



EUROPEAN
RENTAL
ASSOCIATION

Yield Management

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At United Rentals, Yield Management Means Managing Revenue, Profit and Return on Capital

- For some, “Yield Management” only concerns managing revenue, with “yield” combining everything but volume. Often it is managed using dollar (or financial) utilization
- True yield concerns revenue, profit and return, and is driven by:
 - Price (rental rate)
 - Volume
 - Mix
 - Other Items
 - Costs (including capital costs)
- United Rentals manages price, volume, and mix independently to drive revenue performance
- Contribution Margin is used to manage profitability and return

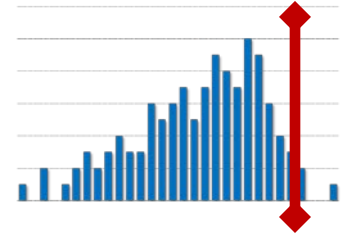
Rental Rate Optimization

- **Partnered with Zilliant** to create a customer centric pricing tool to maximize revenue/profit
- Generate a **monthly optimization** of prices and push to our ERP system
 - Available to Sales Team on a real time basis via RentalMan
- Sales commission design is built around the **deal envelope**
- Additional analytics and market knowledge is used to determine **incremental pricing opportunities**

Output of Price Optimization is a Deal Envelope available to the Sales Team on a real time basis via RentalMan

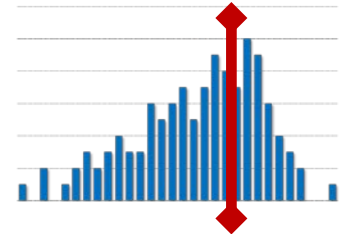
- **Start Price (Contract Rate)**

- The market rarely allows a final negotiated price above Start
- Pushing for prices at/above Start puts the opportunity at risk



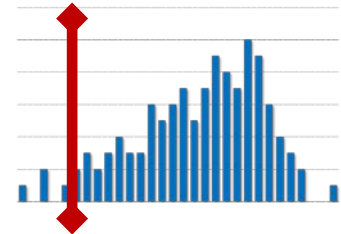
- **Target Price (Manager Rate)** — need BM approval

- Target price is solidly defined within the range of achieved market prices
- Target price maximizes revenue or profit

















- **Floor Price (Maximum Discount Rate)** — need DM approval

- The market rarely requires a final negotiated price below Floor
- Selling at prices at/below Floor is usually an unjustified margin leak



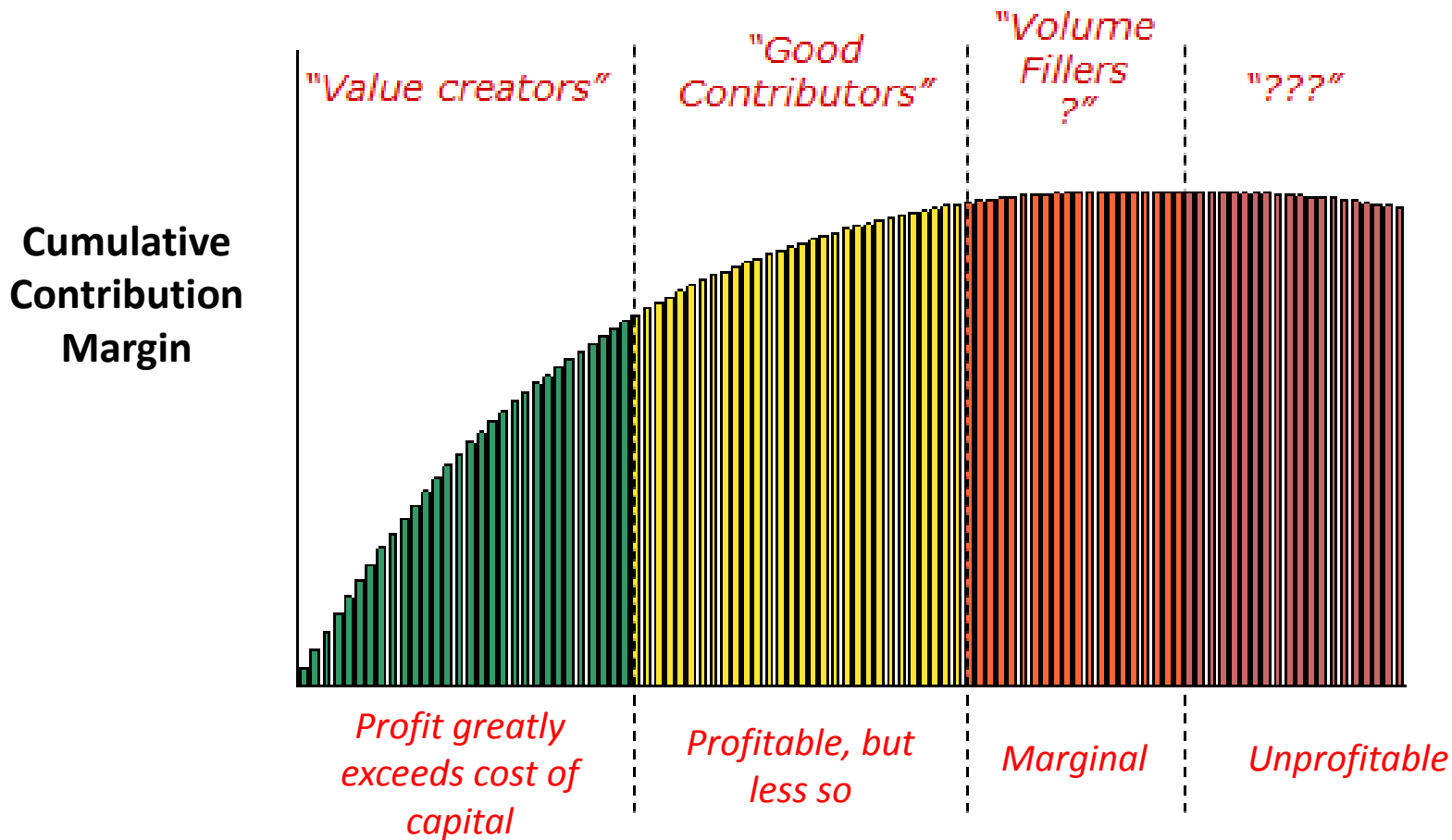
Dollar Utilization Focuses on Revenue But Misses Key Profit Drivers

	\$ Utilization	Contribution Margin
Rate		
Term (D/W/M)		
Pick-up and Delivery Recovery		
Repair and Maintenance		
Sales Cost		
Initial Cost of Equipment		
Cost of Capital		

Revenue/Cost of Equipment = **\$ Utilization**

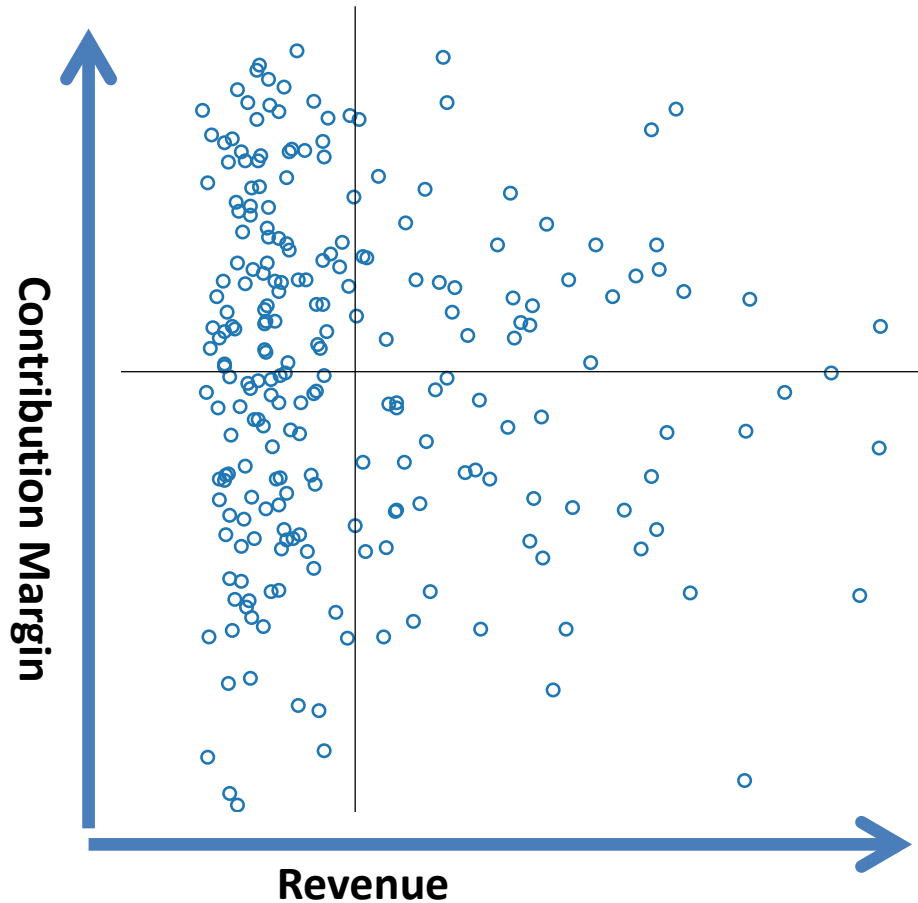
Revenue – Variable Cost – Equipment Cost = **Contribution Margin**

Contribution Margin by Customer or Cat Class Provides New Segmentation

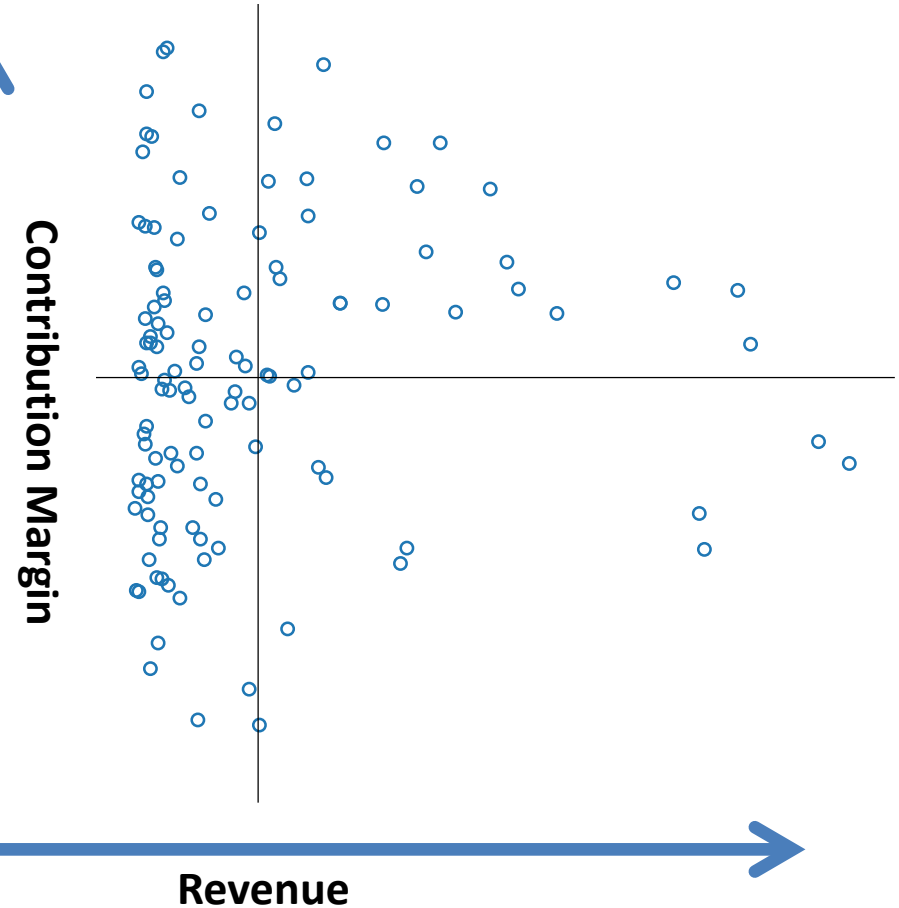


A Different View of Segmentation Using Contribution Margin

Top 200 Customers



Top 200 Equipment Categories



Segmenting by Contribution Margin Allows Tailored Strategies

Account Planning at Customer or Cat Class Level

Build Account Plans for each major account

- Current Profit/Return
- Desired Profit/Return
- Competitive Landscape
- Major Initiatives to grow/improve accounts/Equipment Categories
 - **Product Mix**
 - **D/W/M Mix**
 - **Pick-up and Delivery**

United Rentals Has Moved Beyond Yield Management.

- “Yield” alone does not explain the drivers of change in profit and return
- There is a need to look deeper
- Need to understand drivers of profitability at both customer and cat class level
- Must have enough information, insight and skill to manage appropriately