

THE GLOBAL MARKETPLACE

FOR THE CAR RENTAL INDUSTRY



INTERNATIONAL CAR RENTAL SHOW

APRIL 13-14, 2015
BALLY'S LAS VEGAS

• CELEBRATING 20 YEARS •

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The Tennant Group

Jim Tennant
Principal



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The slide deck from this presentation
will be available on the Tennant Group
and Auto Rental News web sites.



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FOR THE CAR RENTAL INDUSTRY**

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How To Survive Your Market's Bottom Feeder

- Avis/Hertz/National about \$69.99
- Budget, Enterprise and the rest \$55.99 to \$62.99

• My Company \$49.99 (If I Could)

• **Knucklehead Rent A Car \$29.99**

How Can I Fight This Idiot?



How To Survive Your Market's Bottom Feeder

Why do I have to worry about Knucklehead?

- Because price is the major consideration in a consumer's choice of a rental company.



How To Survive Your Market's Bottom Feeder

Wrong!

A key finding from the J D Powers 2014 Car Rental Industry Study:

When selecting a business rental car company, 15 percent of customers make their choice on price alone, while 10 percent indicate they don't consider price at all.

Leisure customers are a little more price sensitive, but a small percentage of renters choose a rental company on price alone.



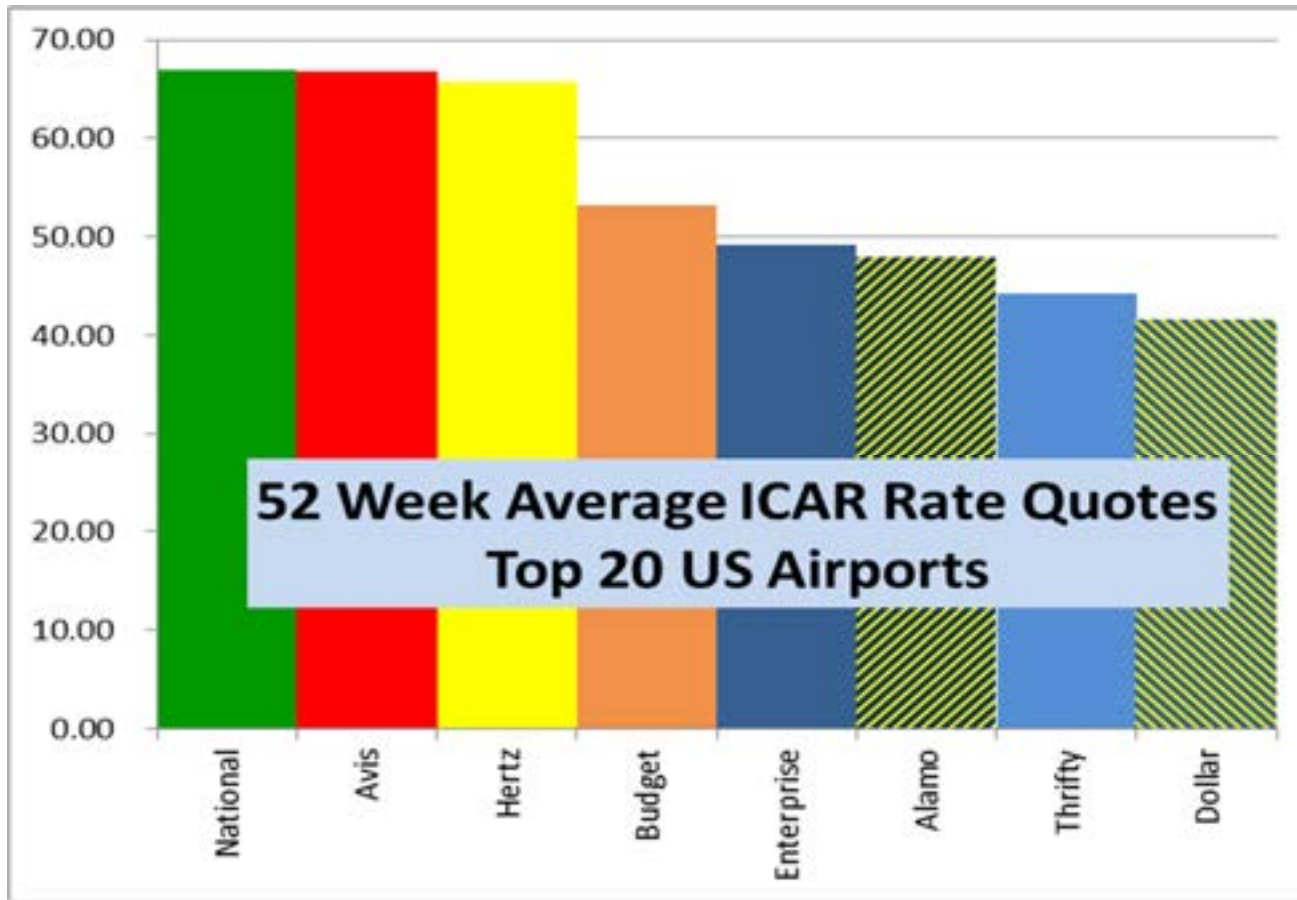
How To Survive Your Market's Bottom Feeder

Specifically:

- 10% don't consider price at all
- 75% consider price as only one part of the decision
- 15% consider only price. *This is Knuckehead's market.*
- *The other 85% is yours.*



How To Survive Your Market's Bottom Feeder



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How To Survive Your Market's Bottom Feeder

Top 20 Airports	52 Week Average	Increment
National	66.85	
Avis	66.76	0.09
Hertz	65.64	1.21
Budget	53.15	13.70
Enterprise	49.11	17.74
Alamo	48.01	18.84
Thrifty	44.23	22.62
Dollar	41.65	25.20

- Over the last 52 weeks, at the top 20 US airports, Dollar has quoted ICAR rates an average of \$25.20 lower than National.
- Why isn't Dollar the largest US car rental brand?



How To Survive Your Market's Bottom Feeder

Because to 75% of consumers, price is only one part of the decision and to another 10%, price is not a factor at all!

- 10% don't consider price at all
- 75% consider price as only one part of the decision
- 15% consider only price.



How To Survive Your Market's Bottom Feeder

Other J D Power Findings:

- Overall satisfaction is lowest among customers who select based on price (756 on a 1,000-point scale).
- In comparison, overall satisfaction among customers who choose a rental car company based on good customer service is highest (828).



How To Survive Your Market's Bottom Feeder

“So What?” you ask.

- Knucklehead is going to have a very hard time keeping customers. They are predisposed to being dissatisfied.
- They assume that they will get what they paid for.
- And they are probably right!



How To Survive Your Market's Bottom Feeder

Other J D Power Findings:

- A simple smile from the rental car staff can have a huge impact on overall satisfaction.
- Overall satisfaction among customers greeted with a smile from one member of a rental car company's staff is 58 points higher than among those not greeted with a smile (693 vs. 635, respectively).
- Satisfaction among customers greeted with a smile by four staff members is 200 points higher than among those not greeted with a smile (835 vs. 635, respectively).

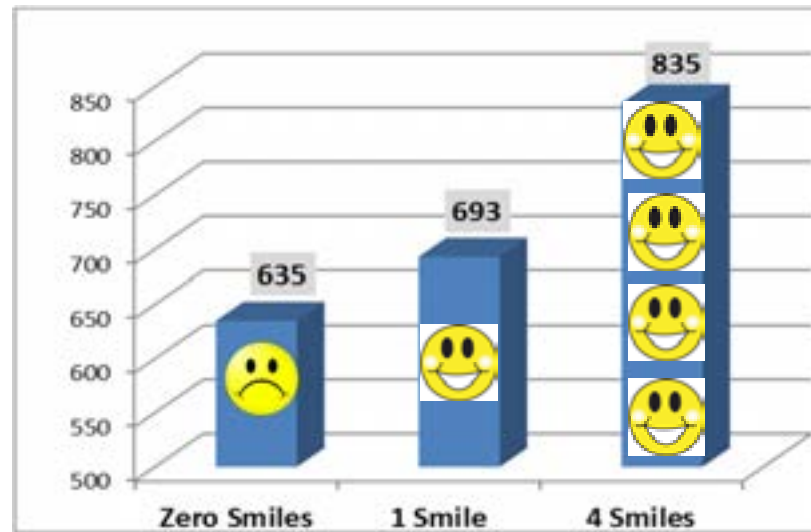


How To Survive Your Market's Bottom Feeder

Other J D Power Findings:

Let's say this another way!

Customers' Overall Satisfaction:



How To Survive Your Market's Bottom Feeder

Other J D Power Findings:

- On average, customers say they wait 43 minutes in total for the vehicle pick-up and return processes and shuttle bus experiences.
- Timeliness of service, an important component of satisfaction, drops between 18 and 58 points when customers wait longer than **five minutes** during any of these steps in the rental process.



How To Survive Your Market's Bottom Feeder

Other J D Power Findings:

- On average, customers who are greeted with a smile from the rental car staff say they wait 17 minutes to pick up their vehicle, while those who are not greeted with a smile say they wait 26 minutes, on average.



How To Survive Your Market's Bottom Feeder

- Is that because smiling drivers are faster drivers? **NO!**
- It is because customers' perception of the most important factor in providing good customer satisfaction (speed of the transaction) is improved by 35% with a simple smile.



How To Survive Your Market's Bottom Feeder

Psychology of Queueing:

- Unoccupied time feels longer than occupied time.



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How To Survive Your Market's Bottom Feeder

Psychology of Queueing:

- Unoccupied time feels longer than occupied time.
 - Mirrors in halls by elevators and in elevators dramatically reduce complaints about slow elevators.



How To Survive Your Market's Bottom Feeder

Psychology of Queueing:

- Unoccupied time feels longer than occupied time.

Houston airport dramatically reduced complaints about luggage wait time by moving the gates further from the baggage area. They couldn't speed up the luggage, so they made the customer walk further and therefore wait less when they got there. Complaints dropped to almost zero!



How To Survive Your Market's Bottom Feeder

Psychology of Queueing:

- Anxiety makes waits seem longer.
- Uncertain waits seem longer than known, finite waits.
- Unfair waits seem longer than equitable waits.



How To Survive Your Market's Bottom Feeder

How do you beat Knucklehead?



- We have shown that customers are willing to pay more for a better experience or else Dollar would be the largest brand.



How To Survive Your Market's Bottom Feeder

How do you beat Knucklehead?

- The rental car market is dominated by repeat renters.
- Some people only rent once a year, but 50% of the rental cars on the road right now are rented to someone who rents at least 6 times a year. And they are the least price sensitive!



How To Survive Your Market's Bottom Feeder

How do you beat Knucklehead?

Sally Greenberg, who spoke at the ACRA session, rents 3 or 4 times a month!



How To Survive Your Market's Bottom Feeder

How do you beat Knucklehead?

By making your brand
worth more than
Knucklehead's!



How To Survive Your Market's Bottom Feeder

How do you beat Knucklehead?

- We know that to be successful in car rental you must do a lot of things well.
- Clean, well-maintained cars, a professional staff and a good facility are givens.
- But J D Powers results provide insight on where we should focus.



How To Survive Your Market's Bottom Feeder

How do you beat Knucklehead?

- Make the whole rental and return process as quick as possible.
- NO WAITS OVER 5 MINUTES!



How To Survive Your Market's Bottom Feeder

How do you beat Knucklehead?

- Keep your waiting customers occupied
 - Something to look at or listen to on the shuttle
 - Something to watch or do in line at the counter
- Eliminate anxiety
 - Reassure them that their car is waiting when the transaction is complete



How To Survive Your Market's Bottom Feeder

How do you beat Knucklehead?

- Work on making your culture friendly and people focused.
- So that you provide a friendly, efficient and stress free rental experience.



How To Survive Your Market's Bottom Feeder

BUT MOST IMPORTANT OF ALL

**Make sure you have smiling staff to greet
your customers -- and it starts with you!**



How To Survive Your Market's Bottom Feeder

Questions????????????

Thank you for your attention!





Rate-Highway

Michael Meyer
President



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Why Me?

- Co-founder of first company to provide Internet hotel rates
- Co-founder of first company to provide Internet car rental rates
- President of the leading Auto Rental Rate Management and Automation System
- More market history than anyone. We have car market data going back 12 years!
- This problem is universal – not just a rental issue



Rate Automation Companies

- Q - Don't we drive rates down faster?
- A - The answer is simple; if you want to be \$0.50 less than your \$10.00/day competitor we make it *easy* and *fast* to maintain your position; we do however, offer protections from going to ridiculous rates*

*As determined by you



Dealing With Bottom Feeders

- What can I expect to learn?
 - Methods that work
 - Methods that don't work
- And I expect this will confirm some of your suspicions



Assumptions

- Everyone is better off with reasonable pricing
- The barrier to entry shouldn't be surviving a market with \$9 weekend rates
- There is no need to gouge the customer
- We can – for the most part – get along and all do well



Assumptions (pt. 2)

- You are not in a market with brokers that have you by the throat (This requires the advanced course)
- You may have some opaque competition
- You may or may not have Expedia and a MFN clause to deal with



Warning – Spoiler Alert (pt. 1)

- There is little you can do to influence the market if you are not a major brand



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Warning – Spoiler Alert (pt. 2)

- There are no magic bullets
- What I am going to show you is what has been done in different US markets both successfully and unsuccessfully



Dealing with Bottom Feeders

GETTING ON WITH THE SHOW



Three Methods

1. Try to out-position the competition (race to the bottom)
2. Try to work with the competition – Newton's 1st law of motion
3. Do nothing – ignore the competition



Clarification

- Before we even address this, lets clear up two points:
 1. Should we care?
 2. What if I am the bottom feeder, what should I learn from this?



Dealing with Bottom Feeders

METHOD 1 – OUT POSITION



How to Out Position

- If you are wanting to be the lowest:
 - Use automation (much less expensive overall)
 - Track your competition's rate change / shop times
 - Set up your min/max boundaries
 - Manage your fleet
 - Compete on total price instead of base rate







Set up your min/max boundaries

- You MUST use a tool that offers min and max levels for each location
- Min / Max levels prevent taking your rate beyond your comfort range
- Competitors make mistakes, just because Brand A accidentally made that weekly rate the same as their daily rate – you don't want to beat them (in this case)

The screenshot shows the 'Rate Monitor' interface. At the top, there's a navigation bar with 'Dashboard', 'Reports', 'Profiles', 'Rate Strategies', 'Utilization', and 'RateCentral'. Below this, the 'Create Schedules' form is visible, with fields for 'Schedule Group Name' (set to '2015 Schedule') and 'Description'. A table below shows a single schedule entry: 'Default Min/Max' starting on 01/01/2015 and ending on 01/31/2015, with a priority of 'L'. The bottom section, titled 'Schedule Name: Default Min/Max', shows a table for configuring rates across various locations (ALL Locations, ALB, ALB, BLP, DCA, EWN, JFV, LHR, MSP, ORD, LAX). The table has columns for 'Utilization Range' and 'Car Type' (E-CAR, C-CAR, S-CAR, F-CAR, P-CAR, L-CAR, M-JAR, F-JAR, C-JAR, W-JAR, S-JAR, F-JAR, P-JAR, F-JAR). The table also includes columns for 'Rate Min', 'Rate Max', 'TP Min', 'TP Max', 'Threshold Min', and 'Threshold Max'. The 'ALL Locations' row shows a 'Utilization Range' of 'Open to 9' and rates of 10.00, 20.00, 25.00, 35.00, 45.00, and 75.00. Other locations like BLP, DCA, EWN, and JFV show similar configurations. The interface includes 'Save Rates' and 'Revert All' buttons at the bottom right.



Compete On Total Price

 Economy	\$31 daily \$242 total	\$37 daily \$281 total	\$41 daily \$314 total	No Results	Lowest price \$33 daily \$213 total	\$35 daily \$234 total	\$37 daily \$246 total
 Compact	\$32 daily \$247 total	\$37 daily \$287 total	\$42 daily \$321 total	No Results	Lowest price \$33 daily \$217 total	\$36 daily \$239 total	\$37 daily \$250 total
 Midsize	\$32 daily \$251 total	\$40 daily \$303 total	\$62 daily \$468 total	No Results	Lowest price \$35 daily \$228 total	\$37 daily \$250 total	\$38 daily \$254 total
 Standard	\$34 daily \$259 total	\$43 daily \$330 total	\$67 daily \$508 total	No Results	Lowest price \$36 daily \$235 total	\$39 daily \$259 total	\$39 daily \$263 total



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How NOT to Out Position

- DO NOT try to do this by hand
- DO NOT try this if you are not on top of your utilization levels
- DO NOT try this if you want to take your eyes off the road – checking the competition infrequently will ruin your plans
- DO NOT overshoot – understand your place



Dealing with Bottom Feeders

METHOD 2 – WORKING TOGETHER



How to Work Together

- Note: I'm not proposing collusion or collaboration, I am suggesting market awareness – look for the signals!
- If you are not the larger player, then let them lead the dance
- Let's reduce the number of times we say "OMG, what are they doing?"

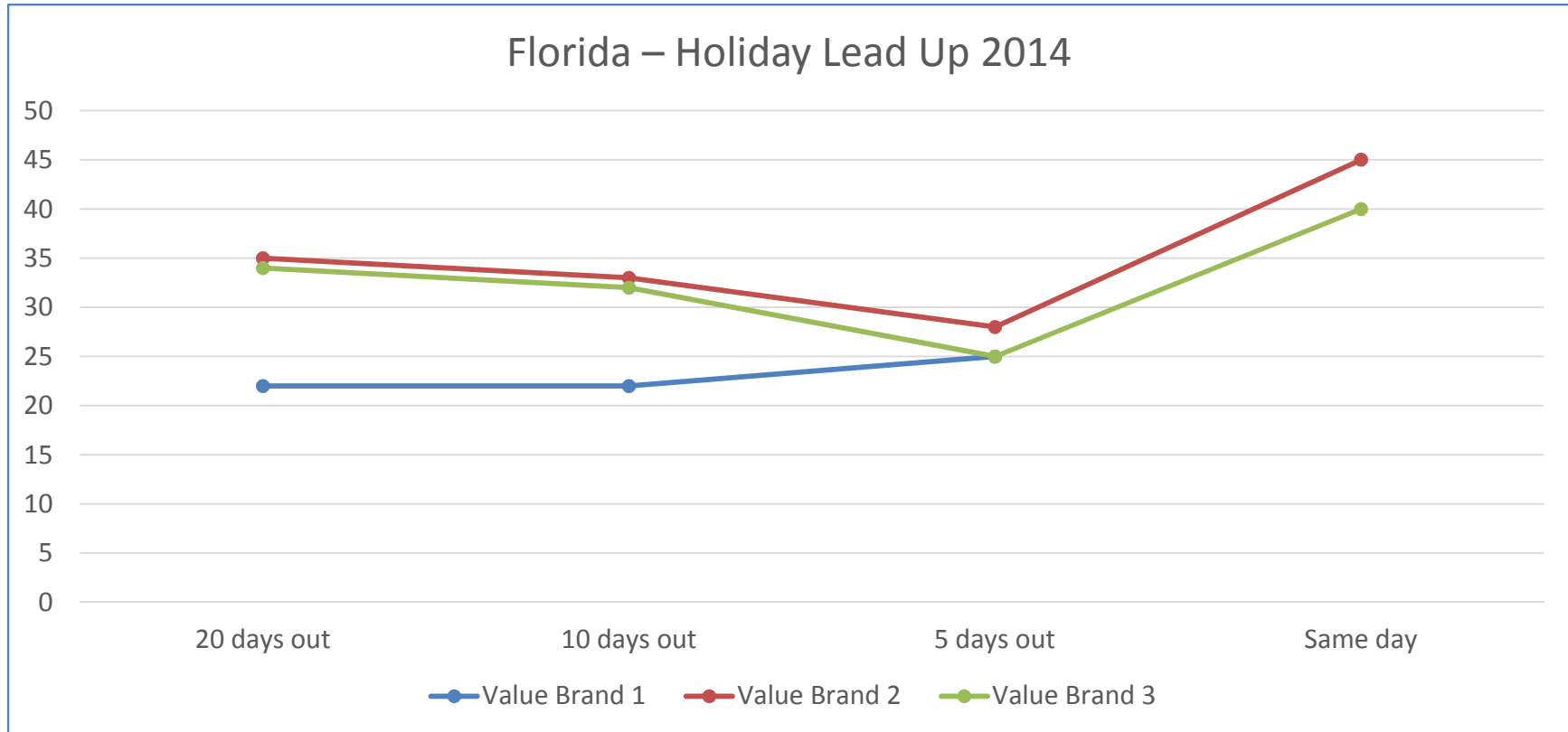


How to Work Together (pt. 2)

- If they are using Market & Demand pricing, watch them, they are telling a story



Working Together - FL



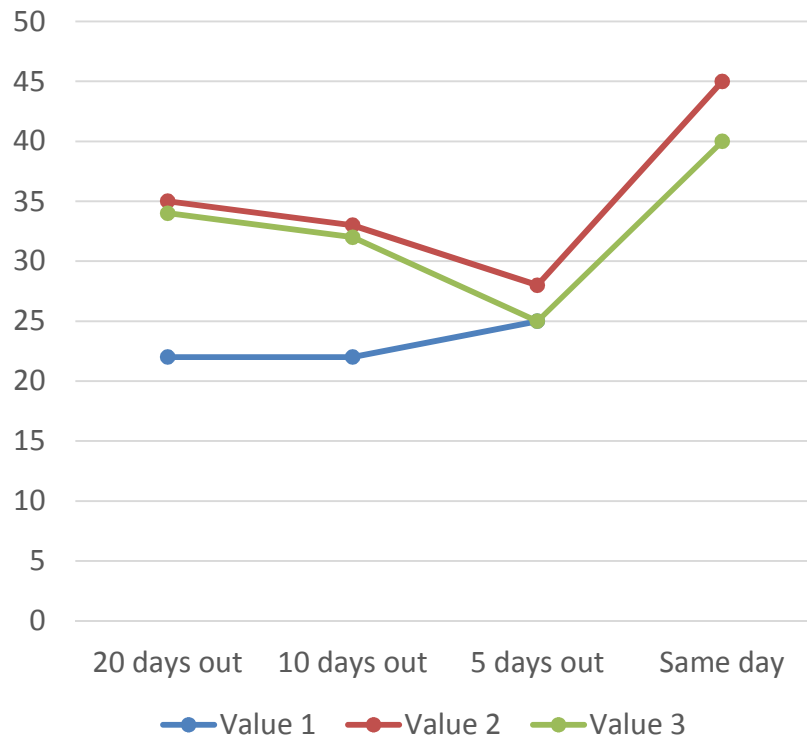
Working Together - FL

- Value Brand 1
 - Didn't manage rates far enough out - lost revenue
 - Didn't take into account the seasonality in time – selling out too fast
 - Responds on day 5 which is too little, too late
 - Whiplash! 63% of small operators (10 or fewer locations) respond too late in major markets

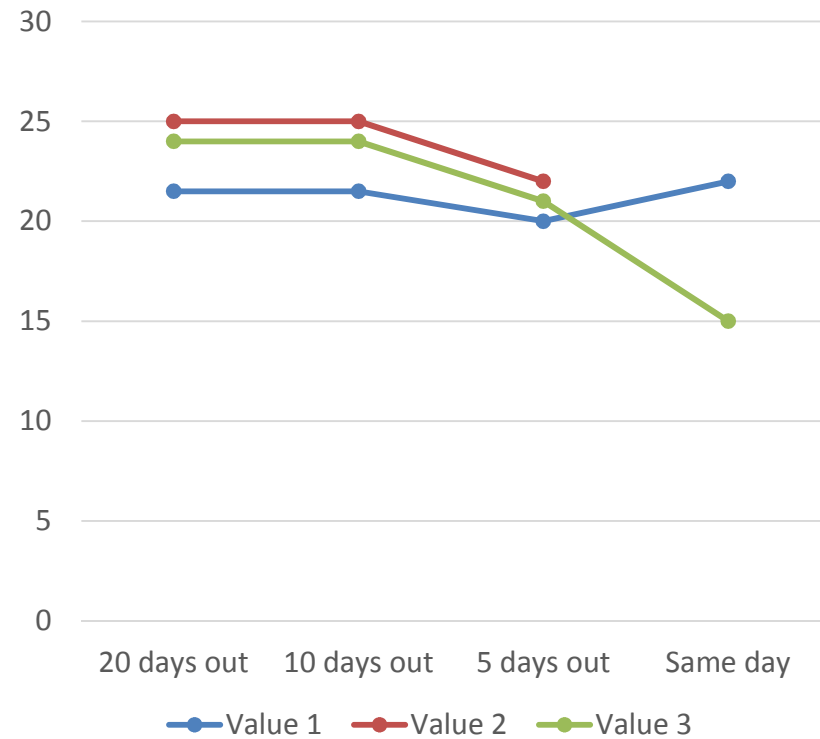


Working Together - FL

Holiday Lead Up



Non-Holiday



For More Information

- Auto Rental News Article:
Search “improving revenue management in an economic downturn”
<http://www.autorentalnews.com/article/story/2009/07/improving-revenue-management-in-an-economic-downturn>
- Article by us in 2009 that is still true today



Dealing with Bottom Feeders

METHOD 3 – DO NOTHING



The Problem Won't Go Away



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Dealing with Bottom Feeders

UNIVERSAL TRUTHS



5 Must Do Tips

1. Price based on Market & Demand
2. Read the signs in your market
3. Define your success (DDA goal, utilization)
4. Determine your sweet spot (close or far)
5. Use your history & seasonal / event sensitivity (Forecast where possible)
6. Bonus – rate codes – are you competitive?



#1 Rate Based on Market & Demand

- Also called utilization base pricing
- More complex because time is now a factor
 - 80% utilization 40 days out might be a mistake
 - 80% utilization 4 days out is a success
- The goal is to raise rates as inventory drops
 - Must be at the right milestones for your market



#2 Read the Signs in Your Market



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#2 Read the Signs in Your Market

- Signs to look for:
 - Unexpected movement (sudden large changes)
 - Could mean a significant availability change
 - Could mean an event or holiday you hadn't planned for
 - Closing or Opening
 - Unusual pricing trajectories
 - Changes in tracking habits



#3 Determine Your Success

- 80% utilization is a guideline – perhaps your operation requires different?
- When is it better to not rent – where is the tipping point?



#4 Determine The Sweet Spot

- Does your market ramp up further out, or close in?
- Are you catering to specialty vehicles or standard classes?
- Where do you differ from the competition?
- Don't have one, then time to create one



#5 Forecast Where Possible

- Pricing the same throughout the year?
 - No, use seasonal and event pricing models
 - Different rate minimums for different periods of the year
- We sold out last _____ holiday
 - How do we use this information?
 - Leverage your history - you created it



Bonus – Rate Codes

- What are your competitors doing that you aren't?
 - 1, 2, 3, 4 are different daily amounts?
 - Rates based on pickup time of day?
- Your market isn't doing this?
 - It will, it is only a matter of time



Thank You

- Questions?
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