

# Desafio Estratégico

Bain & Company

## **Piuzana Capital**

Danton Jota

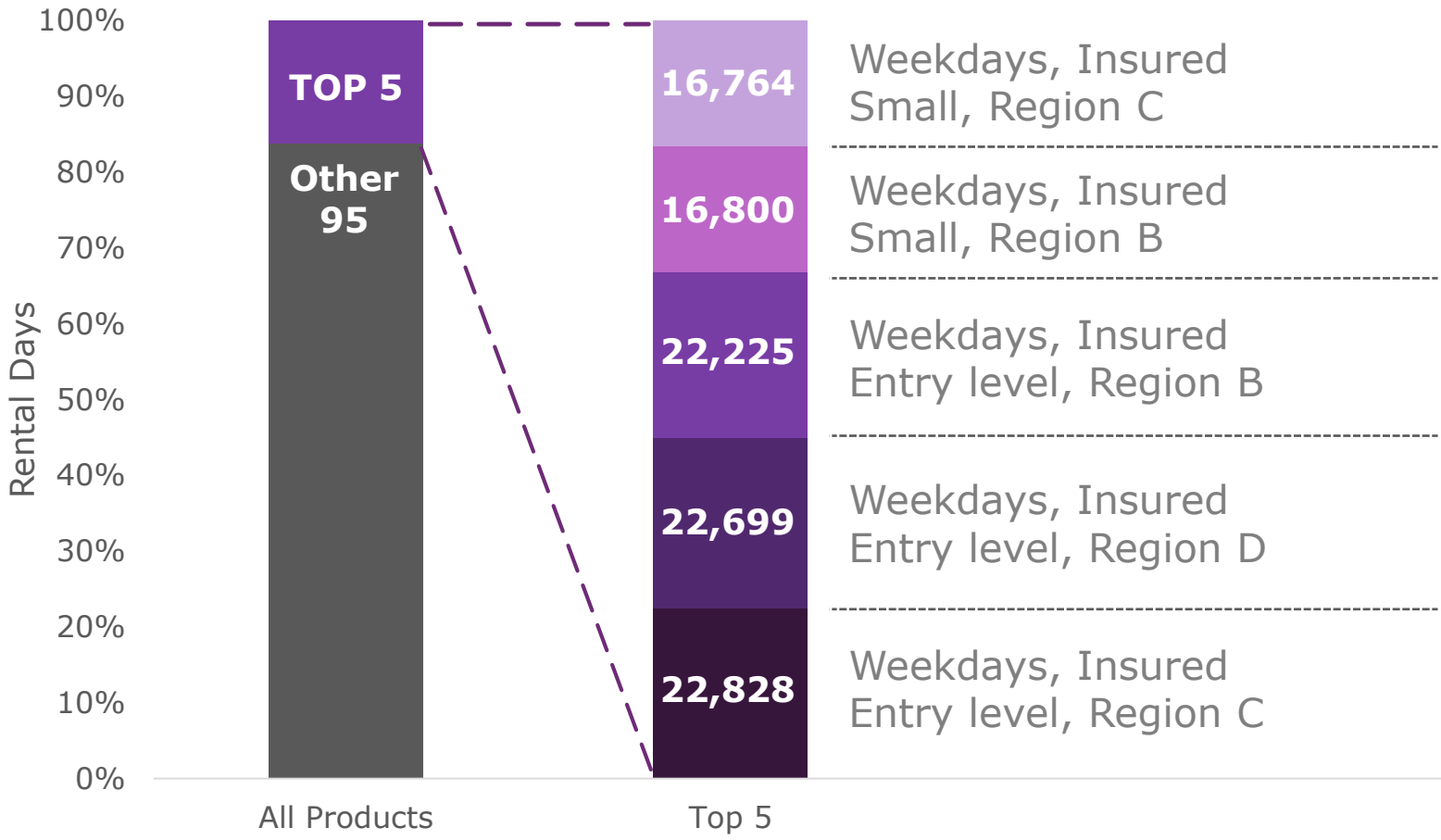
Felipe Santos

Jéssica Torres

João Rodarte

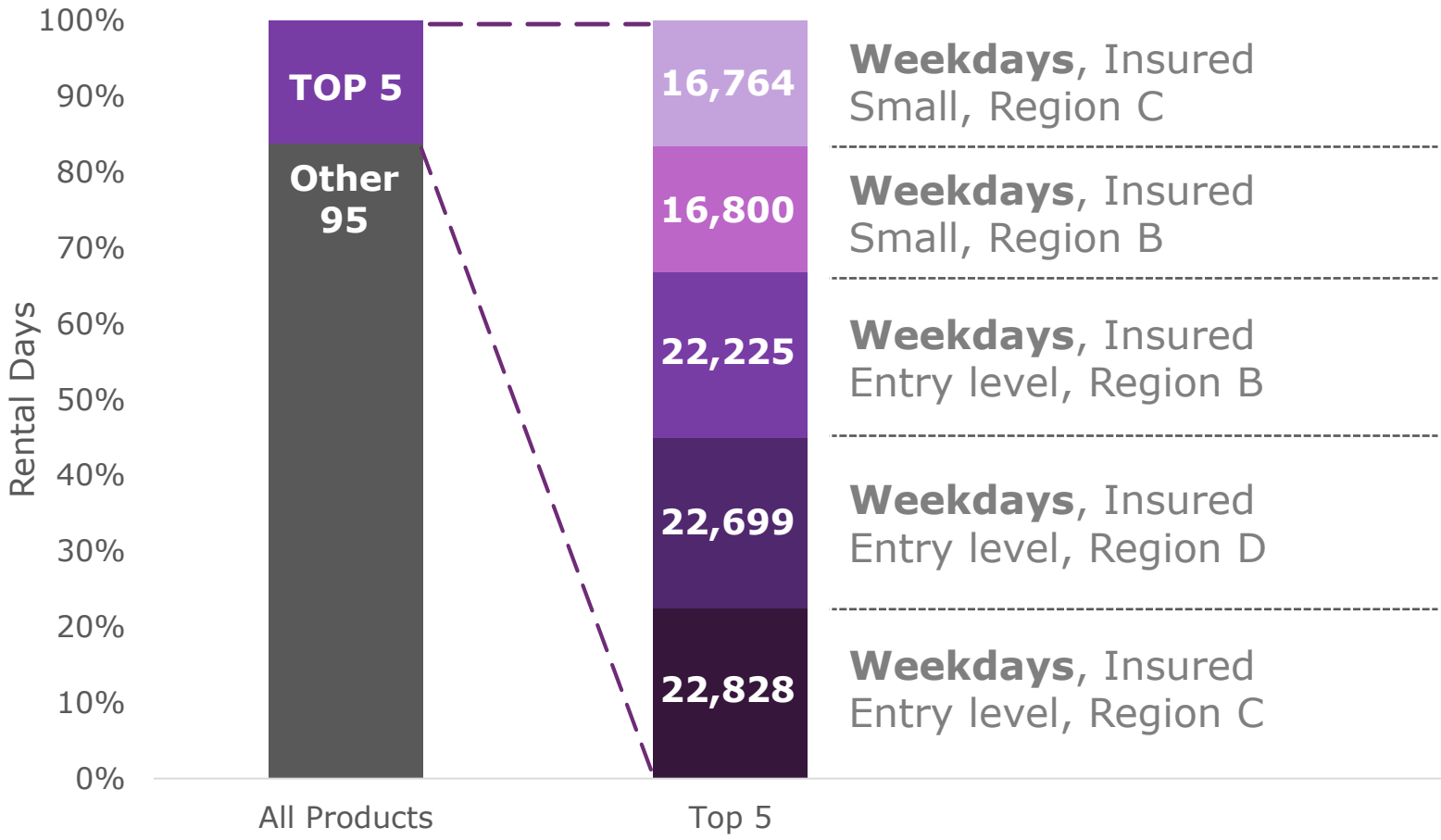
# Top 5 products represent 19% of all rental days

Localiza has a well distributed product portfolio



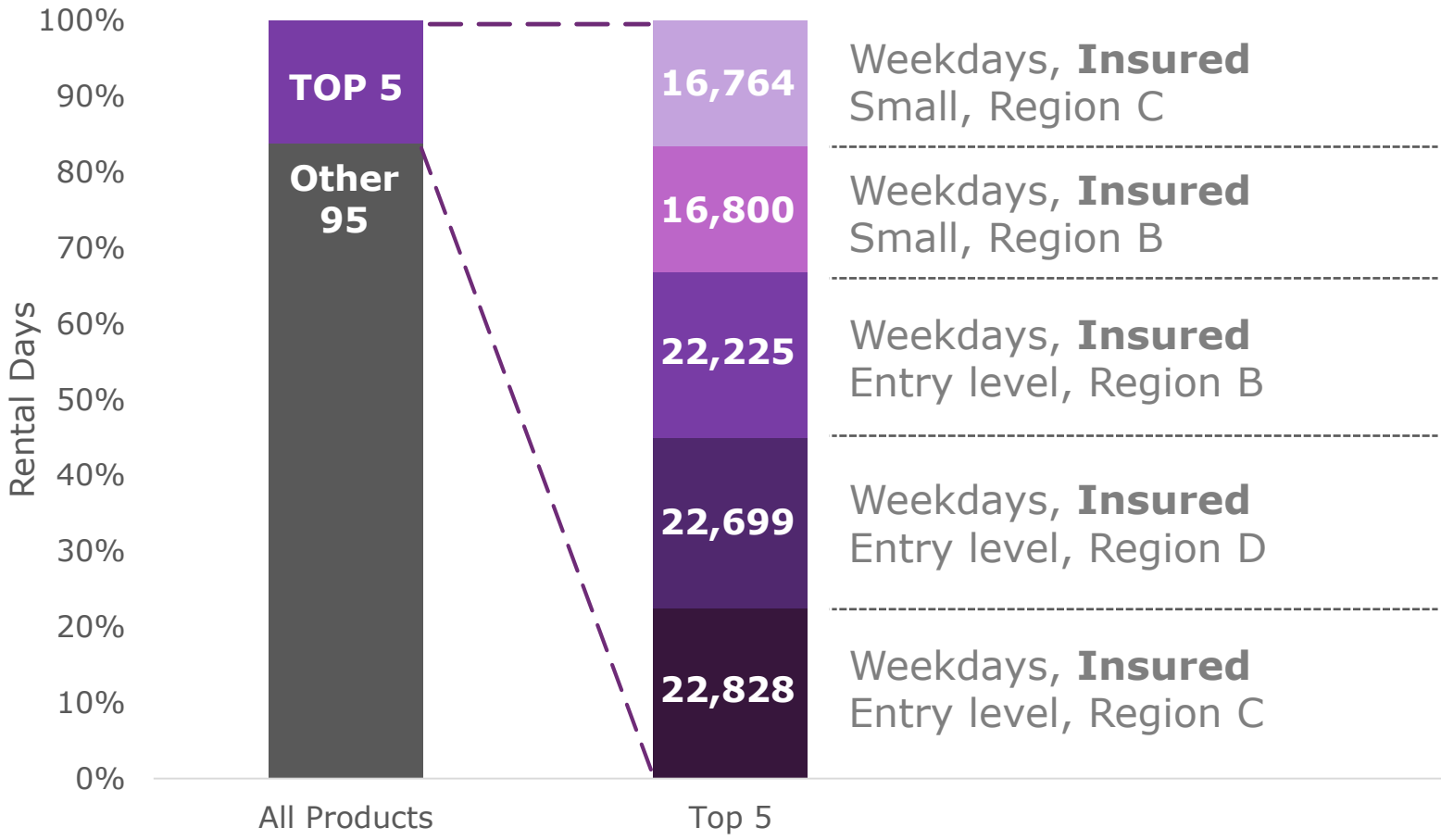
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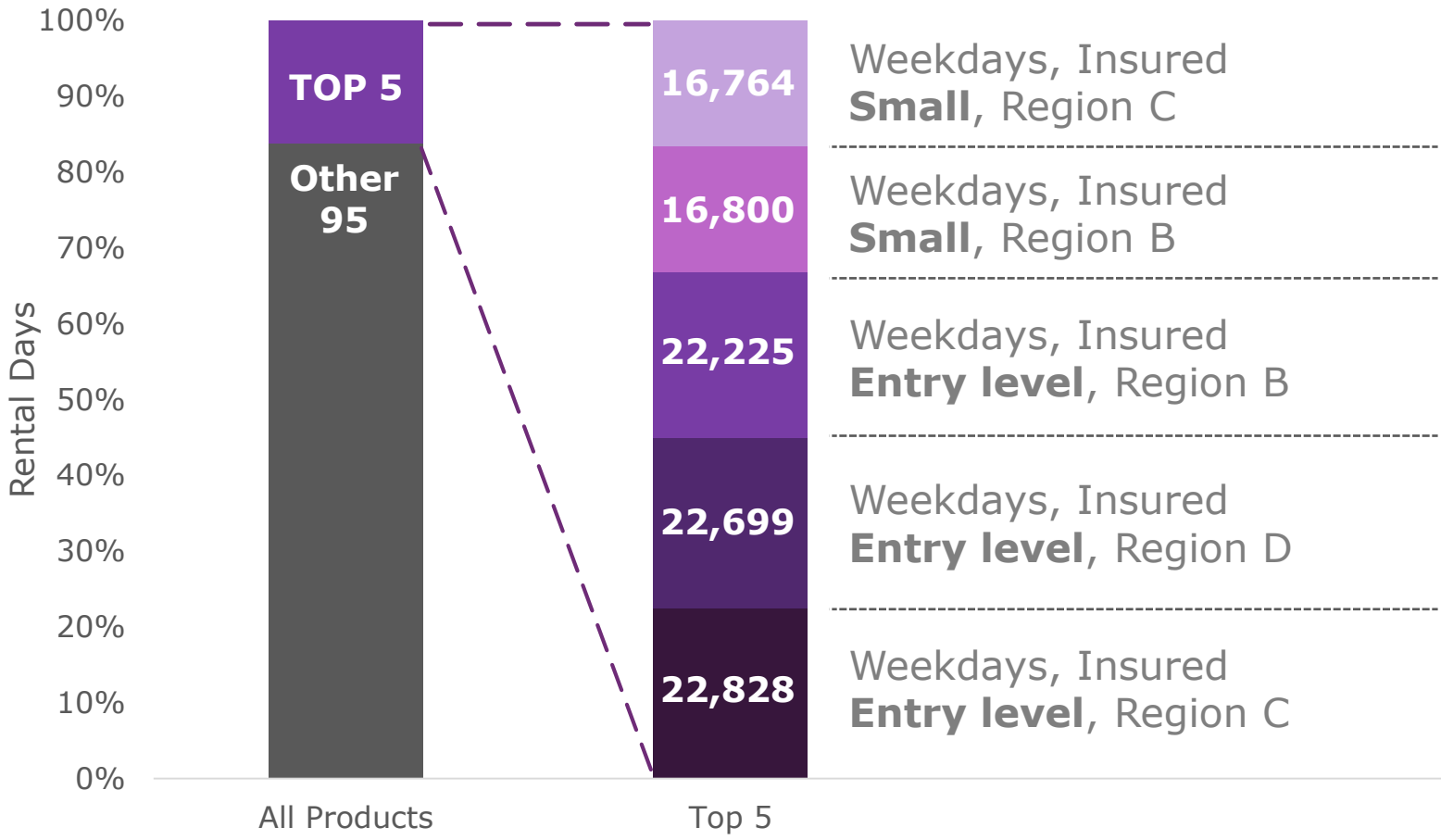
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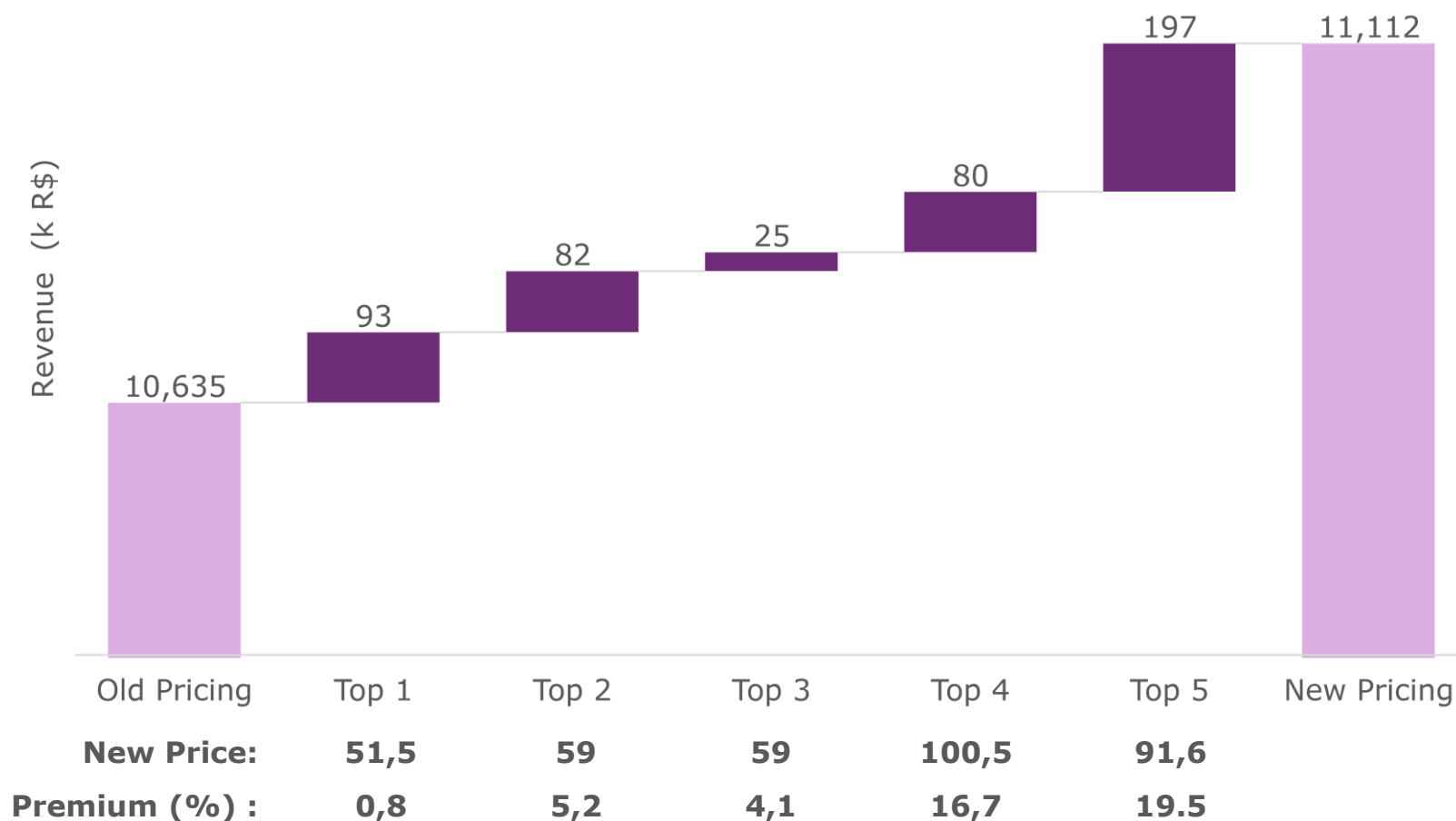


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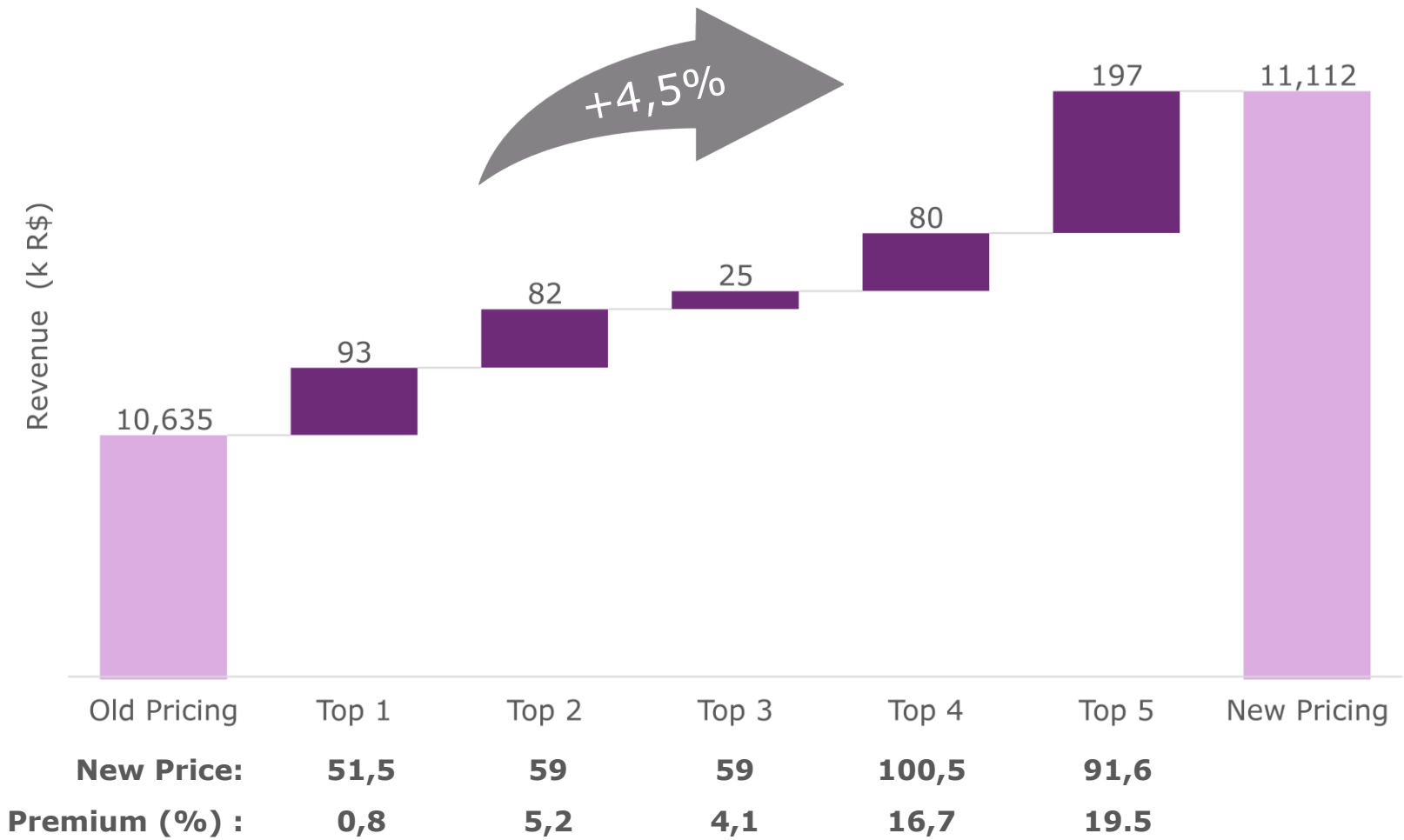
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# A premium-based pricing on the top 5 products would increase their revenues by 4,5%

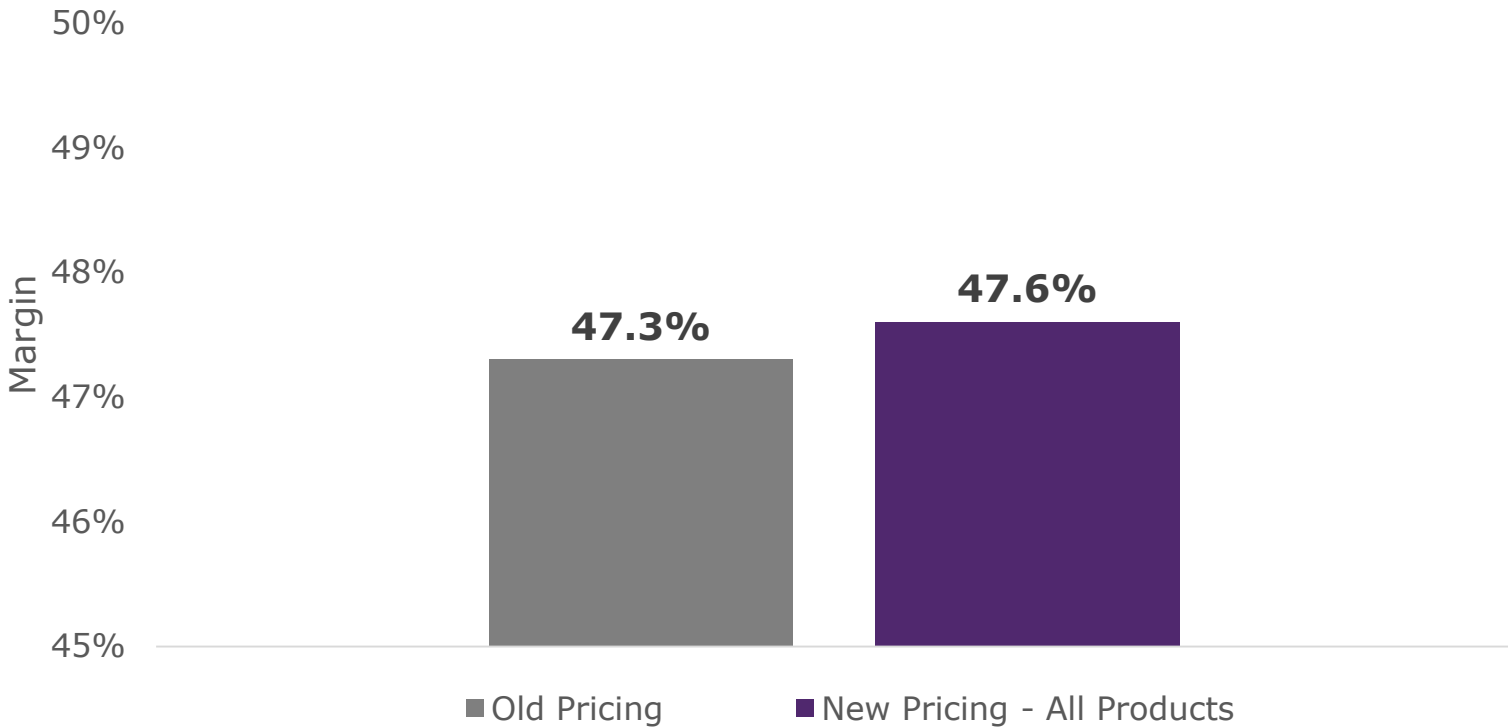


# A premium-based pricing on the top 5 products would increase their revenues by 4,5%



# However, applying premium-based pricing to the entire product portfolio would not significantly impact overall margins

Even with profit increase, margin barely improves



<b>Revenues:</b>	<b>MR\$ 71.1</b>	<b>MR\$ 73.5</b>
<b>Costs:</b>	<b>MR\$ 37.4</b>	<b>MR\$ 38.5</b>
<b>Gross Profit:</b>	<b>MR\$ 33.6</b>	<b>MR\$ 35.0</b>



# Segmentation considering consumer behavior can help improve our pricing strategy

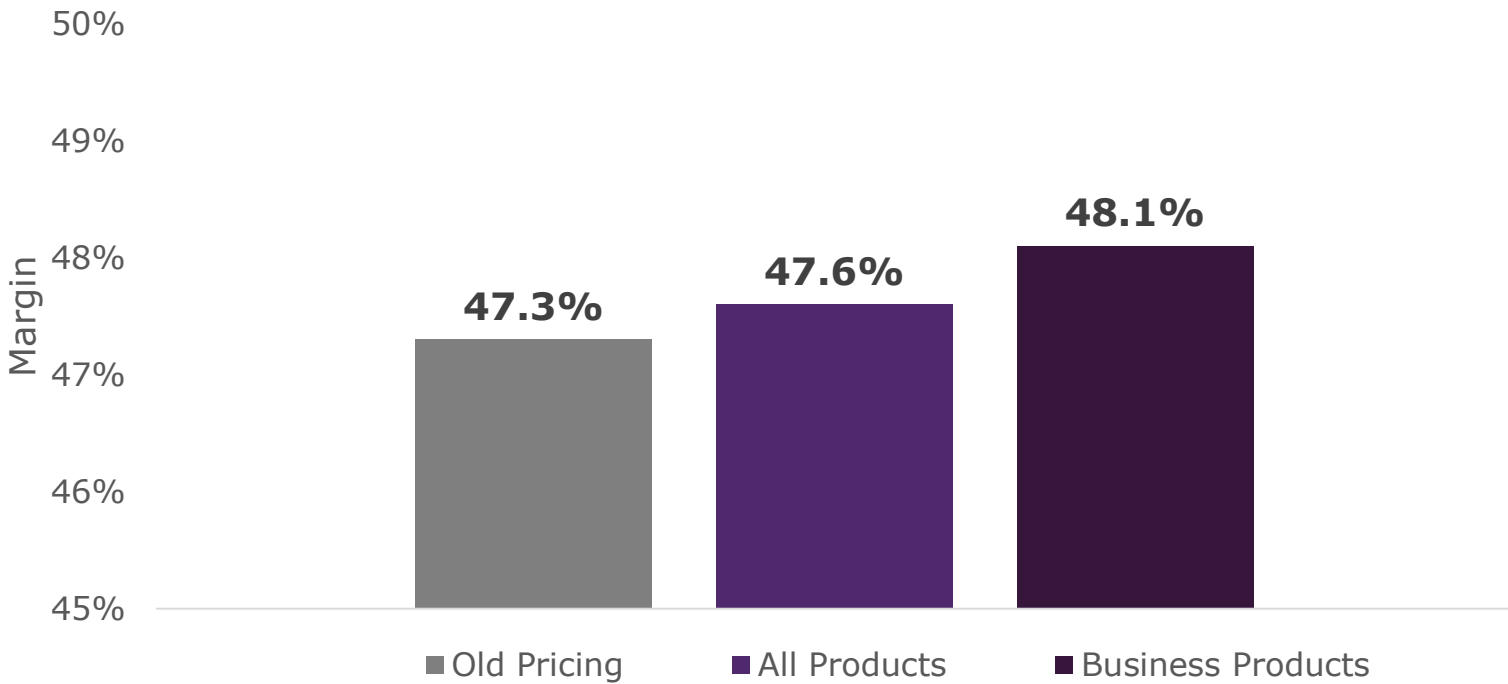
<b>Decision Matrix</b>	<b>Weekdays</b>	<b>Weekends</b>
<b>Long rentals</b>	Sara (vacations)	Sara (vacations)
<b>Short rentals</b>	Joe (business)	Bobby (weekends)

Other important factors:

- Month of rental
- Car type

# Business costumers are the right target for the premium-based pricing

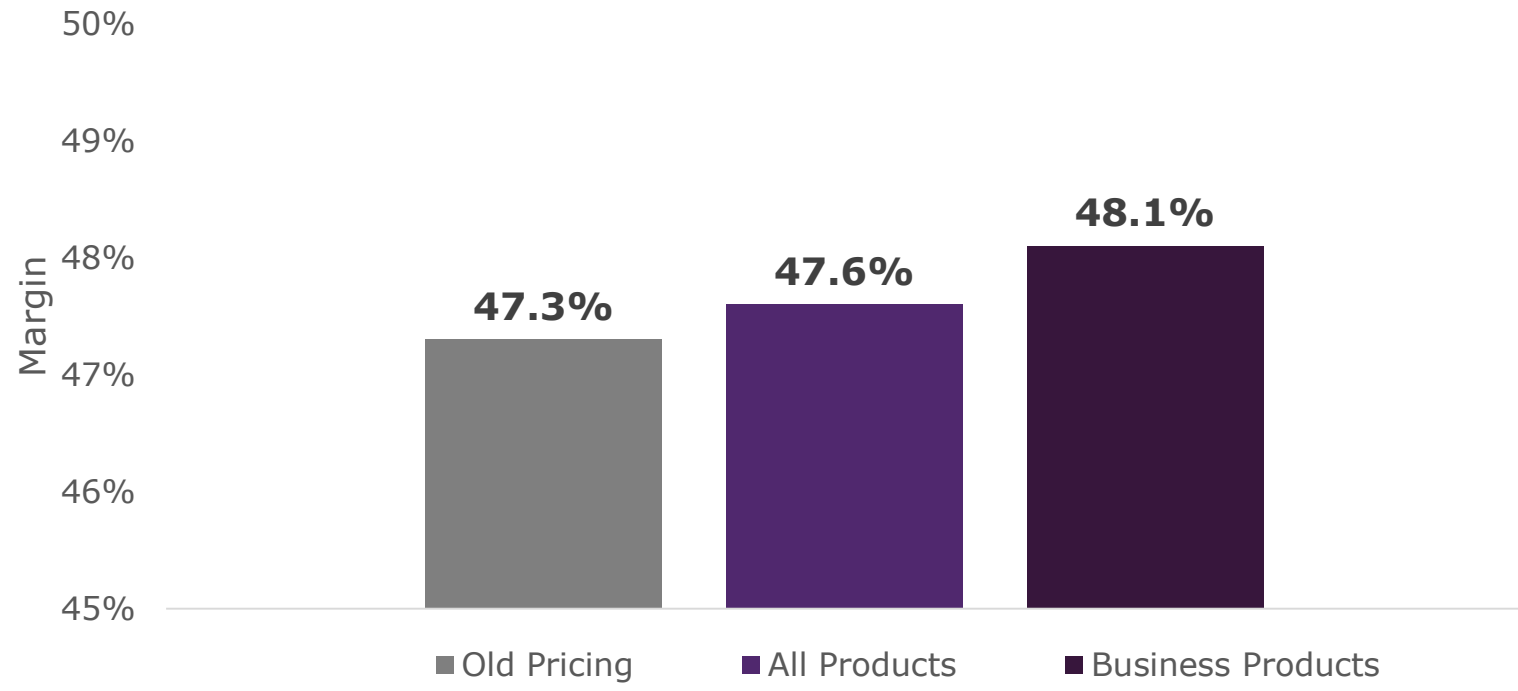
When the new pricing is applied only for business products, margins and profits rise



	Old Pricing	All Products	Business Products
<b>Revenues:</b>	<b>MR\$ 71.1</b>	<b>MR\$ 73.5</b>	<b>MR\$ 72.9</b>
<b>Costs:</b>	<b>MR\$ 37.4</b>	<b>MR\$ 38.5</b>	<b>MR\$ 37.8</b>
<b>Gross Profit:</b>	<b>MR\$ 33.6</b>	<b>MR\$ 35.0</b>	<b>MR\$ 35.1</b>

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Gross Profit:	MR\$ 33.6	MR\$ 35.0	MR\$ 35.1

# Other factors can influence demand elasticity



**Weather**



**Income**



**Gas prices**



**Substitute products prices**

Fleet renewal plan should have a higher variety of brands and models to reduce risks instead of only cost-cut orientation

**Minimum price:** cheapest models per type from China

**Issue:** High supplier dependence

Acquisition  
cost



215 MR\$

# Fleet renewal plan should have a higher variety of brands and models to reduce risks instead of only cost-cut orientation

**Minimum price:** cheapest models per type from China  
**Issue:** High supplier dependence

Acquisition cost



215 MR\$

**Suggestion:** no supplier has over 60% participation



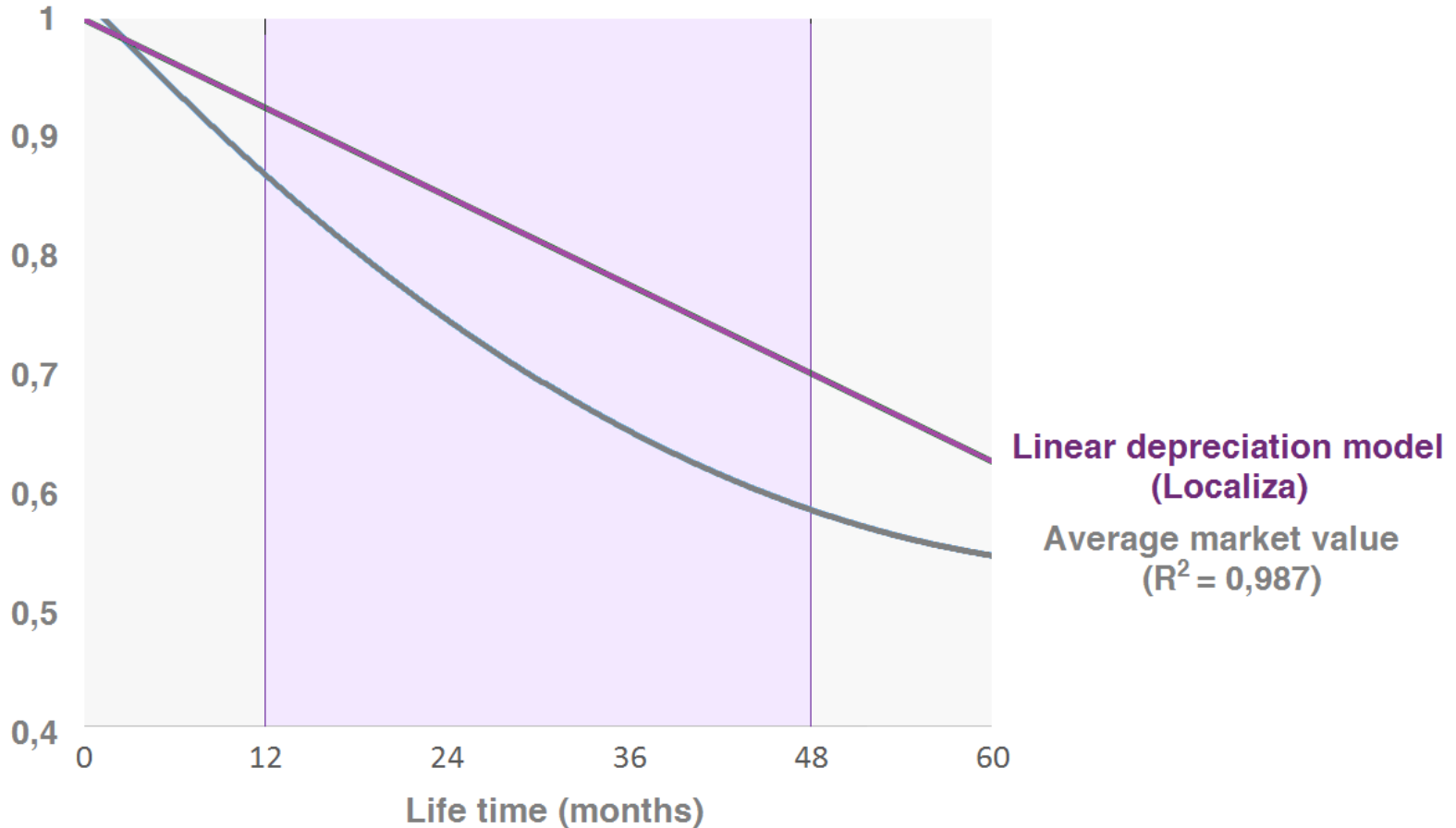
241 MR\$



Localiza should sell all its car types after 1 year of usage to maximize revenues from the car selling operation

## Depreciation models for Premium car type

Price Index

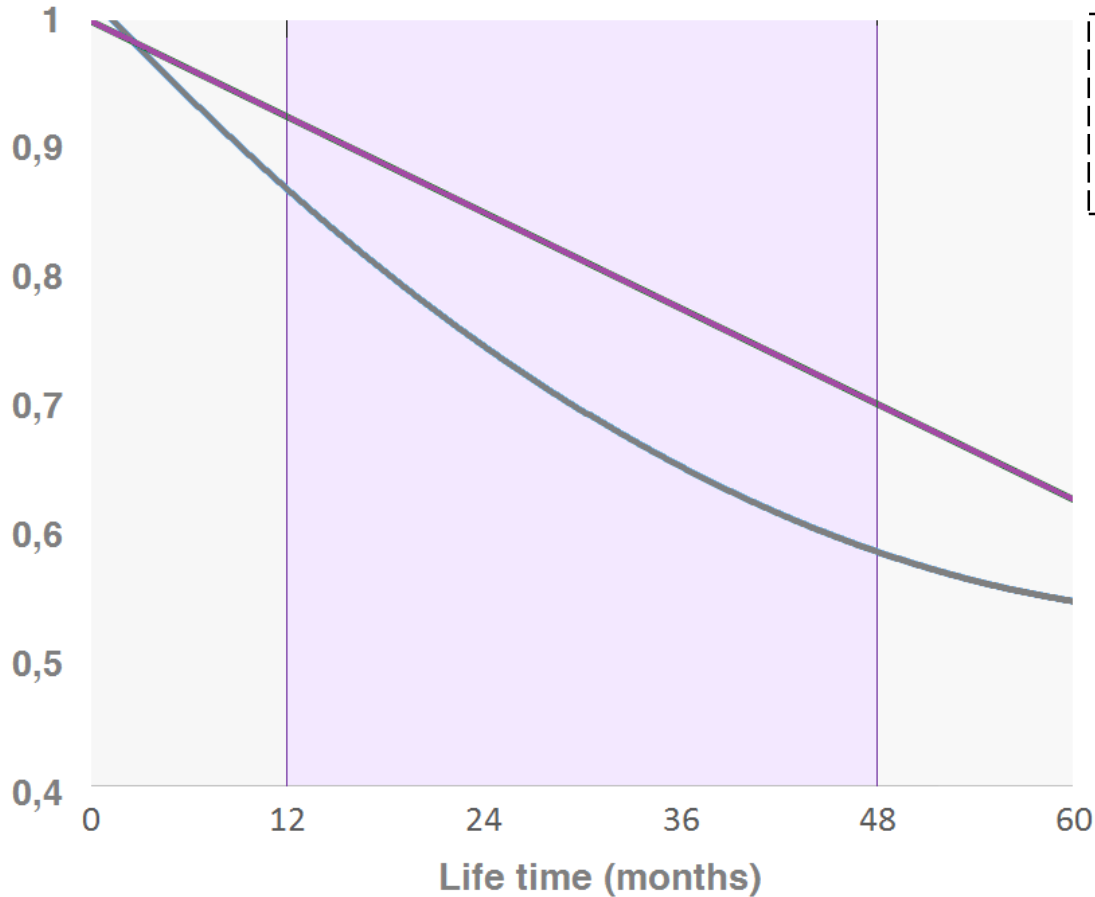


- Increase in buying and selling frequency will require additional efforts, to be further analyzed

Localiza should sell all its car types after 12 months of usage to maximize revenues from the car selling operation

### Depreciation models for Premium car type

Price Index



**Δ Annual revenue +154 MR\$**

**Linear depreciation model (Localiza)**  
**Average market value (R<sup>2</sup> = 0,987)**

- Increase in buying and selling frequency will require additional efforts, to be further analyzed



Before taking concrete actions, further analysis should be done

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- **Opportunities**

- Annual fleet renovation may generate good deals with our suppliers
- Other strategies for increasing revenues and margins should be considered – Besides premium-based pricing
- Due to good condition and volume, selling our cars above market average prices could be viable

- **Risks**

- It could be necessary to increase fleet size due to 1-year turnover
- Competitor's reaction to new pricing model must be taken into account
- Lack of brand and model diversity may drive some costumers away

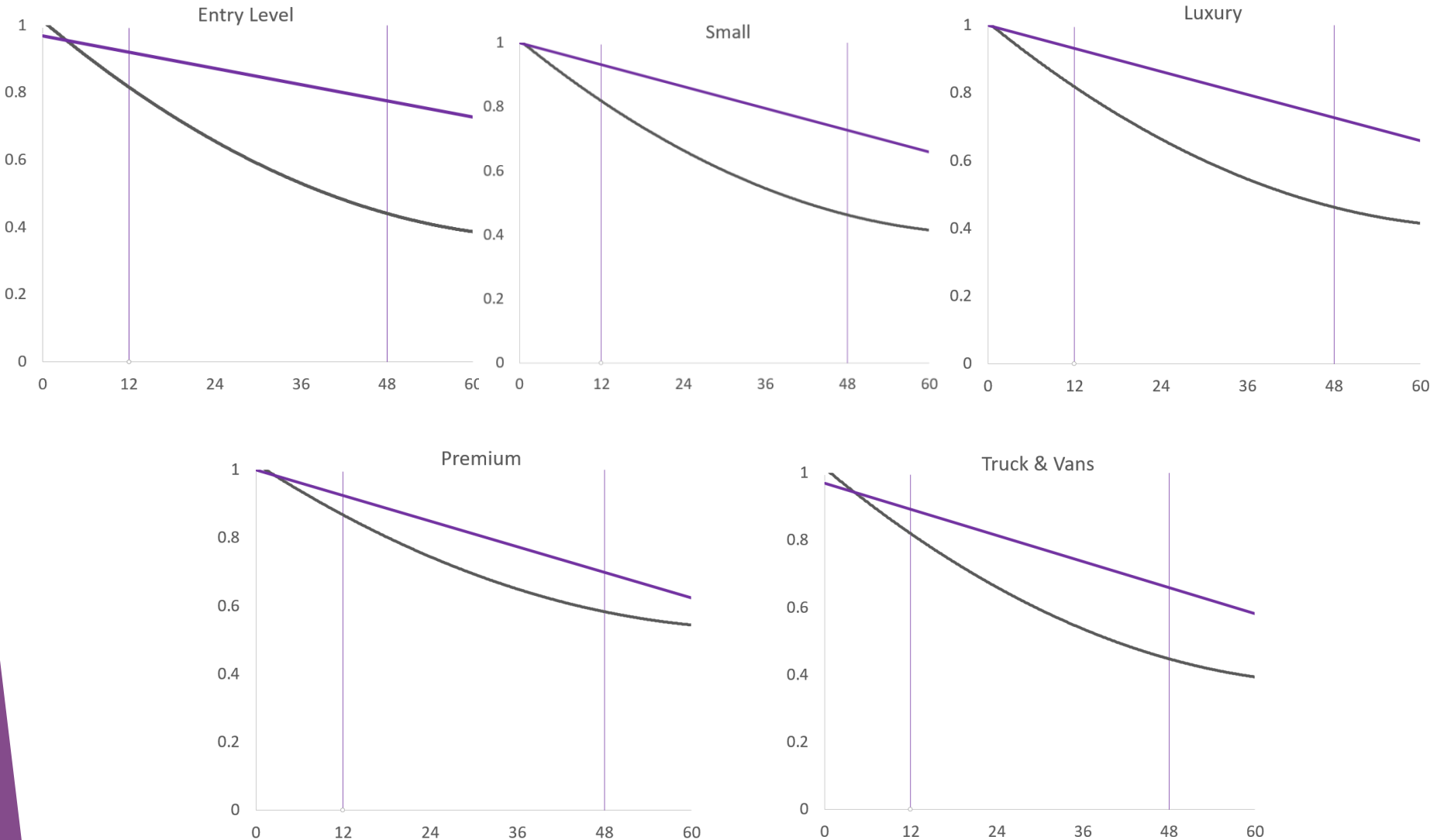
## Q&A Session

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# Anexo

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# Depreciation models per car type (Price index vs life time in months)



Este é o nosso slide padrão. Ele só serve para dar CNTRL C CNTRL V nos demais slides. Por favor não apague este slide.

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