Colleagues,

Happy New Year and Kung Hei Fat Choy to all.

The "New Year's Resolutions" article (listed in Industry News) is worthy of a read. To me, it is notable because it attacks many of the areas in which rental companies ***can*** still make some profit in an industry where there is increasing pressure on rates. Customers are clearly frustrated by the charges listed. Sometimes they don't understand the rationale behind them but neither do we always make the effort to explain them up front.

However, giving up "bad revenue" (those things that customers feel trapped into paying) means finding "good revenue" to ***replace*** it with. ARN's articles which I referenced last month has ideas and there are others out there. This will certainly be the subject of one of our lead articles this year.

Andy

Andy Thorburn
Managing Director, Thermeon Worldwide

Interface now to:

cars+ Tips & Hints

Did you know…
…that an asterisk "" on the Vendor Commission Report means the vendor was already pre-paid their commission?*
Learn how

Industry News

- New Year's Resolutions
- Smartphones as a payment device
- Extras with rentals: iPads by Avis Israel
- Europcar launch hourly rentals in UK

Using CARS+Internet for Strategic Planning

by Alex Mol, Thermeon LAMC

cars+ offers many good operational and financial indicators specifically for car rental companies. Many are useful (some essential) for analysing performance in 2011, in order to provide the basis for strategic goals for 2012, consistent with following the PDCA cycle (Plan-Do-Check-Act).

Subjectively (ie without metrics) setting target metrics is risky, and renders it impossible to apply the PDCA cycle. Instead, use such cars+ performance indicators to make those goals specific and measurable: "Increase Average Fleet Utilization in 10%", "Increase Annual Volume of Rental Agreements in 30%", "Increase Annual Profitability in 20%", etc.

Let's see an example! Analysing 2011's performance, using

(1) "Average Utilization Report" we see that our current "Average Fleet Utilization "(AFU) is 40%, while
(2) "Revenue Analysis Report" shows 3.45 days "Average Length of Rental" (ALR), $172 of "Average Rental Revenue" (ARR). Currently our "Numbers of Vehicles in Fleet" (NVF) is 200 cars.

With our Management Team, we set aggressive but achievable goals based on that data, combining it with statistical data collected from the competition and market. This gives us specific goals for 2012:

(1) Increase "Average Fleet Utilization" (AFU) by 20% (from 40% to 60%)
(2) Maintain 3.45 days of "Average Length of Rental (ALR)
(3) Increasing "Average Rental Revenue (ARR) from $172 to $180.

Goal-Setting	(A)	(B)
1) AFU: Average Fleet Utilization	40.00%	60.00%
2) ALR: Average Length of Rental	3.45	3.45
3) ARR: Average Revenue per Rental	$172.00	$180.00

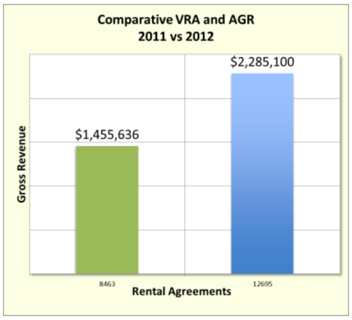
Now, with these goals set, and the combination of the indicators (formulas below), we translate the strategic goals into operational targets (a cascade), again using metrics available in cars+.

However, without the space to go deeper in this article, it is still worth demonstrating the effect of this example upon "Annual Gross Revenue":

- Volume of Rental Agreements (VRA) = (NVF x 365 x AFU) / ALR
  (A) VRA = (200 x 365 x 40%) / 3.45 = 8,463
  (B) VRA = (200 x 365 x 60%) / 3.45 = 12,695
- Annual Gross Revenue (AGR) = VRA x ARR
  (A) AGR = 8,463 x $ 172 = $ 1,455,636
  (B) AGR = 12,695 x $ 180 = $ 2,285,100

NVF	VRA (A)	VRA (B)	AGR (A)	AGR (B)	A/B
200	8463	12695	$1,455,636	$2,285,100	**57%**

Consequently, this calculation demonstrates that an increase of 20% to AFU (very achievable From a "low 40% base) PLUS a (modest) 5% increase to ARR have the potential to increase revenue by 57%. However, this is the tip of the iceberg - check for Marginal Cost, also monitoring other metrics and indicators available in cars+ e.g. Daily Performance Report, Current Utilization Report, Rate Usage Report, Operations DBR and other.



What's new in cars+

All Release Notices can be found at the online cars+ Manual

December Releases

- Most CARS+ reports can now be run from the Report Driver
- Additional options for handling deposits have been added to Void RA
- Options can now be defined as excluded from the Accrual Report
- Hold Codes display when preassigning vehicles to reservations

cars+iR

For those that missed it, learn more about our App that supports check in processing. Read more in a special edition of the Newsletter

Staff Pick – our favourite new feature this month…

Drop Charges

A new program allows Drop Charges to be maintained on an external spreadsheet

Read about how to do this in the Manual.

news