

# Enterprise rent a car case analysis commerce essay



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With a vast network of over 6, 000 rental locations and 850, 000 cars, Enterprise Rent-A-Car is the largest rental car company in the United States. In fact, based on these statistics alone one can evaluate Enterprise as a success story. Indeed, the company offers a unique and customer friendly service such as picking up customers and taking them to the rental office. Enterprise has developed many assets that provide competitive advantages, such as proprietary computer applications. The company carefully cultivates and trains its employees in a methodology that is highly useful for its business while also receiving accolades from peer organizations. By focusing on local rental opportunities, Enterprise has successfully continued growing its business against rivals such as Avis and Hertz, while keeping up with current trends. At the same time, the company has been able to open up more opportunities through its recent growth of the car sharing market. Additionally, the business model that Enterprise runs can be deemed largely successful as it has been able to accomplish many of the goals that Enterprise has established.

Moreover, as popularized through its now famous commercials, “ We’ll pick you up” Enterprise has been able to demonstrate its philosophy to its customer base. This slogan clearly states that at its core, Enterprise is all about customer service, making rental easier for its customers by picking customers up and taking them to the rental office. Yet this only scratches the surface in terms of understanding the broad and effective customer service programs that Enterprise employs. In fact, through extensive research, Enterprise has learned that customer loyalty was driven not only by just the

idea of customer satisfaction, but by ensuring that customers were indeed completely satisfied.

This distinction between satisfaction and complete satisfaction was as result of Enterprise's customer service researched that revealed local renters ranked ratings for completed satisfaction based on three criteria such employees' attitude and helpfulness, speed of the transaction as well as the cleanliness of the vehicle. If 70% of the customers were completely satisfied (checking off all three criteria) then such customers were deemed as completely satisfied and likely to be repeat customers where as if the satisfaction figure was at 22%, this meant these customers are less likely to be repeat customers of Enterprise. Thus in this way, complete satisfaction meant repeat business for Enterprise. In fact, a total commitment to complete customer satisfaction is engrained within the Enterprise culture, and is best exemplified by the Enterprise Service Quality Index, a proprietary evaluative tool designed by Enterprise to measure customer satisfaction.

Enterprise also has sought competitive advantage by developing tools and assets that its competition failed to duplicate. In fact, from early in its history, Enterprise has chosen to focus on local rentals, leaving airport rentals as the focus of a large number of its rental competitors. Enterprise has dominated the insurance rental market not only by applying for and becoming preferred providers, but also because the company has provided its clients' insurance companies a direct interface into Enterprise reservation system, empowering the insurance companies to make reservations for their customers. Thus, in this way, the company essentially has invested heavily to create its clients' insurance companies their own proprietary software

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reservation system, allowing them to supply the specific features most needed tailored to their needs while also avoiding the licensing fees and other challenges associated with a third party software application.

The company is very choosy with the types of employees it hires, and considers its employees and training program to be of critical importance. The training of personnel by Enterprise begins at recruitment, with an expectation that each employee will slowly rise through the ranks of the company by earning each step they take. This provides the employees with a full understanding of how Enterprise prefers to do business and a full commitment to the eight founding values of the company. There is a clear promotion path that is laid out before them, so employees understand at all times that they have a future with the company as long as they are willing to work for it. Employees are empowered at Enterprise, as the company views each branch location as a separate, semi-autonomous little company within their network. Although a high turnover rate would be of concern to most companies that experience the level of turnover that Enterprise does, the Enterprise business model is such that because the company places its employees in such a competitive environment, higher turnover is expected and is accounted for through additional recruitment efforts. Thus Enterprise feels that this makes its employees more driven to succeed, thereby attaining higher levels of performance as a result.

From a competitive standpoint, both Avis and Hertz have made efforts to enter the local car rental market that Enterprise dominates. It is hard to see how these two companies can be nearly as successful in this market as Enterprise because of the company's unique positioning with insurance <https://assignbuster.com/enterprise-rent-a-car-case-analysis-commerce-essay/>

companies as a preferred provider. As long as Enterprise maintains this position and continues to tap into new growth strategies such as shared car rentals, it should be successful in maintaining its leadership status within the local rental category.

In addition, car sharing is a current growth market that many companies such as Enterprise and Hertz are investing into in order to grow. There are multiple considerations that explain the interest of this segment to customers, such as environmental considerations of reducing car ownership, less expense for renting a few hours versus days, and convenience for those who do not wish or need to have a car full time. In areas such as large cities or college universities, the appeal is very clear and significant. With the largest network of local car rental offices, Enterprise should have easier access to this new market since they can easily offer car sharing options as an added service to customers from their existing locations. In fact, both Hertz and Enterprise are developing contracts with universities, corporate campuses, and municipalities. Therefore, Enterprise should continue this expansion in order to achieve a leadership status within this rental category.

In order to properly evaluate the Enterprise Rent-A-Car business model and determine its success, the Enterprise Service Quality Index (ESQi) was developed through extensive customer research. ESQi evaluates each location branch in its ability to deliver complete customer satisfaction. This index provides a specific measurement for each location branch through surveying of customers. In this way, the branches are essentially put into competition with each other, and compensation is based partially on performance criteria. Enterprise strives to achieve balance across its <https://assignbuster.com/enterprise-rent-a-car-case-analysis-commerce-essay/>

branches to remain consistent with respect to customer service. The main goal of the company is to increase the number of customers who are described as completely satisfied. Therefore, based on both criteria, Enterprise is considered to be effective in its customer service efforts. In fact, within a ten year period, the ESQi index increased from 67% to 80% for those customers considered completely satisfied. In addition, the gap between the best service and worst service branch locations narrow from twenty eight points to nine points over the same time period.

Moreover, tools and assets can be evaluated based on the success of sales and achievement of customer satisfaction. Human resources methodology such as hiring and training were also assessed through employee retention, industry accolades and employee achievements. Furthermore, Enterprise has continued successfully in forging ahead in the local car segment based on the company's market growth and penetration. Of course, how effective Enterprise will be in the growing car sharing market remains to be seen, although at this point the success rate can easily be determined by what has been accomplished, and how well Enterprise is positioned to move forward. Based on the current evaluation, the company has been successful thus far in these areas as well.

Other tools and assets that are considered to have made a difference at Enterprise such as linking and empowering insurance companies that use Enterprise as its preferred provider to the company's reservation system, proprietary software that runs the Enterprise reservation system, and the company's focus on customer service through proprietary software

applications. Enterprise holds a dominant position in the insurance car  
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market, enabling insurance companies to better serve their customers. The proprietary software better services customers as it is totally customized to the Enterprise business model. This proprietary software also provides additional services to the insurance companies by providing direct access to the status of repair work on vehicles, notifying them when repair work is complete and lowering their car rental expenses as a result. In these ways, Enterprise has indeed effectively reached its objective.

Employee retention is a potential issue for Enterprise. While the company does compensate through additional recruitment efforts, twenty five percent of new hires leave the company after six months, undoubtedly increasing recruitment costs. On the other hand, Enterprise is considered among the top 50 companies to launch a career by Businessweek magazine, and the company has articulated a clear career track that provides employees with knowledge that there is a future at Enterprise. Another important consideration is employee achievements. The company does provide many awards and recognition for those employees who are considered to have achieved excellence and it is notable that many of the company's service innovations were created by branch managers and their teams. One such innovation that was created in the field is what arguably Enterprise is best known for, which is picking up customers and bringing them to the rental office. Enterprise is considered effective in this category as well, although it would be a good idea for Enterprise to increase its effectiveness by exploring ways to increase employee retention, perhaps through additional management training and conducting internal surveys to determine the right course of action in this realm.

Additionally, Enterprise's continued success in the local car market is virtually ensured through its close partnership with insurance companies and status as a preferred provider. The additional services Enterprise has provided to the insurance companies, such as access to its reservation system and the ability to check on the status of car repairs, augment their position in this market. Indeed, in this way Enterprise has a fundamental strength in the local car segment and its business model has been very effective.

Moreover, the car sharing market has proven to be an area of growth for Enterprise, having successfully brought on dozens of partners such as universities, corporate campuses, and cities. There are competitors such as Zipcar that are larger in this segment, yet such competitors are currently not profitable. Hertz is also growing in this area and they appear to have a larger presence at this point than Enterprise. Of course, although Enterprise has been effective at expanding into this new area whether the company can continue to be effective still remains to be seen.

While not a direct part of the evaluation, there are other tangible advantages within the business model of Enterprise. As the largest rental car company in the United States, Enterprise enjoys the status of industry leader, and perceptually there are advantages to this status. Historically Enterprise has maintained very low overhead in many types of expenses, which is achieved through limited national advertising and employee incentives to keep operational costs down. Finally, in conjunction to insurance local rental market, Enterprise also has enjoyed a large share of the leisure discretionary rental market. Enterprise's fleet management program is also unique and <https://assignbuster.com/enterprise-rent-a-car-case-analysis-commerce-essay/>



advantageous, as this program handles the sales of its own used rental cars without being locked into a specific car manufacturer for new car purchases like most of competitors.