

# How to Make Money in the Car Rental Business

**By Amy LeSage, January/February 2003**

How long has it been since you've taken a good look at your business? Is it everything you want it to be? Do you have clear goals? Are you working toward those goals, or have you lost your focus in the day-to-day grind?

Ask yourself questions like these, and stay involved in every aspect of your business. Be obsessed with the numbers. Stay focused on what you want your business to be, yet be flexible. Know how well your employees are performing. How well you do these things is directly proportionate to how much money you'll make. That was the message from Neil Abrams, president of Abrams Consulting Group Inc. in Purchase, N.Y., during his seminar at the 2002 Car Rental Show, "Can Anyone Make Real Money in the Car Rental Business? Yes, You Can, Here's How..."

"There are great challenges and great opportunities in this industry," said Abrams. "I'm here to tell you that you can make money in this business even in this economy."

Abrams offered several moneymaking ideas to a packed room at the Las Vegas Convention Center in October, including:

**1. Challenge your business model.** Take the time to look at your vehicles, customers, market, rates, technology, the people operating your business, and think about all the possibilities.

"You must evolve with the changing landscape of the marketplace," said Abrams.

Ask yourself some questions: Does my business model work today? Has it become stagnant? Has my market position eroded? Do I want to build the asset value of the company, then get out? Have a plan and constantly challenge it.

"I know you all work hard and you think you challenge your business. But are you challenging it enough?" asked Abrams.

**2. Be obsessed with numbers.** "Those companies that are obsessed with numbers have the best shot at success," said Abrams. Take the time to look at every possible benchmark, including, but certainly not limited to, revenue per user, utilization, average length of rental, reservation build and earnings. Scrutinize your P & Ls. Know what you did this time last month, this time last year, this time three years ago.

**3. Know your fleet and your customers.** Don't let the deals drive your decision. Instead, let your customers dictate your fleet. Will your customers be happy with a used car that's in good shape and has 30,000 to 40,000 miles? Try it out.

What will customers pay? Test a rate class and see. "I've got a client that rents PT Cruisers for \$70, \$80 and \$90 a day. The customer perception is that this is an expensive car, a fun car," said Abrams.

Keep your fleet costs in check or the business will fail. It's your greatest opportunity to make money and your greatest risk.

Also, have a 12-month fleet plan that is constantly moving out 12 months. Change it to meet the demands of the constantly evolving rental market, travel industry, economic climate and the aftermarket.

**4. When acquiring a vehicle, know when, where and how you're going to dispose of it.** If the aftermarket wants bells and whistles and a pretty color, get them. Whatever it is, have a disposal plan.

**5. Manage risk. Dedicated people in the risk area will pay for themselves many, many times over.** How much time do you spend on subrogation? Do you let your insurance company worry about it? Do you follow up on it? "In theory, good money can be made buying and selling vehicles," said Abrams. "Then, it can leak out through not pursuing claims."

**6. Don't neglect sales and marketing.** Without sales and marketing, you're just another rental company. Define what makes your business unique. That's what you're merchandising, and you've got to make your customers aware of that distinction. Your business' unique characteristics provide opportunities to draw the customer to you and pay more.

**7. Look for marketing alliances.** If you've got a large hotel next door, propose a deal. Refer customers to the hotel, and have them refer business to you. Put a brochure together that talks about your alliance with the hotel, or put a phone in the hotel that dials your location. Be the rental car agency for the local convention center.

**8. Optimize your profitability.** How much will your business be worth when you're ready to cash out? At the end of the day, you're selling the value of the brand. There is intrinsic value in an established brand with real customers and real revenue. There's always someone who will see value in your business that you don't see.

**9. Fight for the lowest fleet finance interest rate.** Every 1% you save has an enormous impact on your bottom line. Use your sources, friends and colleagues to find it. Meet as many lenders as possible. Once you get that 1%, start looking for the next one.

**10. Manage revenue and adjust real-time prices based on your utilization.** Companies that do this with passion can squeeze up to an extra 15% to the top line. Look at your availability and your competition's availability. "I had one client who called his competition and found out they were out of cars for the weekend. He increased his prices by 25%," said Abrams.

**11. Identify your great employees and pay them well.** They will pay for themselves many times over. The value of an exceptional employee is so critical to making money in this business. According to Abrams Travel Data Services, the average pay for rental agents is \$8 to \$9 per hour. Remember, these individuals are renting \$20,000 -plus vehicles to strangers.

**12. Provide full disclosure to your customers.** The customer should acknowledge anything special or unique about your rental agreement. Penalties must be clear to the customer. At the end of the day, it's your word against the customer's.

Above all, Abrams said, continue to challenge yourself and challenge your business model. Business is fluid — your operations must be as well.