

IL 6451 Demand and Revenue Management

Case Study: National Car Rental

Anton J. Kleywegt

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Readings:

1. Carroll, W. J. and Grimes, R. C., “Evolutionary Change in Product Management: Experiences in the Car Rental Industry”, *Interfaces*, volume 25, number 5, pp. 84–104, September-October 1995,
<<http://www.interfaces.smeal.psu.edu/>>,
<<http://www.interfaces.smeal.psu.edu/pdf/v25n5a5.pdf>>
2. Cross, R., *Revenue Management*, Chapter 7, pp. 191–213.
3. Geraghty, M. K. and Johnson, E., “Revenue Management Saves National Car Rental”, *Interfaces*, volume 27, number 1, pp. 107–127, January-February 1997,
<<http://www.interfaces.smeal.psu.edu/>>,
<<http://www.interfaces.smeal.psu.edu/pdf/v27n1a6.pdf>>

Questions: Historical development:

1. What problems did National Car Rental face before they started working on revenue management in 1992?
2. Which obstacles were encountered in the implementation of revenue management at National?
3. Why was the revenue management function at National centralized?
4. What were the characteristics National desired in the people recruited for revenue management?

Forecasting and Optimization:

1. What were the purposes of the needs assessment?
2. Which pricing strategies were tried at National after JA&A took over management?
3. What was the main disadvantage of the pricing strategies tried at National after JA&A took over management?
4. The following section appeared in the AMR Research Alert on E-Business Technology for September 6, 2000:

CALICO ANNOUNCES CALICO PRICE POINT SOFTWARE

Calico recently rolled out its Price Point software, which is designed to help users control margins through targeted pricing, streamline pricing execution, and rapidly adapt pricing strategy to changing markets. Calico continues to raise the bar and expand functionality for pricing engines and e-commerce. In most industries even small improvements in pricing drive big improvements in profitability, sometimes as much as 10 to 1. However pricing improvements in e-commerce have always been hard to achieve because prices have been difficult to change without the active involvement of the IT department. Complex products have also generated complex pricing rules that are difficult to maintain and implement on the Web. Calico addresses these problems with software for price customization for multiple channels. The software comes with a Web user interface designed for marketing managers—not IT managers. The product lets users establish product-, customer-, and time-driven pricing rules and the system dynamically computes prices in real time. The new product integrates customer profile data and product data to dynamically compute prices. Price Point addresses cost-plus-margin, list-minus-discount pricing, volume-based pricing, promotional pricing, customer-specific pricing, delta pricing, multiple price lists, target margin violation detection, maximum discount violation detection, user-defined pricing methods, and price-rule arbitration. Price Point can resolve rule conflicts with minimum, maximum, apply all, most recently updated, and other precedence algorithms.—Randy Covill

Draw the parallels between the pricing strategies tried at National after JA&A took over management, and some of the pricing rules provided in Calico's Price Point software.

5. Which two foundations were laid by the initial phase (Phase .5) of the RM project?
6. Which capabilities did the full RM system provide?
7. In what ways did the RM system impact National Car's business?