Grade: Check-Plus
Comments: Good job. How will their fleet compete with Enterprise? How much will your add-on services cost to implement? Projecting a 40% increase in spending seems like an aggressive estimate in order to make it profitable.

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**PROBLEM**

Olympic's management must decide how to respond to the market-lead [illegible] y program. This is because a similar program at Olympic is the company's p [illegible] s facing a major threat. Key decisions to make include the nature of comp [illegible], Medalist program, the budget for advertising and promotions; and the tim [illegible]

**BARRIERS**

The biggest barrier is retaining a truly distinctive competitive strategy in the face of easy duplication by other players. Another barrier is the change in the business model for loyalty programs due to Enterprise's decision to reward days rented rather than dollars spent – this could have industry-wide ramifications in terms of customer segmentation and needs. Furthermore, Enterprise, Hertz and Avis are significantly larger, well-run firms with greater market power. The tough competitive environment and resulting consolidation only reinforces this. Additionally, the lack of growth in the number of business trips coupled with new teleconferencing technology presents market decline and substitution threats. Also, the high capital investment presents dependency on low interest rates.

**RECOMMENDATIONS**

1. Follow Enterprise's dollar-based approach in the Medalist loyalty program, while increasing value through program modifications.

2. Form alliance with other small car-rental firms / new tech firms.

3. Timeline for (1) should be immediate, while (2) can be done over a period of 5-7 months as building alliances takes time. Advertising/promotion budget can remain at 108M.

**SUPPORT**

***Adopting dollar-based approach is consistent with 'follower' strategy and good economics***: Olympics currently has less members in its loyalty program compared to others (Exhibit 5 – it is in 6th place with 11% of members). Driving growth in this service is critical to long-term viability. Slide 3 shows that gold and silver categories have the highest spending/member (Slide 3, Case Pg. 8: Gold (214), Silver (209), Bronze (100)). The Gold and Silver members can be retained and increased by offering additional value-add premium services such as key collection before journey, zero blackouts and 90-second pick-up/drop-off guarantee. This also induces customers from the Bronze segments to later switch to such higher categories as they become more familiar/gain awareness of Olympic's loyalty program. This incentivizes customers to spend more to gain more rewards, while the additional revenues covers the cost of providing such services/trips. Assuming that such an approach steals close to 3% market share from competitors (given the flat growth across segments) and that such customers spend 40% more due to the new system, the net profit is 2.877% of revenues (based off Slide 1 on Pg.7 & intra-case numbers) – which is a 37% increase from the 2012 result.

***Expansion of potential customer base while building distinctive competitive strategy through entry barriers for competitors***: By partnering with other small car rental firms and new technology firms in the deals/mobile space; Olympic can increase access to potential customers. The value proposition of such an alliance is that it addresses the primary customer need of convenience (through larger number of locations – Exhibit 4 shows 35%+ share of locations for small/independent players) while building a switching cost as a barrier to entry for competitors. This also handles the problem of price conflict due to the partnering involving revenue-share agreements etc. Additionally, online sales of leisure and business travel bookings have increased by 32.22% in just three years (Case Pg. 4). Also, mobile devices are projected to account for 32% of such bookings by 2016, while 58% of all business bookings currently happen through various online channels (operator websites or third-party comparators) (Case Pg. 4). Partnership with such mobile, deal companies can allow Olympic to publish its coupons/deals before its competition, thus securing a first-mover advantage and facilitating convenience 'on-the-go' while reinforcing its perception of providing 'best-value'. This also lowers the customer acquisition costs as marketing/advertising expenses to reach a similar target audience can be shared across multiple firms and online channels have lower marketing expenses compared to others.