



## UNIVERSITY OF MISSOURI – ST. LOUIS 2016 INTERNATIONAL BUSINESS CASE COMPETITION

**ENTERPRISE HOLDINGS, INC.'S ENTRY INTO CUBA**  
**PETE SMITH, VICE PRESIDENT OF GLOBAL FRANCHISING**  
**BRIAN S. GARCIA, DIRECTOR OF GLOBAL FRANCHISE SUPPORT**

**Case Introduction.** President Obama is visiting Cuba, Caterpillar Tractor is exploring markets in Cuba, even the Rolling Stones are performing before 100,000 people in Havana. The opening of diplomatic and economic opportunities in Cuba represents one of the most significant developments in the last 50 years. The opening of the Cuban market presents challenges and opportunities for many US companies. The proximity to the US borders, the Cuban and Cuban- American population in the US and a previously untapped economic potential makes Cuban expansion an exciting possibility. Enterprise Holdings Inc. is in the early stages of exploring the market and seeks strategies on the best way to enter this emerging market.

### **I. Heritage**

Enterprise Holdings has a rich and distinctive heritage. It's a truly remarkable story of how entrepreneurship, hard work and a big dream can turn a tiny start-up into a world-class company.

The story begins with the founder, Jack Taylor. Born in the company's home town of St. Louis in 1922, Jack heeded his country's call after the attack on Pearl Harbor drew the United States into World War II. In 1942, he enlisted and served as a decorated WWII Hellcat pilot in the skies over the South Pacific.

Then, like so many others of the "Greatest Generation," Jack returned home to raise his family and start a business. Lessons learned in the Navy – including the values of integrity, hard work, team spirit and simply doing the right thing – helped shape his personality. They also made their mark on the company he founded in [1957](#), and that his family owns to this day.

In a tiny lower-level office in a St. Louis Cadillac dealership, he started out with a fleet

of seven cars, one employee and a commitment to provide a uniquely personal brand of customer service.

Jack developed a simple but enduring business philosophy that still guides EHI's efforts as the largest rental car operation in the world: *"Take care of your customers and your employees first, and the profits will follow."* As his company grew, the Navy veteran expanded operations into new markets and named the company after an aircraft carrier on which he had served, the World War II USS Enterprise (CV-6).

The ship was the most decorated vessel in the U.S. Navy fleet before its de-commissioning in 1947. While the latest USS Enterprise (CVN-65) was inactivated in 2012, the Secretary of the U.S. Navy has since announced the Enterprise name will live on as the official moniker for the CVN-80, a nuclear aircraft carrier to be constructed in the future. This marks the ninth time the U.S. Navy will have a ship called Enterprise in its fleet.

### **Major Milestones in EHI history.**

1957 Founded in St. Louis MO

1969 Expansion beyond St. Louis

1974 "We'll pick you up" started

1992 Enterprise surpasses \$1 billion in revenue and 10,000 employees

1993 First international office opened in Canada

1995 First rental location in an airport: Denver International Airport

2004 6000 offices in the U.S., Canada, the U.K., Ireland and Germany

2009 Enterprise Holdings created to include the Alamo, National and Enterprise brands

2012 Enterprise CarShare begins

## **II. International expansion strategies and history**

EHI has used and explored several expansion strategies both domestically and internationally over the years. They are: conversion, engaging an automotive group, engaging a non-automotive group, pursuing a startup firm and pursuing a private/public partnership with a government entity.

Conversion involves entering a new market by convincing a car rental company to convert from its original brand name to one or more of the EHI brand names. For example, from Hertz to National. This mode of entry has proven successful in Greece, Portugal, Italy and Turkey. Conversion could take place in a neighborhood location or at an airport location, but more typically occurs at the country level.

EHI also enters into partnerships with automotive groups and uses their networks and fleets to facilitate the creation of EHI branded rental locations. This strategy has been used in Ecuador, Switzerland and Denmark.

Another mode of entry and expansion occurs when EHI partners with a non-automotive group which has had a proven record of operational excellence in other industries. This mode of entry is most prevalent in developing countries, where horizontal conglomerates that operate as “national champions” are more apt to prevail.

The fourth mode of entry which exists for EHI is to explore an entrepreneurial startup launched by experienced car rental managers without sufficient capital with backing from an investment group. This approach has been successful for EHI in the Netherlands, Norway and Sweden.

The fifth mode of entry open to EHI is to partner with a government entity. This approach has never been attempted by EHI.

As Appendix 1 shows, EHI has significant international experience. EHI began expansion in Latin America and the Caribbean in 2007 and the National and Alamo branded locations account for the majority of the over 700 locations in that region. Expansion in the Asia Pacific region has not progressed as rapidly as that in Latin America and the National-branded locations are the majority of the locations in Asia Pacific. In Europe, the Middle East and Africa, they began their expansion in 2013 and have over 600 locations in 35 countries. Those locations are predominately Enterprise branded locations.

As EHI examines how to expand into the Cuban market, it may be able to leverage existing structures and partnerships in these previously-established regions.

### **III. Profile of a quality partner**

While EHI has explored several different modes of entry across the world, one common attribute of all successful endeavors is that they have partnered with quality PARTNERS AS DEFINED BY EHI. That profile dictates that a quality partner has a vision and values that are congruent with EHI, that they have shown a history of operational excellence, exhibit the financial strength to succeed and that their core focus is on customer service.

#### **a. Common Vision and Values**

The success of EHI can be largely attributed to their core vision and values and how they have been able to replicate those critical attributes to all of their offices world-wide. In fact, EHI has been successful at “exporting” this culture into their global partners.

This culture is synthesized in the following statements:

#### MISSION

*To be the best transportation service provider in the world, to exceed our customers' expectations for service, quality and value, to provide our employees with a great place to work and to serve our communities as a committed corporate citizen.*

#### VISION STATEMENT

*Our vision is to enhance our leadership stature, differentiate us from our competitors and bolster the cause of keeping the passenger vehicle economically viable and socially acceptable.*

#### ROOTED IN VALUES

*Our founder, Jack Taylor, built the business on a solid foundation of honesty and integrity. Today, nearly 60 years later, we still firmly believe in great customer service, employee opportunity and engagement in our communities. These values are felt in our daily interactions, and in our operations.*

#### COMMITTED TO ACT

*We believe it's our responsibility to live what we promote, to work for positive change and to keep the greater good in the very forefront of our practices. You'll see it at every level, from the rental desk to corporate leadership. With an internal Cultural Compass to guide us, encouraging and implementing new ideas is both part of our philosophy, and our culture.*

A critical portion of the due diligence process for international and domestic partners is to explore and verify that potential partners exhibit similar values and vision.

#### **b. Operational Excellence**

Another critical success factor for EHI is their commitment to operational excellence. For partners to succeed they must also demonstrate that they can achieve the same level of success in operational excellence. The core feature of that level of excellence centers on customer service described more below.

#### **c. Financial Strength**

Any potential partner is thoroughly vetted in regard to their past, present and future financial situation. They must be fiscally responsible and have the assets in place to weather changes in market conditions and to fuel growth in order to realize the financial benefits of scale and to meet customer demand.

**d. Core focus on Customer Service**

JD Power's survey on customer satisfaction has consistently ranked the EHI brands at the top or near the top of their categories for customer service. This level of customer service is evident in all three EHI brands: National, Enterprise and Alamo. In order to ensure that brand value does not erode internationally, potential partners must exhibit the same level of dedication to the customer.

**IV. Case question: How would you recommend EHI enters the Cuban Market?**

According to Pete Smith, Vice President of Global Franchising, "Our customers love us where we are and miss us where we aren't. We are going to Cuba; I am just not sure how." In fact, despite the significant success and experience EHI has in global joint ventures, the unique aspects of the Cuban market represent various challenges to market entry. For example, Mr. Smith has mentioned, "I have never started out an expansion discussion in an embassy."

A successful solution will address the appropriate mode of entry, structure of the venture and potential partners.