

Flexcar DC Marketing Resource Allocation

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Abstract

Flexcar in Washington, DC is a bare bones enterprise in need of a new marketing strategy. The company has identified weaknesses with its web site and fleet diversity in the DC metropolitan area. The firm believes it needs to strategize and better allocate its resources in order to better compete in the DC metropolitan market. By utilizing the Analytic Hierarchy Process through Expert Choice software, the VP of Marketing will allocate the available budget of \$60,000 through various initiatives. This report will define the objectives of the new marketing initiatives, discuss the alternatives and implement the allocation of resources.

Background

Flexcar is the nation's oldest and largest car-sharing company, providing its members access to a fleet of vehicles conveniently located across a metropolitan area. Flexcar is headquartered in Seattle and now operates car-sharing programs for more than 20,000 members in more than 20 cities in 5 states and the District of Columbia. Flexcar operates on a membership basis. Flexcar members can reserve and drive a car whenever and wherever they need to, without filling out paperwork, paying for insurance, gas or repairs. Flexcar members pay an annual fee to access Flexcars, and then pay an hourly fee each time they want to use a car. Flexcar covers the cost of the vehicle, insurance, gas, parking and maintenance (Flexcar website, 11/13/04).

Goal

Zipcar is Flexcar's only competitor in the Washington DC market. DC is the only US market with competing car sharing organizations. Since car sharing is a new and emerging market, these two companies are competing for a limited number of customers. With this competition in mind, the Vice President of Marketing has budgeted \$60,000 to invest in action items that will best increase Flexcar's revenues.

Decision-making Process

"Based on the Analytic Hierarchy Process (AHP), Expert Choice® software provided a mathematically rigorous application and proven process for prioritization and decision-making."²

Analytic Hierarchy Process

The Analytic Hierarchy Process (AHP) is a decision making process to help set priorities and make the best decision when both qualitative and quantitative aspects of a decision need to be considered. By reducing decisions to a series of one-to-one comparisons, then synthesizing the results, AHP not only helps decision makers arrive at the best decision, but also provides a clear rationale.

Once a model is developed and comparisons of the objectives are made, then the alternatives are rated in the data grid. Next an optimization analysis is performed to reveal the best combination of alternatives subject to budgetary constraints.

Objectives

In order to determine the most effective marketing mix for the funds, the following objectives are defined: increase sense of community, more visibility, increase current member use, increase brand awareness, increase diversification and appeal to the firm's target demographic.

Increase sense of Community

Shared-use vehicle services first became popular in Europe in the late 1980s. Successful European organizations, such as Mobility CarSharing in Switzerland, have taken a community improvement focus. These organizations create a feeling of community among their members and are active in community improvement. Flexcar can take ownership of this community focus in the DC market, providing a service that is a community in itself. In addition, community improvement initiatives will create positive buzz about the service, along with the potential for free, positive publicity through the news and information media.

Increase Visibility

The relatively low visibility of Flexcar's vehicles has been identified as a downside of the Flexcar service. Most of its vehicles are Honda Accords. In comparison, Zipcar has a much more diversified fleet that has a hipper image. In order to overcome this image, it is recommended that Flexcar focus on initiatives that increase the visibility of the service, and help get out the word that the service has more convenient locations and more available vehicles than its competitor.

Increase Current Member Use

An average of only 900 of Flexcar's 6,000 members in DC make regular monthly use of the vehicles - reserving them mostly nights and weekends. A goal of this marketing plan is to increase the number of monthly users to 1500. Many of these users must be added during weekday rental periods.

Increase Brand awareness

Since DC is the only US market with two car sharing companies, it is imperative that Flexcar increase consumer awareness of the service and its features. Currently, Flexcar's exclusive partnership with WMATA gives it the advantage of car locations outside of many Metro rail stations. In addition, signage rights within Metro stations give Flexcar an additional competitive advantage over Zipcar. Despite the advantages, the membership gap between the two services is closing. As a result, Flexcar must raise awareness in order to expand its membership advantage over Zipcar, reversing the current trend.

Increase diversification from the competition

Because Flexcar and Zipcar offer essentially the same service, Flexcar must focus on providing a better, more efficient service than Zipcar. As a result, the marketing plan for Flexcar will focus on new opportunities for providing a more diverse service than its competitor. In addition, marketing support must focus on this diversity for maximum effect.

Appeal to target demographic

Psychographic studies from Cascade Strategies, Inc. identified four personality types of Flexcar customers: Reformer, Pragmatist, Optimist and Miser. 46.7 percent of current members are pragmatists, 24.9 percent reformer and 20 percent are optimists. While pragmatists are rather apt to agree with the Flexcar concept, they are relatively low users of the service. Of the four personality types, reformers are most likely to agree with the company concept and reformers are by far the more significant users of the service. In order to accomplish the goal of increasing vehicle use, it is imperative that Flexcar bring in new members of this personality type.

The reformer is a crusading type, driven to change things, and make the world a better place. Reformers are judgmental and critical moralists. They tend to think there's a lot wrong with the world that needs fixing, and are apt to take action to change what's wrong - actions such as joining Flexcar.

Alternatives

In order to achieve the goal of maximizing the revenue effect of the marketing mix, over \$250,000 in initiatives is proposed. With only a \$60,000 budget, it is important to maximize the impact of this limited resource allocation. The alternatives consist of the different projects and initiatives that are being considered. The projects under consideration come from four main groupings: advertising, community involvement initiatives, member services, and website improvements.

Advertising

Initiatives from this group can help to achieve each of the objectives to varying degrees, depending on the specific program.

- **Banner Advertisements:** Placing advertisements on local websites such as digitalcity.com and Washingtonpost.com. While the cost is relatively cheap, generally low response rates to banner ads could reduce the effectiveness of this alternative. \$8,000 is budgeted for this alternative.
- **Express Advertisements:** Placing advertisements in the Express newspaper. This paper is made available at most Metro stations, and is a condensed version of the Washington Post. This publication is a good target because its readers are all potential Flexcar users due to the fact that most all Flexcars are located at Metro rail stations. Express ads are more expensive than banner ads, and the Express is not a publication that is retained for longer than a reader's commute. \$10,000 is budgeted for the alternative.
- **Metro Banner Redesign:** Flexcar banners in Metro rail stations have been judged to be dull and in need of more colors and attention-getting language and promotions. Printing and redesign costs make this a rather expensive alternative, with an estimated cost of \$17,000.
- **New Slogan:** Flexcar's current slogan of "Shift Your Thinking" is in need of a supplementary slogan. Slogans such as "Flex Your Freedom" would be implemented in all new marketing materials, rather than a complete overhaul of all existing marketing. As a result, the cost is not prohibitive, at an estimated \$7,000.
- **Washington Post Advertisements:** The Washington Post has a larger readership than its companion, The Express. However, Post ads can cost more, and may not appeal to as focused a target market as Express. \$10,000 has been budgeted for this alternative.
- **Sticker Redesign:** Flexcars are currently painted with a small white identifier of the brand. A larger, more colorful sticker is being considered. The new sticker will also include a mention of the website – Flexcar.com. This sticker will be painted on all 100 cars in the fleet, with a cost of \$100 per sticker, totaling a \$10,000 commitment.

Community Initiatives

Flexcar's image of being a contributor to the community is an important corporate edict. As a result, the firm places a focus on participation in community events. This community focus mostly appeals to Flexcar's target reformer personality. The other objectives are also satisfied to a varying degree depending on the initiative.

- **Community Cleanup:** This initiative involves organizing cleanup of parks and open spaces throughout the DC Metropolitan area. This initiative will be publicized to local news organizations, presenting the opportunity for free positive publicity. A downside is that one or two Flexcars will be taken out of the fleet during peak weekend usage. Two funding levels are proposed. Organizing one event per month will cost \$6,000 while two events per month will cost \$12,000.
- **Community Fairs:** This initiative calls for attending local community events, such as the Adam's Morgan Festival. It entails removing a car from the fleet, generally for a full weekend. However, there is the opportunity for exposure to a large number of potential customers who can be pitched on the service. Three funding levels are proposed for this alternative: one (\$3,600), two (\$7,200) or four (\$14,400) per month.
- **Community Parade/Event Donation:** This alternative involves lending a Flexcar to local organizations for parades and events. Costs are a bit less than the other community initiatives, because no staff participation is required. However, the lack of public interaction reduces the effect of this marketing tool. Two funding alternatives are considered. One donation per month will cost \$2,400 and two donations cost \$4,800.
- **Community Shelter/Food Bank Donation:** This option lends a Flexcar vehicle to local food banks and shelters during the week to assist with the transportation needs of these organizations. It provides positive publicity, and is cheaper than the other community alternatives because the vehicle would be used during the week, when there is lesser demand. Three levels of funding are considered: one (\$1,200), two (\$2,400) and four (\$4,800) donations per month.

Member Services

- **Add Pickups to Fleet:** Flexcar currently only offers one pickup truck in its fleet of 100 vehicles. This truck is the most requested vehicle in the fleet. These vehicles are more expensive to maintain due to the hauling and towing for which they are generally used. Three levels of funding are being considered: adding one (\$6,000), two (\$12,000) or three (\$18,000) trucks.
- **Add Capitol Hill Location:** Adding a Flexcar location to Capitol Hill will increase the exposure of the service due to the heavy traffic in this area. However, this is a high-rent district, and buying a parking spot location may be cost-prohibitive. The cost for this alternative is \$20,000.
- **Flextrip Card Integration:** This initiative would allow integration of Flexcar members' vehicle access card with the Metro Flextrip card. Flexcar's partnership with WMATA makes this an idea that Metro will sign off on, however the

integration costs incurred must be absorbed by Flexcar. This will provide more convenience for current members, but at a high cost. The funding cost is \$20,000.

- **Frequent Driver Program:** This alternative will give free usage hours to members who make frequent use of the service. It involves some cost of updating existing systems, but could significantly contribute to increased use by current Flexcar members. The cost of this alternative is \$7,000.
- **Membership Fee Waive:** This program involves waiving the first year's membership fee in exchange for a new member joining Flexcar. This will attract interest and add new users to the service, but there is no guarantee they will make significant use of the service. Three levels of funding are proposed: one month (\$5,000), three month (\$15,000) and six month (\$30,000) campaigns.
- **Newsletter:** This initiative involves compiling and sending a local semi-monthly newsletter. It will suggest ways to use Flexcar, local events and PR about the firm. It will be emailed to members and posted on the Flexcar DC website. In addition, the firm can buy email addresses of its target demographic and increase distribution. The newsletter is aimed at driving increased usage of the vehicles and as a PR tool. There are three levels of funding of this initiative, involving the breadth of the newsletter's scope: members only (\$5,000), online only (\$5,000), and both (\$9,000).

Web Programs

These initiatives address Flexcar's website. It has been judged to be confusing and not well organized. In addition, the website is not being utilized in order to maximize its potential effect of driving new users to subscribe and increasing use by current members.

- **Online Survey:** This is an online survey soliciting member feedback regarding the service Flexcar provides. The survey questions can be changed from time to time to gauge member interest in new features or locations. It will be a cheap and valuable tool for marketing. Its cost is \$3,000.
- **Information Redesign:** This initiative calls for rearranging the information in the website to make it easier to read and more user friendly. Potential new members need to have easily accessible information that answers common questions in order to turn interest into a membership. Information will be better organized and will flow users to the membership sign-up page. The cost is \$3,000, mostly in labor.
- **New DC Site:** This alternative calls for a complete redesign of the web site, with a dedicated address, new user interface, and more colorful displays. Its cost has been estimated at \$10,000.

Prioritizations

Objectives

With input from the VP of marketing, a series of pairwise comparisons have been made between each of the objectives. Using Expert Choice software, each objective is judged individually against the others with respect to the level of preference in achieving the goal of the best marketing mix.

Improve sense of community

Compare the relative importance with respect to: Goal: Marketing mix that most increases revenue potential



Increase visibility

| | Improve ser | Increase vis | Increase cu | Increase b | Create divi | Appeals to |
|---|-------------|--------------|-------------|------------|-------------|------------|
| Improve sense of community | | 1.92 | 3.29 | 1.3 | 1.19 | 1.35 |
| Increase visibility | | | 3.13 | 1.32 | 1.67 | 1.5 |
| Increase current member use | | | | 3.0 | 3.85 | 3.05 |
| Increase brand awareness | | | | | 1.99 | 1.0 |
| Create diversification from competition | | | | | | 1.88 |
| Appeals to reformer personality type | Incon: 0.01 | | | | | |

Figure 1

Figure 1 displays the results of the pairwise comparisons. Figures in red indicate that the alternative in the column is the preferred. Figures in black represent preference for the alternative in the row. The figures themselves indicate the level of preference. The box highlighted in yellow indicates that increasing visibility is deemed nearly twice (92% more) as important as improving sense of community. The comparisons are relative comparisons based on graphical comparisons.

After performing a synthesis on the set of comparisons above, the relative importance of the objectives is illustrated in Figure 2. Increasing current member use is the most significant objective to Flexcar, and is twice the importance of any other objective. Flexcar has identified this as a crucial determinant to future success. Currently, only fifteen percent of active subscribers are billed for use of the vehicles in an average month. Increasing this figure will result in increased revenues for the firm.

Synthesis with respect to: Goal: Best Marketing Resource Mix

Overall Inconsistency = .01



Figure 2

Alternatives

Since the budget is less than a quarter of the total dollars in proposed initiatives, a ranking system must be devised to determine the most valuable alternatives. In order to prioritize the alternatives with respect to achieving the firm's objectives, a series of intensities are employed. These intensities are used to rank each alternative with respect to its contribution to the individual objectives. The rankings are then used to judge the

differences between the alternatives in satisfying the objectives. For the purpose of this simulation, the following levels of intensity were identified: immense, very significant, significant, moderate, slight, tad and none.

| Intensity Name | Priority |
|------------------|----------|
| Immense | 1.000 |
| Very Significant | .459 |
| Significant | .248 |
| Moderate | .103 |
| Slight | .057 |
| Tad | .012 |
| None | .000 |

Figure 3

Figure 3 illustrates the weights of the individual ratings. A rating of immense is more than twice as preferable as a rating of very significant. The ratio of the differences in preference between very significant and significant is a little less than two times.

Synthesis with respect to: Goal: Marketing mix that most increases revenue potential

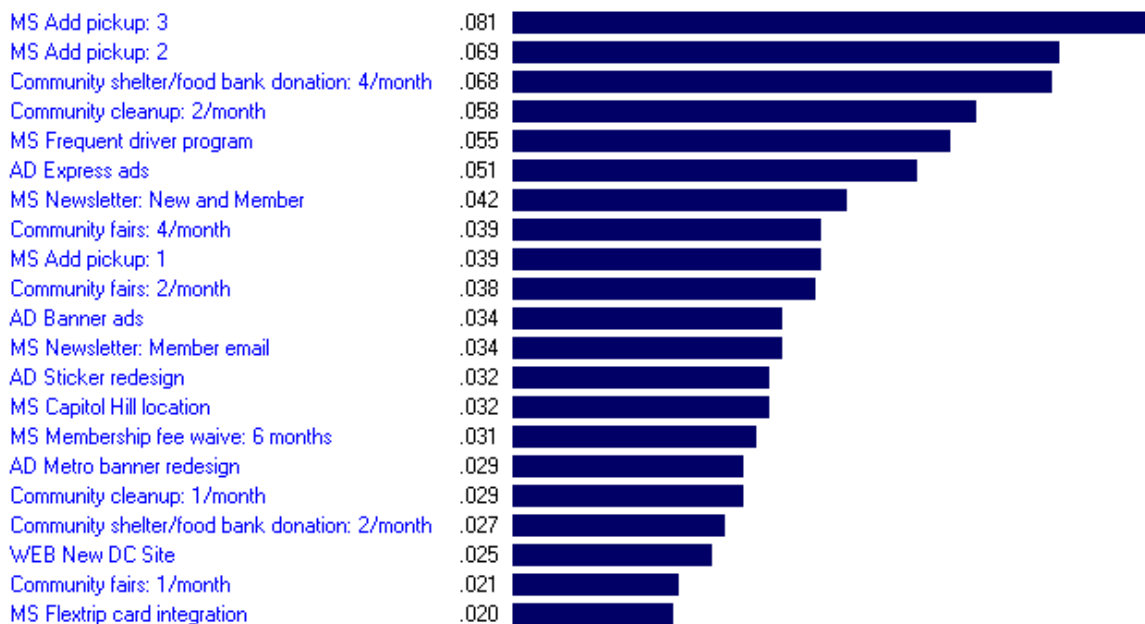




Figure 4

Figure 4 illustrates the preferences of the individual alternatives with respect to achieving the goal of creating a marketing mix that best increases Flexcar’s revenue potential. Each alternative is rated using the intensities from Figure 3 with respect to their preference in satisfying the objectives. In a world without budgets, Flexcar would implement all of the alternatives, realizing all available benefits. However, the marketing budget for this project does not allow implementation of all alternatives. Furthermore, some of the alternatives are proposed at different funding levels to account for budget concerns. For instance, the two highest rated alternatives, adding three pickup trucks and adding two pickup trucks, are grouped in the allocation model such that only one of these alternatives is selected. Figure 5 illustrates the groupings and their corresponding alternatives. Only one or none of the individual alternatives in each group will be funded as part of the resource allocation.

| Group | Alternative |
|------------------------------|---|
| Add Pickup Trucks | MS Add pickup: 1 |
| | MS Add pickup: 2 |
| | MS Add pickup: 3 |
| Newsletter | MS Newsletter: New users |
| | MS Newsletter: Member email |
| | MS Newsletter: New and Member |
| Fee Waive Campaign | MS Membership fee waive: 1 month |
| | MS Membership fee waive: 3 months |
| | MS Membership fee waive: 6 months |
| Shelter/Food Bank Initiative | Community shelter/food bank donation: 1/month |
| | Community shelter/food bank donation: 2/month |
| | Community shelter/food bank donation: 4/month |
| Cleanup Initiative | Community cleanup: 1/month |
| | Community cleanup: 2/month |
| Parade/Event Initiative | Community parade/event donation: 1/month |
| | Community parade/event donation: 2/month |
| Fair Initiative | Community fairs: 1/month |
| | Community fairs: 2/month |
| | Community fairs: 4/month |

Figure 5

Resource Allocation

Integrating the costs of each alternative, the funding preference is illustrated in Figure 6. The results are optimized to find the combination of alternatives that best makes use of the available funding, maximizing the benefits. The optimization involves using the combination of alternatives that make most efficient use of the available funding. For example, in Figure 6 both the Washington Post advertisements and Express ads cost \$10,000. However, Express ads are more effective satisfying the firm's objectives, with a benefit of .325 versus Post benefits of .063. While both add value, due to scarce funding resources, the money is more efficiently spent with Express. In the model, only Express ads are funded at the \$60,000 level. However, at some additional level of funding, Post ads would also be funded.

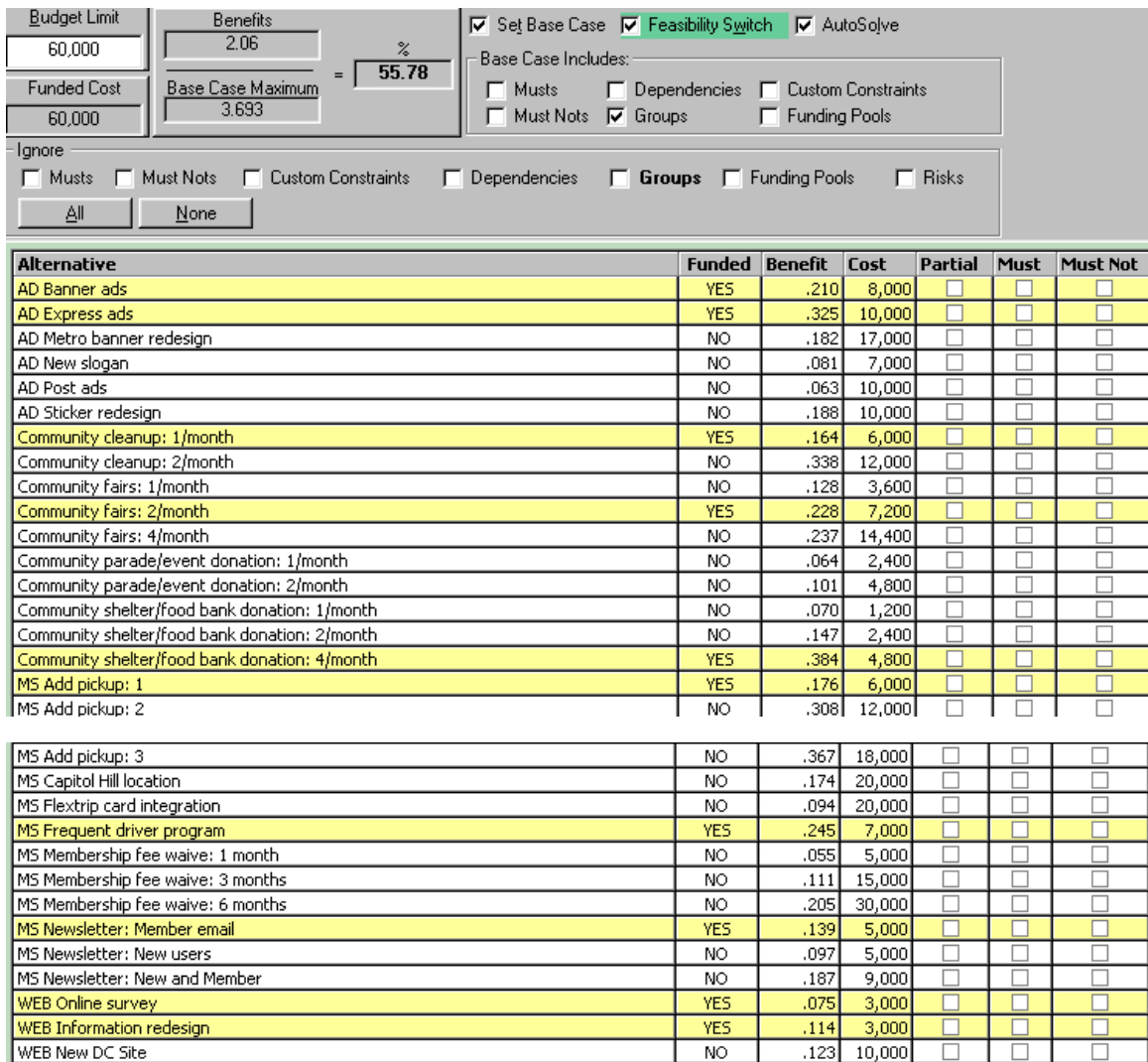


Figure 6

Figure 6 illustrates the recommended alternatives for funding, taking into account the \$60,000 marketing budget. The full \$60,000 is allocated, funding the following initiatives. While no constraints were integrated requiring funding, each of the initiative

categories will receive funding. Advertising will receive funds for banner ads and Express ads. Community initiatives will be funded as follows: community cleanups once per month, community fairs twice per month, and community shelter donations once a week. Funded member services projects include adding one pickup truck to the fleet, adding a frequent driver program and implementing a newsletter for Flexcar members. Web initiatives funded are the online survey and information redesign.

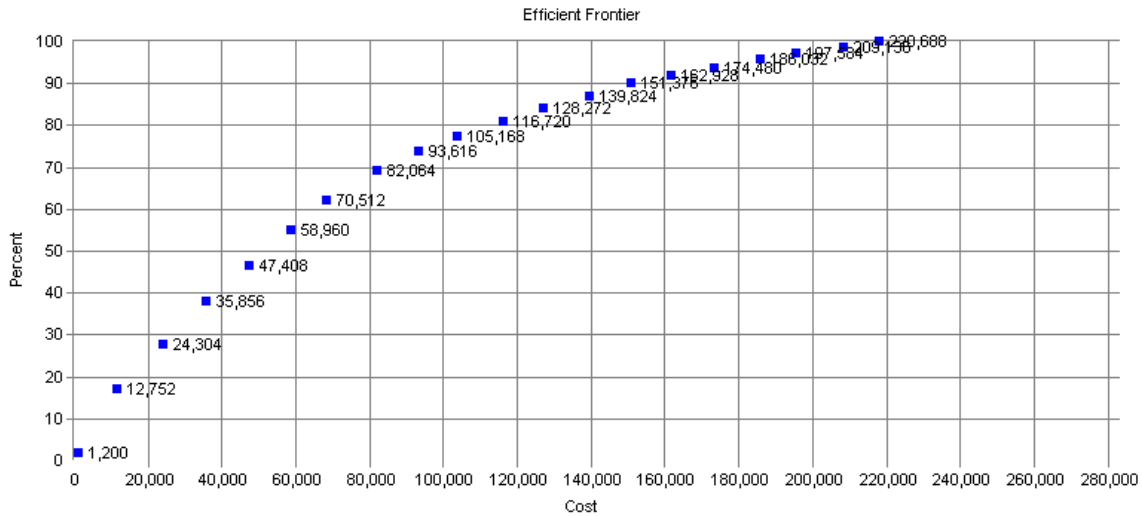


Figure 7

Figure 7 plots the percentage of the maximum satisfaction of objectives at various funding levels. While the \$60,000 funding level realizes 56% of the benefits, increased funding levels tend to decrease the slope of the efficient frontier curve. Funding levels past the \$82,000 mark show a more pronounced decrease in slope, showing less efficient growth in benefits attached to each budget increase.

Conclusion

The best resource allocation analysis will be presented to Flexcar VP Tim Vogel on December 7, 2004. This presentation will integrate the findings of this model into the overall marketing plan recommendation. Vogel’s input regarding the firm’s objectives and priorities has created a plan focused on the current objectives of the organization. Implementation of the suggested allocation will allow the company to make the most efficient and effective use of its marketing funds.

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