

measuring and managing customer satisfaction essay sample

[Business](#), [Customers](#)



Discussion Questions

1. Describe Enterprise's basic operating model at the branch level. What competitive advantages does it provide? What might be the disadvantages of the model? Size: Enterprise branches are designed to operate like small, local businesses Structure:

scientific management

every lines employees focus on their own task

Meet performance targets

Ensure quality of products & services. Updated structure: flexibility at functional management

1. Compared to many large companies, Enterprise gives its local operations an exceptional amount of autonomy in how the business is run on a daily basis.

Chances for growth and innovation that may help to differentiate Enterprise in the marketplace (customer pick-up service, on-airport branches and commercial truck rentals) 2. Encourages management employees to think and act like entrepreneurs

Create a working culture that supports the goal of outstanding customer service

To ensure customer satisfaction

3. Mid-level managers are converting themselves from administrative controllers into developmental coaches

To inspire individual creativity and initiative

Effective reward management: Performance based reward

The local managers have profit-and-loss responsibility for the performance of the branch, and their own income is tied directly to the performance of their location. The manager is rewarded for the success of the local branch both by sharing in its profitability, and by being promoted to a higher level job.

Potential Limitations:

Because of its emphasis on local autonomy and initiative, it can take longer to implement key programmes or strategies than would be the case with a traditional command-and-control hierarchy. Enterprise must take special care to recruit the appropriate types of people into the organisation (e. g., hard-working innovators who excel at building strong interpersonal relationships), to ensure that the company has a deep pool of talent to staff its branches. Further, Enterprise must have effective practices in place to develop its people

2. How does a business' size affect its ability to succeed? How must a company's strategy evolve as the business grows larger? Enterprise transitions itself from a regional rent-a-car company, to a national player, and ultimately to an international industry leader. Strategy: Differentiation (to compete with other competitors) Firm's mission: delivering outstanding customer service. This mission has been communicated directly by the founder to employees. Emerging problems:

Company grew larger: It was no longer possible for the company's top managers to communicate directly with every employee. By focusing exclusively on financial measures (e. g., fleet growth, profitability), quality

guest service cannot be maintained like before. Through the mid-1990s, Enterprise continued to develop the “home-city” rental market (insurance companies, body shops, car dealers) as a source of new business. ☺

However, Enterprise’s reputation for providing outstanding customer service had begun to lose AND become less differentiated in the rental car market, its core segment. Potential growth strategy:

Firm should apply low-cost strategy for its rental services (not only for car but also for airport rental, commercial truck rental) INSTEAD of expand to new business units which they are not good at. Through: The scale of its operations and by its market-leading growth and profitability performance. As the largest company in the market, Enterprise can: Command the best prices on the vehicles it adds to its fleet each year. Utilize its investment for advancing the information systems and similar infrastructure which other competitors could not catch up. 3. As a privately-held company, does Enterprise enjoy any advantages over its publicly-held competitors? Any disadvantages? Advantages:

Freedom to make choices about strategic investments and management practices as its strategy mainly focuses on achieving the founder’s vision. E. g. develop ESQi due to its focuses on quality rather than only concern profits. This decision is decided by the owner, not being affected by others shareholders like in the public firms. Disadvantages:

They have to work hard in order to build awareness of its brand as they might have limited in investment capital. Limited financial capital also limits

its growth. Low brand awareness can make it difficult for Enterprise to hit its hiring targets & in attracting talented employees for its small local branches.

4. What challenges (internal and external) does Enterprise face in the future – as a \$10 billion company looking ahead to its second half-century in business – that didn't loom as large in its first 50 years? Company's growth rate: From 1980 through 2005 € 20. 5%, due to: It is new to the market; hence, it applied market penetration strategy in the car & airport rental industries. Challenges:

Lower growth rate in future as they enter the matured stage of the product life cycle Within the first 12 months: growth rate was 10. 8%, equivalent to \$800 In 2006: 10. 8%; had to add \$880 million in revenue to remain at this similar growth rate. 25 year later: In order to keep this growth rate growth rate. Enterprise would have to grow revenues by \$1. 68 billion. This amount roughly equals the combined U. S. revenues of two competitors – Thrifty and Dollar Rent-A-Car –in 2004. It requires them to look beyond their core markets for new opportunities to grow. Enterprise already has begun this process, by:

- (1) Adding on-airport locations to its core home-city rental business;
- (2) Expanding internationally;
- (3) Creating a commercial truck rental business.

New trend: Corporate social responsibility (CSR) facing the firm since its brand is getting more popular Future requirements: They have to be prepared to address environmental issues, such as the impact of their packaging materials; health and wellness issues, such as the nutritional

benefit of their products; and social policy issues, such as wages and employment practices. Its current limited practices:

Its corporate culture: issues “ top-down” edicts ☹ employees have less autonomy. Charging different rates in different postal codes, or declining to do business in specific neighbourhoods or regions Vehicle safety

Suggestions: involve employees, partners, & customers in practicing CSR

Applying bottom-up management structure: how corporate leaders could involve local branches and operating groups in identifying key issues and best practices 5. What recommendations would you make to Enterprise to guide its continued growth? Its growth rate in recent years has begun to slow due to:

(1) Higher competition

(2) Smaller market share

(3) Decline in profitability: More competition, cost leadership is applied to keep customers over other competitors (Better services with lower cost)

Recommendations from Porter: when firm enters mature stage

1) Leadership: achieving a market share position that allows the company to influence pricing and profitability across the industry;

2) Niche - developing a strong and defensible position in a particular segment of the industry;

3) Harvest - managing the business to optimise the cash it generates prior to divestiture or liquidation; or

4) Quick exit - maximising the company's net investment recovery by selling

a business early in its decline. Potential development strategies: According to Ghoshal and Bartlett (1997) in The Individualised Corporation

- 1) The ability to inspire individual creativity and initiative;
- 2) The ability to link and leverage pockets of entrepreneurial activity; and
- 3) The corporation's ability to continuously renew itself: Through: market penetration, market development, geographic expansion, diversification and innovation Market Penetration

Rental car market: keep growing, with 12% increase in revenue in 2005.

The Insurance Replacement segment: performed well.

However, because of its strong insurances competitors,

It's hard to encourage consumers to extend the average rental period, for example, or to upgrade their rental vehicle, because insurance companies are working to minimise the amount spent on replacement rentals.

Solutions:

Continue invest on building the ongoing enhancement of ARMS (Automated Rental Management System), a Web-based application enhance efficiency & reduce cost (eliminate paperwork, reduce an average of 8.5 phone calls from each rental transaction) Compete vigorously to secure and/or extend preferred provider agreements

The Dealer Replacement segment: where the consumer is having his or her car repaired, often under warranty: with 13% increase in revenue in 2005.

Solutions:

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Apply focus group strategy: based on types of car

The airport car rental business: with 27% increase in revenue in 2005, open 39 new on-site airport branches during the year across the United States, and dozens more in Canada and Europe.

Solutions:

Apply differentiation strategy: offer better service than its competitors

Market Development

Reason for its success in the first half-century in business: its ability to detect and develop a market segment that didn't exist previously: the home-city replacement rental.

New mode of development: Home City Leisure rentals

Specific target market who rent car for specific purpose in specific occasion (weddings, reunion luxury cars & high class services) Promising growth in 2005 of 12%, due to:

The rental period for discretionary uses is shorter than the average 12-day rental period in the replacement market ☺ increase transactions per day of rental. Potential problems:

Higher cost for advertisement

Higher rate (peak hours) over weekends & holidays

Geographic Expansion

National market: Low

In 2005: branches cover 90 percent of the U. S. population

Low potential national expansion in the future

International market: High € More expansion in future

In 1993: first launched in Canada

In 2005: have more than 70, 000 vehicles for rent in 4 countries: Canada:
increase 12%

United Kingdom: 49%

Ireland: 29%

Germany: 50%

Diversification

Firm has already begun to diversify: building a start-up in commercial truck rentals. Excellent for geographic expansion

Evidence: Growth of 50% in 2005, 45% expanding in its numbers of location (18 states)

Recommendations: have to be prepared to make major capital investments, and be committed to a long-term business development cycle.

Innovation

New target market: Enterprise's Corporate Class business, with 14% increase in revenue in 2005. Supplying rental vehicles for business trips that do not involve air travel Requirements: ability to build and maintain strong customer relationships with customers Recommendations for new growth opportunities: suggestions for unrelated diversification.