

How to improve the position of easycar



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The easyCar situation was expressed in this case in the year 2003. Stelios Haji-Ionnnou is the founder of the easyCar and it is the low priced European car rental business. The study shows that the company want to improve its position of 27 million pound to 100 million pound sales by the year 2004 with the net profits of 10 million pounds. After achieving this position company is seeking to enter into the initial public offering in the European market. The most important part of report is the analysis of operational process and its design currently working with easyCar. This is required to increase its market position in different market globally according to its goals. The international marketing applications are necessary for this company in order to enter into different national markets and to achieve its goals.

There are various factors which are necessarily needs to be considered by the easyCar for the purpose of the achievement of goals. It has maintained fuel refilling policy before the start of renting the car, cars need to be washed before the delivery and for these purposes it had delayed the process of renting and increased the cost. Also the employee cost was high during those times. In the later years with effective change in the operational management have lead to much improved services with less cost and in turn attracted more customers. As the company wanted to increase its location in various other companies, there is need for much concentration on analysing those international markets through various international marketing strategies to be implemented by the company to get succeed.

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1. 0. Introduction:

The easyCar company is operates in the car rental industry mostly in Europe. This company have tremendous number of competitors in both local and international market and some of the competitors are too strong compared with easyCar. In order to overcome this competition easyCar used a strategy of low prices. This was a better strategy but was required very effective operational design and system which supports in reducing the costs. Through the use of this process company was managed to operate in 17 cities of different nations. And now wants to increase its locations in both national and international levels.

The national and international market analysis is critical and crucial factors as most of the companies have lost their position without the proper analysis before introducing into those market. So the features of international market, their political nature, and demand for the industry have to be measured. In order to explain the aim of report, the report should make an analysis of various concepts.

The report includes analysis the characteristics of car rental industry and how they are influence process of delivering the service in this industry. Secondly, it explains the strategy using by the easyCar for gaining the competitive advantage and about competitors. Thirdly, the alternatives to easyCar and how easyCar affect those industries in the market will be analysed on the basis of easyCar's operations. Ffourthly, legal challenges and regulations those need attention for easyCar will be discussed. And finally,

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the assessment of goal realisation and way to achieve those goals set by easyCar will be analysed.

2. 0. Analysis of car rental industry and easyCar case

Analysis:

2. 1. Analysis of Competition of easyCar:

The easyCar mainly operates in the western European rental car industry and which consists of large number of different national markets. Still only few companies are competing at a dominant position in this market. The easyCar is operating at the international levels and competing in Europe with the international companies like Avis, Europcar, and Hertz and competing on Sixt in Germany. Together with these companies there were thousands of other small companies operates in these nations. The below table shows that among the leading competitors easy cars position is nowhere, but still is able to maintain the competition among them through its segmenting strategy for different locations (Fink, A, Reiners, T, 2006).

2. 2. Target Customers for easyCar:

As it is mentioned above easyCar mainly operates in the European cities, it targeted for the bus, train and flight travellers basically. For this purpose it was started operating near the bus stops, train stations and airports, so taxis, buses, trains, and flight travelling customers are target customers for easyCar. According to the segmentation strategy in order to overcome the competition on the above said competing companies, the easyCar segmented into two parts on the basis of price. One is tourist segment with more price conscious represented about 45 to 65 percent and business segment with fewer prices conscious represent for 35 to 55 percent. With the

comparison of tourist segment less price sensitive segment is worried about service quality, flexibility and convenience. According to company view they were mainly targeted the tourists' locations for their business. Below table shows the geographical locations of easyCar and its number in those places where it was operating. To the certain extent it also concentrated on attracting both rich and poor class through its lowest price for high class Mercedes. This helped the normal lower class people to travel in the Mercedes A class. Company also viewed on those people who do not use cars because of traffic congestion in most of highly traffic congested cities (easyCar. com).

2. 3. Various characteristics in general for the car rental industry:

The design requires a team work and there is a need for implementation of marketing, financial and operating plans to success in the service or product. The service quality can be easily measured by the features and performance of the important factors on which customers made decisions on renting a car. The various features of the rental car industry are,

2. 3. 1. Heterogeneity – Quality:

The comparison with other professional services the Car rental is not a particular heterogeneous service. This is because most of customers look for similar service for the particular period for time. The customers might look for different vehicles with different facilities like ski rack, child seat, and different terms like unlimited miles travel per day, coming back with empty tank or full tank fuel (Papier, F, Thonemann, U, 2010). Even the similarity can

be found with the customer service form the employees' of the car rental company.

2. 3. 2. Intangibility:

The car rental industry will come under the intangibles even though it deals with tangible (can touch and see) cars as they do not manufacture the cars; instead they use the cars for service. For the period of service provided by the car to the customers by the company, the company uses the service for the car rental. This situation delivers complication among the customers in relating to the car quality judgement as the cars were produced by the other manufacturers (Marting, J, 2005). However, these complications will be ignored in the car rental industry. But the convenience factor relating to the car rental is significant in relating to the intangibility in the renting of cars.

2. 3. 3. Perishability:

The car rental service is very much perishable in nature as the non-renting of the car will not yield any revenue to the company and this time lapse will not come again to yield revenue to the company. However, the cost of cars and other related fixed costs are high in this industry, leading to a critical factor in the car rental service (Marting, J, 2005). There is no way in this industry to cover this idle time revenue loss to the company, but still different car rental companies follow their own strategies to fill this revenue loss. The identification of internal loss is possible unlike other manufacturing industries which cannot identify their reasons for loss.

2. 3. 4. Inseparability:

Marting, J, 2005 states that, the issue of inseparability is also not an important issue in the car rental industry. During the travelling time customer might need one car in a location as they do not have a vehicle to travel in that location. The inseparability in the sense both the customer and vehicle are together during the consumption of the service. Creating the facilities and arranging the relevant car for the right place will takes place without the customers in the process. Tang, C, Deo, S, 2008, the customers interact with car rental company for booking the vehicle, picking and returning a vehicle. This transaction is similar for the entire industry as they do not limit the ability to achieve the scale of economy.

Lawrence, J, 2005 states that, usually the service design are being characterised by the some of the basic components for car rental industry. They are like, facilities, process and procedures, employees behaviours and employee's professional judgement. Having the characteristics of relative tangible, homogeneous service with less interactive contact with the customers, rental companies tend to focus their service design on the physical facilities, process and procedures. In order to provide proper facilities, process and procedures, the employees' behaviour are important in service design of car rental industry.

2. 4. Operational process to support competition through low price:

There are various price lowering features of its process and design for easyCar which helped in competing through the low price for car rental. The alignment of operational strategy and process design together with the

business strategy are key drives which lead to order winning criteria of lower prices in this case. This is most important operational strategy which helped to overcome the competition used by easyCar, however other traditional companies also have strategies which focussed on the service and flexibility and in turn which gave different criteria of winning and operational design (Cleeren, K, Dekimpe, M, Verboven, F, 2006). There different flexibility and service strategies have not supported them to work on the low price offerings to the customers.

The implementation of operational system of easyCar point that the methods easyCar uses can be thought as applications of production line approaches to the context of service sectors. This is what termed as production line approach to the service. The easyCar organization method allows the service standardisation, reduction in the discretionary actions of employees, and the use of technology in order to support or for substituting the people in the operational process (Cheng, J, Blankson, C, Wu, P, and Chen, S, 2005).

The below chart shows that, resources and firms market place provides firms competitive advantage with the use of superior quality, efficiency and innovation in products and services and with superior financial performance. As we look at the case study it can be noticed that company is changing its operations effectively in order to increase the efficiency and innovating the strategies in relating to employees and services in order to reduce the prices. This increased the profit and customer satisfaction. This means both objectives are fulfilling at certain level according to the competitive advantage theory.

Competitive advantage theory of competition:

Resources provide firm's comparative advantage

Firm's marketplace

position provides

competitive advantage

Superior quality,

efficiency and innovation

in products and services

Superior financial

Performance

(Adopted from the Bradley, F, 2005)

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The operational process and changes will be explained in the next part in detail to show how the easyCar company has reduced its prices through its operational process for gaining the competitive advantage.

2. 5. Implication of easyCar operations on taxis, buses and trains:

The easyCar is a viable competitor for the taxis, buses and trains. This is because easyCar acts as the potential competitor for the taxis and buses as it allows the very short rental period like one hour, two hours and more. This is the most attractive strategy which was used for the maximum utilization of their fleet. The renting for one hour or two hour add up to the bottom line, as keeping the vehicles unrented will yield no return and do not add to the

bottom line. The segmentation strategy in easyCar has differentiated business segment and tourist segment through its allocation and yield maintenance through weekday and weekend earnings. During the weekdays people want the cars for short period and the quantity is more as well. And during the weekends the tourists demands the cars and altogether the allocation is well managed in both weekend and weekdays (Cleeren, K, Dekimpe, M, Verboven, F, 2006). This helped in reducing the price compare to the competitors. As the taxis, buses and trains do not provide all the facilities as like easyCar because taxis can not charge less, buses and trains do not provides distance facilities.

According to Marting, J, 2005, other traditional competitors do not provide this facility and they charge for 24 hours as minimum period of rent.

EasyCar's short period rental strategy allows the flexibility as it charge for the duration that the customers used or for pick up and drop off. Even the taxis do the same but they charge more as they can compete on price of easyCar. For the facilities like cleaning the car, extra kilometres easyCar allows the customers to pay individually as it required. This flexibility rotates the prices and helped in achieving the competition by the easyCar and also helped in leading in London and Paris cities by having half of its company sites in these cities.

As like the easyCar is having benefit from flexibility operations, the same operation is lacking the easyCar in a situation of peak times. The maintenance of minimum staffing levels in each of the location for reducing the unrented cars at the sites leads to waiting by the customers or to stand in a queue for cars. Soon after when the car comes, the customers have to

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wait until the fuel is filled and wait until the car wash is done and ready to go (Wright, C, Mechling, G, 2002). For the car wash they have to pay for it as it comes under their travelling requirement. This is happening because of couple of hour's car rental operational strategy in easyCar.

The other limitation is during the peak period when the rental period nearly ending will increase the prices. So, the customers who are not sure of their period of stay out will increase the price and that price in the business segment will not work as very much competitive (Cheng, J, Blankson, C, Wu, P, and Chen, S, 2005). This system attributed to the pricing model. Together with the current fleet of 90% utilization and pricing model factors, the customers those want the cars for short period at short notice might go back without renting a car. Even the use of this operational method usage in easyCar will not probably be able to arrange a car to the customers and they go for alternatives like taxi, train or buses. Marting, J, 2005, easyCar processes were helpful very much for those who know the travel plans well in advance. In order to compete very successfully for these kinds of customers, easyCar required some changes in their service process like relaxation of cleaning policies and automated drop off system for reducing the time factor for customers.

The changes are required by the company for strengthen and to highlight trade-offs in order to compete in the international market on the basis of the cost (Tang, C, Deo, S, 2008).

2. 5. 1. Rent for the hour:

The company have bought Mercedes A class cars in a bulk to demand supplier and to gain the price advantage. This helped in decreasing the fixed costs and in turn helped to reduce the cost for rental basis on hour. Even the company have increased its vehicles in different locations in order to arrange flexibility to shift vehicles between the locations on the basis of the demand in different locations. The strategies of supplying different cars with low status lead to customers' disappointment. For this purpose the company made a change in its operational process by decreasing its cost and to expense on some operational flexibility (Tang, C, Deo, S, 2008). This supplier partnership helped in decreasing the costs and to improve the quality and flexibility together with the supply chain.

2. 5. 2. Clean car policy:

The clean car policy change helped to easyCars low cost strategy as it basically represents a transfer of traditional task done by the customers of the company. This change has reduced the employees required for each site of its operations helping in reduction of one of its cost. The interesting point in this change is that the prediction from the employees relating to the operations is less possible as there is occasional car needs to be cleaned, not sure about when will be the vehicles come back. There is one or more customers need to be waiting for the vehicle with the use of above changes. But in the place where only one employee works will be an issue relating to the above concern as the price increases from €11 to €20 for such waiting customers. The price sensitive customers go off as there is price increase of €9 (Marting, J, 2005).

2. 5. 3. Insurance purchase from the customer:

Wright, C, Mechling, G, 2002 states that the customers need to purchase insurance in the easyCar having more implications on the marketing rather operational. This change reduces the conflicts among the employees and customers at larger extent during damaged car situations. But in the previous process, employees were having problems with the customers and also some liability held left from the customers. This change was helpful, but in the locations where only one employee is working facing problems as other customers fell in line for cars while dealing with damaged car issues at the same time.

2. 5. 4. Fuel filling only when it is empty:

The above policy method also contributed to the easyCar's low cost strategy because this operation reduces the significant dealing of the gas level before delivery by the employee. As in the previous style customers need to be waiting till filling the tank and those who are in a hurry skip from the renting. The new policy saves the time as there is no need to worry about the fuel until the fuel indicator light is on. So, most of the customers bring their car back in a condition that allows the car can be re-rented immediately (Tang, C, Deo, S, 2008).

2. 6. Significance of legal challenges of easyCar:

Marting, J, 2005 outlined that, there are few significant challenges faced by the easyCar are as follows, Firstly, the office of fair trade ruling against the easyCar is designed mainly to reinforce the benefit of cost obtained through the management of easyCar demand system and on easyCar's achievement through high rates of utilization. Stelios states that without proper penalty

for those who do not change or cancel reservation within a week lead to decrease in utilization fleet from 95% to 65% and prices to three times. This estimation is possibly give negative assessment and this impact less significantly to the central role of yield management according to the easyCar's approach. The profit impact through this operations drive home the cost of savings achieved from the high rate of utilization.

Secondly, the posting of pictures of those renters with overdue vehicles is another important legal challenge faced by the easyCar. This legal challenging is not much significant as there are no legal actions taken yet. But still it has been included in the case because it can include possible discussion later in relating to cost associated with the rental car industry and to implement the policy for minimizing the chance of any legal claim against the firm.

The reduction of risk is important for the international organizations. In order to reduce the risk the company as to follow the risk reduction process in international market.

Host country factors

International legal factors

Home country Factors

Political risk analysis

Reducing political vulnerability

(Adopted from Bradley, 2005)

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The above chart shows the factors of home country, host country and their legal, political factors also have influence on the success of the company. In some countries, government put some policies relating to the use of vehicles and tax imposes on the use in order to reduce the pollution. The taxi fares, buses fares and train fares also have influence on the international and local market success of the company. In some places government put less fare to the buses and trains in order to increase the use of public transport system (Guthrie, F, Crothers, N, 2003). So the analysis of the political risk and political vulnerability before entering into the market was crucial, especially in entering the international markets. From the tables provided in the case it can be notices that the easyCar is operating only in few places and that might be because of the risk associated with entering into the international market (BTE, 2006). But the companies present plans to start another 180 new locations in the years 2003 and 2004 need an analysis of the political risks associated in the different international markets.

2. 7. Assessment of realising easyCar goals and their improvement:

The company have established goals to make a easyCar sales from 27 million pounds to 100 million pounds. The achievement was expected from operating the business in 130 new locations in coming two years. Through these goals they are realising a profit of 10 million pounds are ambitious to the easyCar. It is also notable that the operational model of easyCar has plans to develop new locations simpler than traditional way of car companies. This allows minimum facilities required and crate easyCar vans with all the equipment required in running a location and also make available

of 130 new locations at least market budget. The other main goal realised was to improve the operational challenges by finding the ways to decrease the costs in order to maintain the customer satisfaction. This in turn meanwhile realises the profit to the easyCar. In order to realise the growth goals of the easyCar case it is necessary to rent out 21, 600 vehicles by the time of 2004 year end (easyCar. com).

easyCar should be realise the operational issues like design of the system which capable of producing the services at the right quantities, planning the system effectively and management of key elements. Firstly, designing of the system -The development of service with proper characteristics for instance car should be equipped with the side air bags etc. This design describes how to engineer the products and services to the customers on the basis of technical factors and economical factors. Secondly, planning the system – This planning system shows how the management expects the use of resources base which are developed on production design system (Lawrence, J, 2005). The planning system helps in managing the system design in order to cope with the changes in the environment. For instance, in the easyCar there is frequent change the demands during the seasonal time for tourists and in that time this planning system rearrange layout in order to enhance the efficiency. For the realization of it new operating unit start goal, the scheduling has the shortest planning horizon. This helps the easyCar to decide what service to made, who will work, when will begin and what will be consumed.

It is important to understand the strategic nature of operations, the emergence of supply chain management ideas, the value adding through its

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nature of operations, impact of technological performance and the global competitive marketplace. It is also important to consider operational process more importantly because of gaining the advantage in leading the competition (Parment, A, 2008).

There are few important factors which help in realising the goals for easyCar for trading at the international level are, the security and survival of service provided by the company. The past records behavioural actions relating to the strategies and their decisions have impact on the goal measurement (Parment, A, 2008). Service and the market where they deal have significant impact on the strategic decision making process of the easyCar company. The service should be internationalised with single service which provides basics characteristics international market. However the company should also improve the local market in order to increase value of brand of the company.

The easyCar have many sites in same city is more viable competitor for the taxis, buses and trains. There is a need for expansion strategy by the easyCar in order compete more against the taxis, trains and buses in European cities. In order to compete more on tourist segment it is better to increase in the locations in tourist destinations and near airports etc.

The above chart gives some suggestions relating to the entering into new global market by the easyCar. It says that analysis of service, market and brand are important also important factors which need to be analysed properly. EasyCar is presently running in the most of the popular cities like London and Paris and many more in countries like Spain, Switzerland and

France etc. The analysis of markets, their competitors and their strength to be taken place as other competitors are huge and can go for any extent to kill the competitor (Parment, A, 2008). Brand should be improved much more for easyCar in order to get success in the various international markets.

According to Parment, A, 2008, the brand advantage can be received through the equity of brand which easyCar got, financial strength which the company got and international distribution ability in serving the service by the company. So the brand sources will be able to increase the confidence of the easyCar sustainability in the international markets.

The selection of the international market is also another important factor which need to be considered before entering to the market by the easyCar for increasing its locations. This will help in achieving the realised goals through the assessment like making sales four times more and increase the profits and customer satisfaction through the better quality and effective operational efficiency. The technologies, selection of customer segment and customer function are three important parts of selecting the international markets. BTE, 2006, as the tourist attractive locations or countries, professionalism of the human source of the country are contributing factors for international market segmentation.

The easyCar should be able to acquire and achieve the strategies of the international markets by concentrating on factors like limitation of risk, management constancy, synergy, economic scale and scope and sequential acquisition. The easyCar is not maintaining the management constancy as

its operating process keep change at all the times. The need for much better human resource management is also necessary for the easyCar company.

3. 0. Conclusion:

The detailed analysis of the report shows the easyCar is having all the abilities to enter into the new market as it mainly concentrates on the operational process and design improvements. This improvement in the operational process alone able to create the brand as it is very good in making changes effectively. The company announced that the easyCar make an available of 12, 000 vehicles from unnamed pickup points by using the car clubs. The technological innovation where the company was lacking also improved during the year 2003 as it allowed the customers to reserve online, phone and update the information during the arrival times. The glove boxes are the place where these people can take keys for cars and in the normal locations itself they can receive the club vehicles.

These types of above developments take place in easyCar management constantly and which shows the innovation. These forms of developments in the company will lead to the possibilities becoming very large organization. But still before entering to the markets where financial strong companies are operating, it is necessary to analyse their weaknesses. In addition various characteristics of international markets have to be analysed in detail for sustaining in the international markets.