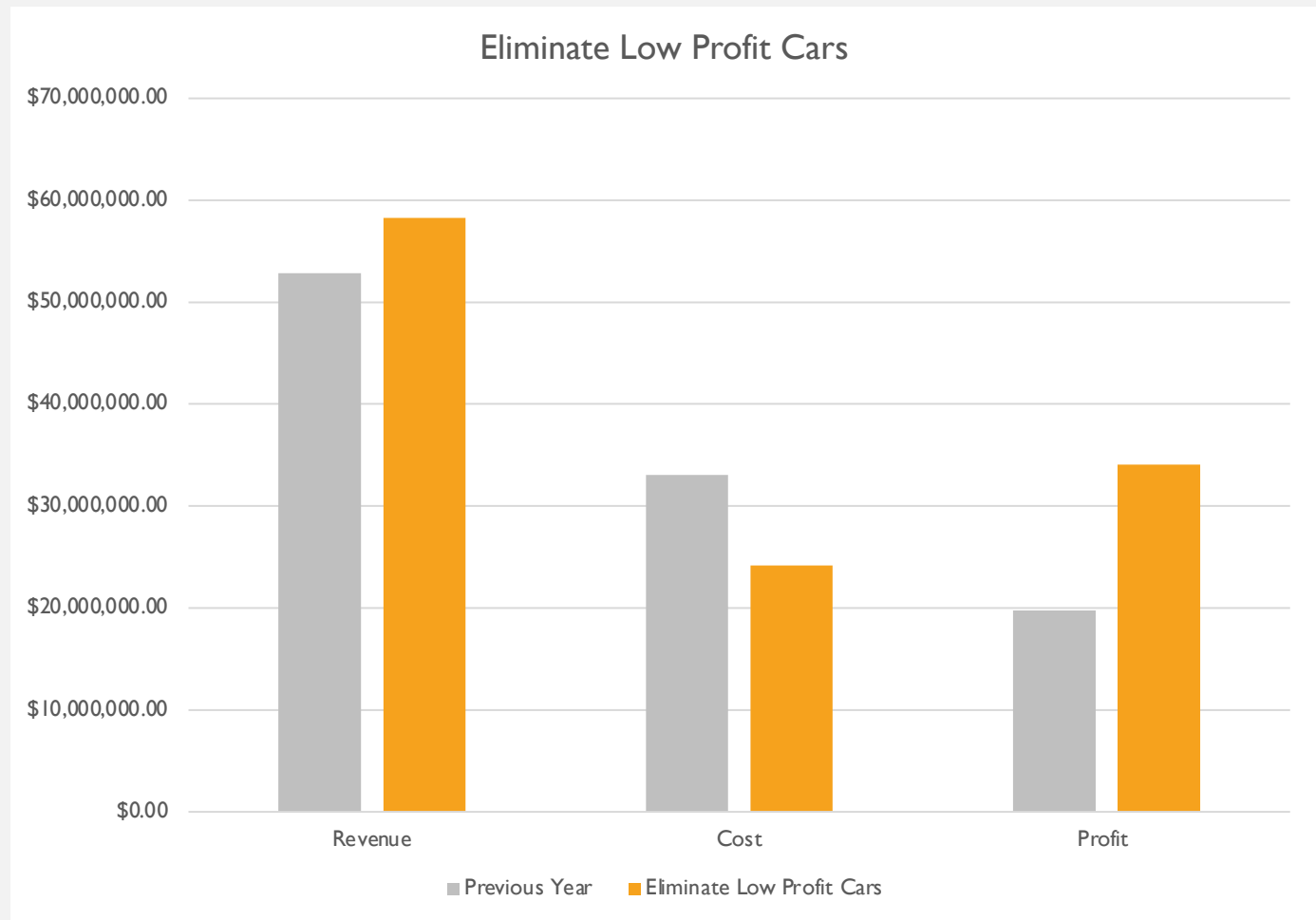
# PURCHASE HIGH PROFIT CARS

- Assume 10% growth

- I determined the top 10 most profitable car types and added 20 of each type to the fleet

- Fleet of 4200

- Leads to:

  - 10.1% growth in revenue

  - 4.1% increase in costs

  - *20% increase in profit*
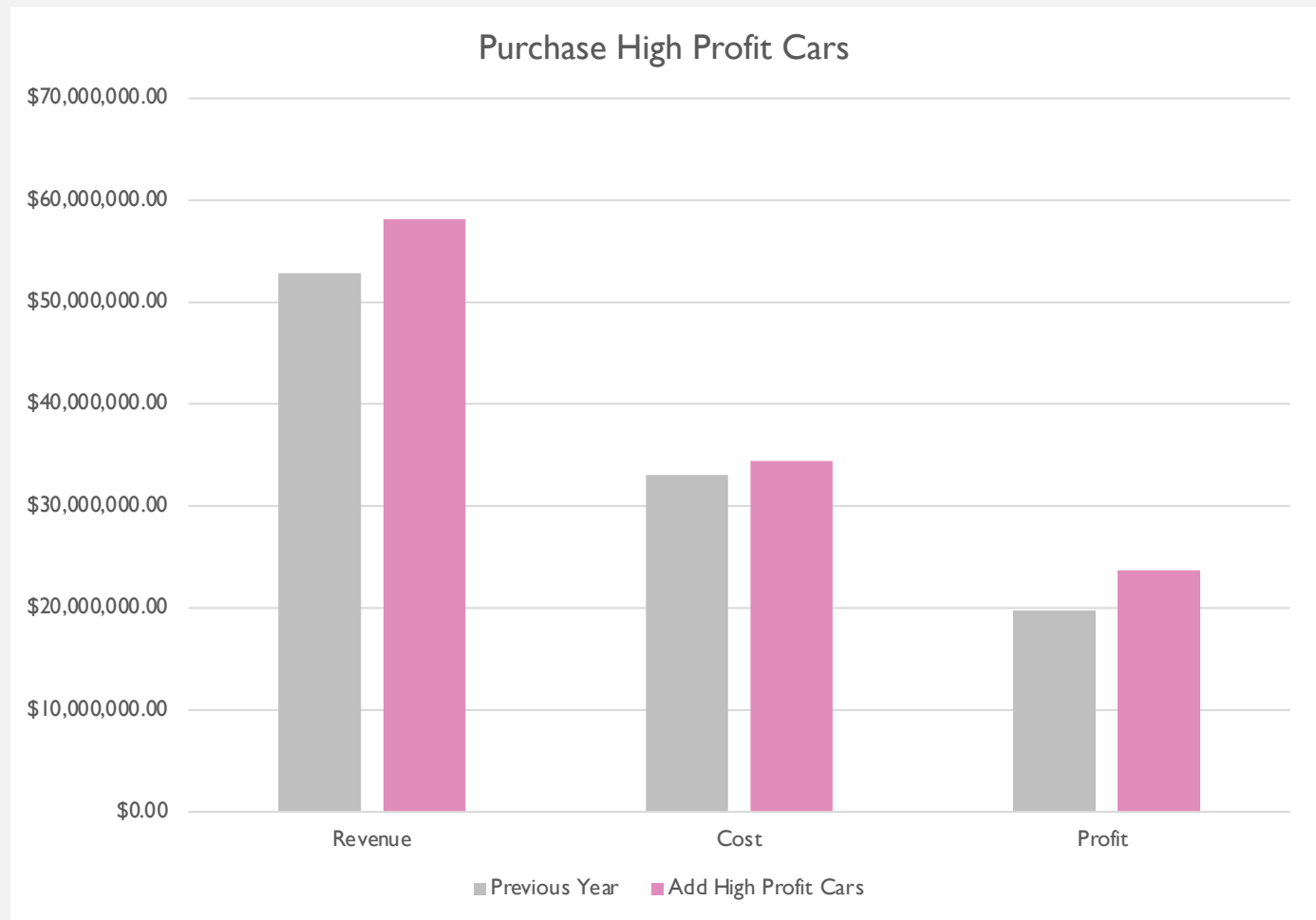


Purchase High Profit Cars

# MY RECOMMENDATION

*The best strategy is to combine multiple strategies*

1. **Downsize the fleet**

   - Leads to lower costs and higher utilization of each car

2. **Add more high profit cars**

   - Increases average annual revenue per car, thus increasing profits

3. **Project growth in customer base for the year**

# PROJECTED PROFITS

- Assume 10% Growth

- Eliminate lowest 1200 cars

- Purchase 20 of the top 10 most profitable car types (adding 200)

- Fleet of 3000

- Leads to:

  - 10.4% growth in Revenue

  - 27.9% reduction in Costs

  - *74.5% growth in Profits*

### Purchase High Profit Cars and Eliminate Low Profit Cars