

# The strategic pathway of avis europe ltd essay sample



This report investigates the key elements of the Strategic Pathway of Avis Europe Ltd. and attempts to explain Avis' success through highlighting the areas of synergy within the Strategic Pathway.

Originally founded in 1965 Avis Europe Ltd. started out as a small American company with an unbroken record of financial losses. Through the success of a revolutionary advertising campaign the company developed

The key elements of Avis' Strategic Pathway were identified as its value proposition and key relationships. The advertising campaign initially

Avis stumbled upon the strategy of customer-orientation but the beauty of it was that they realised its strength and benefits and so developed it into the mantra that it is today. In effect, they were pioneers of customer service in a time when the concept hadn't even been recognised in academic circles.

It is clear that any of the key elements in isolation will not give Avis sustainable advantage and fulfil its vision of service leadership. All of the elements discussed synergise to create an organisation that listens to its customers and has the staff and systems to continually provide outstanding customer service in a changing market place.

Market Choices:

Market choices encompasses 4 elements:

- Market Definition
  
- Market Segmentation

- Market Attractiveness

- Market Position

Market Definition & Segmentation:

The case contains limited information regarding market definition, segmentation and attractiveness. However, it is evident that Avis define and segment their market according to consumer needs (business and pleasure) by region/locality. For example data is relayed back to regional branches so they can use this information to tailor their offering to the needs of consumers in that area.

Market Position & Attractiveness:

Avis positioned themselves differently to Hertz, the market leader and initially presented an image to the public that they were not the best, but emphasized the fact that they were trying to be the best. This appealed to peoples natural inclination to support the underdog. Customers respected and perhaps even admired the honesty of the advertising campaign. The slogan appealed to peoples' curiosity, as they tried Avis to see if they would stand up to their promise. Avis then went on to develop this ideology into a company value; " We will never hesitate to adapt to new and more profitable ways of working providing honesty and integrity is not compromised" (Avis).

What must be highlighted is that the advertising slogan ' We Try Harder' embellished the notion of service and customer-orientation within it. Avis realised the benefits of this and as a result developed future strategy so as to position itself as service leader.

<https://assignbuster.com/the-strategic-pathway-of-avis-europe-ltd-essay-sample/>

## Value Proposition:

The Value proposition encompasses 3 separate elements:

- Market Mission
  
- Marketing Assets/Brands
  
- Competitive Differentiation

## Market mission:

The advertising slogan helped to create a common understanding and expectation amongst employees across the company and in this way acted as a mission statement. By including the slogan in every employee's pay packet the entire workforce was made aware of both the customer's and the organisation's expectations of them, enabling company-wide commitment towards the common goal. Avis realised the benefits this brought to the organisation and as a result developed it into a philosophy that was translated across the organisation.

## Marketing Assets/Brands:

By far Avis' most important marketing asset is their employees, which is reinforced by the company's marketing campaign, which emphasizes on the service the employees will deliver.

The retail premises are also a valuable marketing asset due to their locations, which are convenient for their customers (i. e. at airports). These locations also help to create brand presence in 5000 locations.

Avis' company name is a valuable marketing brand due to its global awareness. The " We Try Harder" marketing campaign and slogan are very well known and have resulted in a high level of brand equity for Avis.

Competitive Differentiation:

Initially, there were no major differentiating factors between Avis and its competitors. Avis now differentiate themselves from the competition through the use of technology, people, costs (profits) and customer service.

The model below is an adaptation by Ellis and Williams of Porters model of competitive advantage. This helped us to illustrate, in a structured manner, the key activities that Avis have employed which, when combined, contribute towards gaining significant competitive advantage.

Differentiation:

- \* Unique level of value & service; use of unique is important as true differentiation defines a unique capability over the competition.
- \* Appendix xxxx illustrates how the key elements of Avis' strategy fit into Parasuraman's (1985) determinants of service quality. Avis successfully satisfies all criteria instrumental to the delivery of high quality service.
- \* Most technologically advanced IT infrastructure in industry
- \* Through people: " We look for people who have a strong orientation to working with other people, who like a hands on approach and also know how to enjoy themselves and have fun in their jobs " (Avis).

- \* Culture of innovation & continuous improvement

Cost:

- \* High profit margins
- \* Economies of scale

Scope/Focus:

- \* One strategy: Customer Service Leader
- \* Continuous Improvement

Time:

- \* Identified responsiveness as key to quality customer service
- \* Realigned their structure and processes so as to become more flexible & responsive to market changes
- \* New initiatives developed and implemented in a timely manner as a result

Competitive Linkages:

- \* Relationship with advertising Agency; developed high level of trust
- \* Implementation of IT network across 5000 locations in 163 different locations; aids internal communication and ' closeness to customer'

Key relationships:

Customers:

The relationship between Avis and its customers has been based on honesty and clear vision of its aims and objectives. This is illustrated by the “ We Try Harder” advertising campaign.

Avis made it easier for customers to contact them regarding a complaint by clearly printing contact numbers on all their documentation, as well as introducing dedicated phone lines for major customers. Customer satisfaction reports are also created for the major customers regarding the satisfaction of their travelling employees. These documents form a key part in contract negotiations and act as a powerful tool to demonstrate Avis’ service standards.

Competitors:

Initially the Doyle, Dane, and Bernbach advertising agency found that there were no differentiating factors between Avis and its competitors. However, Avis are now recognised externally for their unique approach to customer service. They have received more awards for service than any other rental company, as well as being the only car rental company to receive site visits in major quality awards, spanning three continents.

Due to the training schemes and workplace ethos Avis have become more attractive to potential employees than its competitors leading to a better quality of candidate applying for available positions.

Collaborators:

“ A truly effective customer quality process is not just an internal and insular activity. Its ultimate success depends on the extent to which it recognises <https://assignbuster.com/the-strategic-pathway-of-avis-europe-ltd-essay-sample/>

and integrates the interests and needs of the customers, suppliers and partners alike.” (Piercy, 2002).

Avis initially showed trust in its advertising agency to allow them to run the revolutionary advertising campaign.

As the largest purchaser of fleet cars in Western Europe Avis are able to track satisfaction by make and model. This information is of significant importance to both Avis and the vehicle manufacturers in terms of their fleet design and model acceptability. This knowledge sharing partnership demonstrates Avis’ willingness to work with suppliers. There is also an element of synergy with Avis’ profit making goals, as being such a huge volume buyer they can command power in a buying situation, enabling low unit costs and subsequent savings. They have achieved a global level of economies of scale.

“ The primary reason for developing partnerships is to control uncertainty, reduce risks thereby increasing profits.” Wilson (1995).

Co-Workers:

“ Attraction, retention, motivation of high quality staff is especially critical in situations where the quality of the service is the only real differentiating factor between competitors.” (Internal Marketing, Ahmed, P, Rafiq, M p. 5)

Avis have empowered their employees in a number of ways. Not only were all the employees consulted regarding changes to working practices and company processes, but the new training program was written by members of the front-line staff.

<https://assignbuster.com/the-strategic-pathway-of-avis-europe-ltd-essay-sample/>



The customer service department was made into a profit centre and more responsibility was passed down to the front-line staff. This enabled the staff to have more flexibility when dealing with complaints, enabling these complaints to be dealt with effectively. This also helped eradicate the positive morale issue that was identified by the staff surveys. Avis also continually monitor employee satisfaction. Avis' commitment and successful implementation of employee empowerment is unusual, as Marchington and Wilkinson (1996) confirms with the observation that only 32% of employees in industry felt empowered.

Contrast the service provision at Avis to that of another service delivery encounter such as a supermarket. When a problem occurs at point of sale in a supermarket a manager is usually required to authorise rectification of the error, and systems are designed with this in mind. With the Avis systems and employee empowerment the problem could be instantly solved. The difference in idle waiting time for the rectification is crucial to satisfaction with the service encounter. The fact that most customers are used to low service levels, as typified by the supermarket, gives Avis the chance to exploit their systems to gain competitive advantage.

The chairman and managers across the network regularly set aside days to work at the retail counter, wash cars, take reservations, and handle complaints. This helps to break down barriers between management and staff as well as helping managers understand the day-to-day operations.

There is also a good reward and recognition package with Avis that helps increase motivation and morale, and is aligned with the objectives of excellent service provision.

Avis' success through areas of synergy within the pathway:

We must first understand what is meant by the term synergy. Synergy refers to the interaction of two or more agents or forces so that their combined effect is greater than the sum of their individual effects (Oxford Concise English Dictionary, 1999)

In order to investigate the areas of synergy within Avis' strategic pathway, we have identified the key areas of success and we will now explore how individual elements of their strategy combine to create competitive advantage.

Profitability:

After years of making losses Avis was back in the black. This can be partly attributed to the successful product of a key relationship. Avis trusted Bernbach enough to allow them to run a revolutionary advertising campaign ' We try harder!'. The significance of this is recognised by Morgan and Hunt (1994) who state that ' Trust is relationship glue; it reflects the extent of one party's confidence that it can rely on another's integrity'. The practical benefits of this are clear when it is considered that three years after the campaign was run sales had tripled.

Customer & Employee Satisfaction:

Avis have focused on a strategy of customer retention, which in part explains their success in maintaining high profit margins as “ It costs five times as much to gain new customers as it does to keep a current customer..... it makes sense to develop customer retention strategies rather than continually looking for new customers.” Sheth and Parvatigar, (1995). It also helps to maintain a positive image of the company brand as “ A lost/dissatisfied customer may tell 9-13 people about their experience.” Sheth and Parvatigar, (1995). By minimizing the number of lost customers, Avis is thus avoiding negative word of mouth advertising, highlighting the synergy between customer retention and a positive brand image.

Avis not only retain customers, they retain employees, for example, over 50% have more than 5 years experience. This is particularly important in retaining their knowledge and skill base and thus enabling a consistent provision of quality service. “ Often in the customers eyes the front-line employee is the company. Consequently the selection, training and rewarding of staff is of fundamental importance” (Jobber).

Avis’ ability to satisfy and therefore retain staff and customers reduces costs related recruitment of both. This highlights the strong synergy between customer and employee satisfaction and retention as “ To have satisfied customers, the firm must also have satisfied employees.” (Internal Marketing, Ahmed, P, Rafiq, M p. 4)

Avis surveyed every one of their employees asking them the same questions as the customers. They used this baseline research to develop an employee satisfaction tracking system that linked into customer satisfaction data in all

parts of the organisation. Their understanding of the synergistic relationship between customer and employees was rewarded by simultaneous increases in both customer and employee satisfaction in Spain over a two year period.