

Fragmented Car Rental Market Will Challenge Rate Increase Attempts

Companies: CAR, HTZ

February 20, 2013

Research Question:

How are rental-car company pricing and market share expected to trend now and over the next 1 to 3 years?

Summary of Findings

- Sources acknowledge that the current rental car pricing landscape is highly competitive, with low prices, discounting, and promotions dominating the market.
- Despite recent mergers and acquisitions, the market is highly fragmented thanks to new independent companies and the recent [sale](#) of the Advantage brand by [Hertz Global Holdings Inc.](#) (HTZ), which was required by the Federal Trade Commission (FTC). All of these new entrants have been willing to offer low prices to establish a foothold in the market.
- Pricing over the next one to three years is expected to remain steady with little change in the current pricing dynamics. However, [Avis Budget Group Inc.](#) (CAR) and, in some ways, Hertz, are making efforts to change that.
- Regional rental car managers acknowledged that Avis is trying to increase prices. The effort has had little impact on rental rates and Hertz has not followed, according to some sources. The traditional increased demand for summer car rentals is expected to determine if Avis' rate increases will hold.
- Industry specialists see little pricing discipline in the market. They acknowledge Avis' attempt to increase rates, but Hertz has not followed and Enterprise is not motivated to change prices at this time.
- Online booking is becoming the dominant method for renting a car. This is having both positive and negative effects on the industry. It has lowered operational costs for existing rental-car companies and helped them maintain market share with loyalty coupons. Discount and upstart brands have used online booking to gain market share, which has driven prices lower.

Silo Summaries

1) REGIONAL MANAGERS

Fifteen regional car-rental managers described a highly competitive pricing landscape. The six Enterprise sources expect current pricing to hold steady, and two of those sources expect future pricing to increase seasonally and to cover increasing costs. One expects prices to drop and the others view sees them remaining steady. One Enterprise manager believes Avis is bluffing about raising prices and doesn't expect Hertz to follow. Another Enterprise source said Hertz and Avis may raise prices and, if they hold, Enterprise would fill in behind them. The one National source said the market is dominated by low prices and prices are expected to decline. Three of the four Avis regional managers are trying to raise rates while one said pricing is trending down because of discounters. Two Hertz sources said pricing is holding at the bottom, one said discounting is still very prevalent, and another said prices were increasing by 5% to 6% due to increasing costs. Another Hertz source spoke about the company moving to a dynamic pricing system that relies on a big-data type of model.

2) RENTAL CAR STORE MANAGERS/CLERKS

All 21 sources in the Enterprise family of brands view the current pricing environment as highly competitive and, with the exception of six sources; the market is expected to remain that way. Those six sources expect pricing to increase slightly or at least remain flat over the next three years, with the exception of normal seasonal fluctuations. Pricing is set at the corporate level. However, sources spoke about the ability to match documented lower pricing from competitors in their service areas. Customer service and growth are the priorities for the Enterprise brands and sources spoke with pride about the quality employees, service level, and loyalty of their customers. Online booking is responsible for 50% to 90% of rentals and frequently offers the best pricing.

3) INDUSTRY SPECIALISTS

Four industry specialists see no pricing discipline in the rental-car market. Despite all the mergers and acquisitions activity, the market is fragmented with new independents and the new Advantage, and this could drive prices down. According to two of the four sources, Avis is trying to increase prices, but Hertz has shown no sign of doing so as well. Enterprise is well positioned in the market and has no motivation to increase prices. Online bookings that involve price comparisons are well established and are not going away. Established brands offer loyalty coupons to reward frequent customers and have shown no sign of discontinuing this practice. Discount brands and upstart brands use online bookings to gain market traction and will continue to drive lower prices in an effort to build market share.

	Rental Car Pricing Highly Competitive	Future Rate Increases Expected
Regional Managers	↑	→
Rental Car Employees	↑	→
Industry Specialists	↑	↓

Rental Car Pricing Trends

Regional Managers	Enterprise	National	Avis	Hertz	Total
Increasing	1		3	2	6
Flat-up	2			1	3
Flat	2		1		3
Flat-decline					
Declining	1	1		1	3

Store Employees	Enterprise	National	Alamo	Avis	Budget	Hertz	Dollar	Thrifty	Independents	Total
Increasing	3			2		1	2		1	9
Flat-up	3		1	2		3			1	10
Flat	7	1	1	3	2	2		1	1	18
Flat Declining	2	1		3				1		7
Declining	1	1								2

Background

Blueshift Research's initial research indicates that consolidation within the rental car industry has created consumer pricing uncertainty. Consumers are not expected to see any major changes in the car-rental market in the short term, but it is unclear if this industry consolidation will result in higher rates or deep discounting to gain market share.

CURRENT RESEARCH

In this next study, Blueshift assessed the impact of recent industry consolidation will affect short-term and long-term rental car pricing trends.

Blueshift employed its pattern mining approach to establish and interview sources in four independent silos:

- 1) Rental-car store managers/clerks (46—16 from Enterprise, 3 from National 2 from Alamo, 10 from Avis, 2 from Budget, 6 from Hertz, 2 from Dollar, 2 from Thrifty, 3 from independents)
- 2) Regional managers (15)
- 3) Industry specialists (4)
- 4) Secondary sources (3)

Blueshift interviewed 65 primary sources, including two repeat sources, and included three of the most relevant secondary sources focused on the rental-car industry.

Next Steps

Blueshift will monitor rental car pricing to see if Avis' attempt to increase prices will hold. We will try to determine what impact the new entrants and recently purchased Advantage Rent A Car will have on pricing and market share. We will examine Hertz's attempt at dynamic/big-data pricing to see if it could become the industry standard for establishing rental-car rates.

Silos

1) REGIONAL CAR-RENTAL MANAGERS

Fifteen regional car-rental managers described a highly competitive pricing landscape. The six Enterprise sources expect current pricing to hold steady, and two of those sources expect future pricing to increase seasonally and to cover increasing costs. One expects prices to drop and the others view sees them remaining steady. One Enterprise manager believes Avis is bluffing about raising prices and doesn't expect Hertz to follow. Another Enterprise source said Hertz and Avis may raise prices and, if they hold, Enterprise would fill in behind them. The one National source said the market is dominated by low prices and prices are expected to decline. Three of the four Avis regional managers are trying to raise rates while one said pricing is trending down because of discounters. Two Hertz sources said pricing is holding at the bottom, one said discounting is still very prevalent, and another said prices were increasing by 5% to 6% due to increasing costs. Another Hertz source spoke about the company moving to a dynamic pricing system that relies on a big-data type of model.

➤ Enterprise regional manager, New York City

Pricing will fluctuate around current levels until the impacts of [Hertz's purchase of Dollar Thrifty Automotive Group](#) and [Avis's purchase of Zipcar](#) are resolved. Overall fleet mix is deflating compared to other areas of the economy, freeing Enterprise in particular from the need to pass along price increases. Online booking tools allow fleet managers to monitor rival chains more effectively and set prices accordingly. Avis is bluffing on its efforts to raise pricing. Hertz will not follow, in any event.

- "I don't think prices are going anywhere for the next few years. Raising prices while there are still so many competitors eager to steal a turn or two amounts to competitive suicide. The most recent round of mergers will help rationalize the industry but it will take time to close redundant locations and age cars off the road. Once that happens, maybe demand will be strong enough to accept rolling rates back up toward where we were four, five years ago."
- "One thing to consider is that the types of cars we are buying has changed. True luxury models are still in the mix and the price is still rising more or less with inflation, but we pass that price hike on to the renter and they're willing and able to pay it. But with everything else, subsidies, concessions and changes in driver taste have actually driven net average price down below normal inflation. We are effectively buying more cheaper cars now than we were five years ago. The SUV, for example, was a big part of our mix and now it's basically gone, replaced with either vans or mini-SUV family vehicles. SUVs were expensive. Utility compact cars aren't."
- "What the downscaling fleet mix gives Enterprise in particular is the power to keep rates exactly where they are for years and not suffer what would otherwise be inflationary erosion of our real business. But since we're buying effectively cheaper cars in real terms and renting

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*Regional Manager, Enterprise
New York City*

them out for what we could get on the more expensive previous models, we can do as well or better than we did before. Sure, this is on a fleet level and not on a vehicle-by-vehicle basis, but it's how the math works out."

- "If we deploy hybrids or SUVs or luxury cars, we pass on the cost increase and people are willing to pay. They know they're bargaining up to a premium ride and accept that there's a premium built into that arrangement. I think Avis and Hertz in particular are shifting their entire fleets up in order to preserve their premium status, or what they think is their premium status. So they pass on the cost increase there. But as the fleet gets more expensive on the whole, they actually have less room to discount or maintain current rates. That's why the pressure is so high on them."
- "The problem is that we all know what everyone else is doing now. If renters are checking prices on everyone's sites before making a deal, you can bet we're checking everyone's site before creating an offer or approving discount terms. This does two things. First, it allows a region to establish price equilibrium among competitors very quickly. You know very fast where the baseline is, who's the lowest-cost alternative, who's willing to go above the line and risk losing contracts. Second, it makes it hard to fight the trend. You really have to be disciplined and motivated to resist converging on the average or maybe 5% below it to bring people in."
- "Avis will back down and go back to absorbing the price increases. They have to. They're No. 3 in North America and if people see them losing share, it'll be holy murder. They don't need to gain share, but they can't be seen as actively declining across their various chains. So if Avis backs down, Hertz doesn't have much room to get tough either. Hertz won't get tough. They're too busy incorporating close to 1,500 new locations into their main footprint."

➤ **Regional manager, Enterprise, Midwest**

Most likely, prices will be up in three years, given the general pricing by car manufacturers. This source watches competitors, but tries to keep on the low end of pricing. Demand for certain cars varies with location, and that also affects pricing. However, consumers are more concerned with the car they need rather than pricing. Mobile booking is very important. Car-rental companies try to get consumers to use their apps, which ensures reservations and repeat business.

- "I can't predict the future, but I'd say that prices would increase in three years, given how pricing of cars tends to go up. If the industry across the board increases their pricing, we would do the same. We do watch the big guys—Hertz, Avis."
- "We are a low-cost provider, so we would keep on the lower end, but we'd go up just a notch."
- "The demand is generated by what surrounds us. In the summer, people want fuel-efficiency cars; they want to save gas. In the winter, they want SUVs. It is all based on seasonal need, and the prices vary accordingly. In the summertime, we have no influx of SUVs."
- "The economy does not affect what people look for in cars. They get the car that they need at the time they need it. But that all depends on the area."
- "In Colorado, they have a ton of SUVs out all the time. In Florida, Jeeps and convertibles are popular for vacations and warmer weather. Business travelers are less apt to spend money on fun vehicles like the leisure traveler."
- "There is a trend toward online and mobile booking. I don't know percentages, but things are steered toward the easiest way. Mobile applications are definitely easier. If a customer has a mobile application, it is easier to link to a car-rental company. It is important to get that reservation, then the customer tends to come again."

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*Regional Manager, Enterprise
Midwest*

➤ **Enterprise regional manager, Memphis**

Customers are looking for bargains. Rates are kept low to attract customers from low-end competitors. Prices have been stable, but with increasing interest in economy cars, prices will drop in the coming year. Online booking is a growing trend, and hourly rentals are more common in cities.

- "Our customers are looking for a bargain, and we are keeping our prices low. We are definitely on the low end of competitors."

This past year, the prices were stable, but pricing will drop some in the coming year.

*Regional Manager, Enterprise
Memphis*

- “If we keep our prices low, we can compete with the low-end guys. People will come to us because they trust our name.”
- “This past year, the prices were stable, but pricing will drop some in the coming year.”
- “There is a trend toward the economy car. But I don’t see the need for a hybrid here. Hybrids are more expensive to rent.”
- “Overall, I’d say the industry was stable.”
- “More than half of our clients book online. The trend is definitely going that way.”
- “We may see more hourly rentals, but you’d probably see that in larger cities more than around here.”

➤ Enterprise regional manager, Houston

While Enterprise and its affiliates are not averse to pricing power, Avis and/or Hertz will have to take the lead and any such move will only confirm existing premium/discount competitive roles. Enterprise is not contemplating a company-wide price increase but is instead expanding its presence in traditionally high-margin corporate rental segments where it has ample space to grow at rivals’ expense.

- “Everyday low pricing works for us because we have the size and the infrastructure to make it possible. With more locations than anyone else, we can adjust our fleet on a location-by-location basis, moving cars from a cold lot to another neighborhood as quickly as it takes to drive the right vehicle over and get the keys to a customer. So we aren’t as desperate to fix our business as Hertz or Avis might be, because it isn’t broken in the slightest.”
- “If anyone raises prices, it will be Avis or Hertz or both. After that, we might edge up a tiny bit to fill in the gap a little, but we’ll remain the everyday low price leader. So market share and relative positioning will not change. At best, Avis or Hertz will relieve a little of the pressure on their business and the rest of us will have more room to operate more profitably. It’ll be good for everyone. But if it ever looks like we’re pricing some potential customers out of the market, you can bet the industry will move fast to discount and get them back on the road.”
- “We are not currently looking at raising prices because \$9.99 still works for us and our customers. It hasn’t bankrupted us yet and, if anything, our business is stronger than ever since we rolled out that campaign. I can tell you that what we are doing is leveraging our leadership in that leisure/weekend space up into the insurance and corporate accounts where Hertz and Avis traditionally play. These are relatively small markets for us now but are core markets for them, so any headway we can get there is extremely attractive to us strategically.”

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*Regional Manager, Enterprise
Houston*

➤ Enterprise regional manager in Little Rock, Arkansas

Pricing is affected by many factors, including competitive and manufacturing pricing and car availability. Pricing will remain steady in the near future. Online booking is becoming more popular because it is so easy. In the future, there will be a combination of more carpooling and hourly rentals, but these transactions will be done at another facility.

- “Our prices fluctuate all the time, depending on the season, competitive pricing, manufacture pricing, and availability. There is no way to say if the pricing will go up or down in one year, much less three years. But if I had to guess, I’d say that pricing would remain pretty steady. I don’t foresee any changes in the near future at all.”
- “We are seeing more online booking and less agency booking. The apps make it easy.”
- “We will see carpooling, hourly rentals, and a combination of the two in the future. But they will be a separate business entity. We will not see them here.”
- “We are primarily an insurance rental agency.”

► Enterprise regional manager, Southern California

Low-end pricing is now well below levels most renters expect to pay. While offers like \$9.99 weekend rentals are likely to continue until industry consolidation relieves competitive pressure, the bottom has been reached. Enterprise will remain the dominant price-sensitive chain, leaving premium markets to its [National](#) and [Alamo](#) affiliates. Business is robust.

- "We're doing well. We can serve anyone who wants a car as long as we have cars on the lot. As it looks like inventory is running out, we can sell up into the luxury models and boost our turns on that side. Or we start raising our weekend rates. So far that isn't happening yet, but maybe this summer we can get off the \$9.99 base a little more often. That's often surprising to people who rent casually. They honestly expect to pay quite a bit more."
- "We will extend everyday low pricing until our primary competitors digest the locations and chains they've acquired over the years. Hertz needs to figure out exactly how much of Dollar Thrifty they can let go and still have the market share they want. That will take a couple of years of uninterrupted equilibrium for the industry, with no serious economic disasters like another credit crisis or market crash. It took a few years after Avis took over Budget for pricing to peak, and it will probably take that long for Hertz to figure out its new normal this time."
- "Prices will not go any lower because renters do not expect to pay less. They practically refuse to pay less because below the Enterprise \$9.99 daily rate on weekends, you have to address fundamental questions about quality and even vehicular integrity. What's wrong with the cars if they're not even worth \$10 a day? Are they not clean? If anything, we're below the bottom now but are using it to keep the pressure on our competitors and address no-service entrants like Ace and Advantage."
- "We are the leading budget and insurance rental network with the advantage of two relatively premium-level affiliates, National and Alamo, for the airports and corporate accounts. They compete directly against Hertz and Avis for renters who don't care so much about the nickels and dimes. We're here for everyone who's saving their nickels, and there are a lot of them these days."
- "Here in Southern California it's big business. We're easily up 10% to 15% from this time last year, largely thanks to the momentum from our best holiday season on record. We owe that to our growing reputation as the low-price brand with the best service and the best cars, or if you prefer, the full-service brand with the lowest prices."

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*Regional Manager, Enterprise
Southern California*

► Regional manager, National car-rental agency in Canada

There will be a tendency to lower pricing in the future, as people seek more economical cars. Price is based on volume and demand. Prices peak in the summer and over the holidays, then drop back down again. Prices also depend on the rate of business travel and tourism. Car manufacturers also control fleet pricing and lot produceables.

- "For the future, to compete, companies will need to have lower pricing. Consumers will want to pay less."
- "There is a trend to lower priced cars right now. People seem to be more conservative, probably due to the economy."
- "Price is always based on volume and demand. It is all based on stats. Prices will peak in the summer and at Christmas and New Year's, when the demand is higher, then prices will drop. It is the same every year."
- "Pricing trends also depend on businesses. The volume at our airport has increased 10% this past year, and I expect next year will go up the same. Business travel and tourism are up, and the capacity of the airport has also increased."
- "We watch the pricing of other companies, more or less, and may react to what others are doing."
- "The online booking system is a great platform, and we have seen an

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*Regional Manager
National Car-rental Agency, Canada*

increase in this booking over the years, to the exclusion of agency orders. Now 80% to 85% of clients book their cars online and via mobile apps.”

- “We are the straight competitor of [Dollar](#) and [Thrifty](#).”

➤ **Avis regional manager, Northeast**

Concerted efforts to exercise price discipline in late 2012 paid off by providing a higher rate base going into the holiday rush. As yet, no urgent need to resume discounting has materialized, allowing pricing to remain at 90% of peak December levels. Avis has the advantage of long-term corporate relationships that negotiate exclusively for rates instead of canvassing the industry for short-term deals. Hertz enjoys a similar position but local managers are too eager to bargain their cars away in order to boost turn rates. As of yet, no new competitors present a threat.

- “We got ahead of the new directive to end discounts back in November, right after Hurricane Sandy drove things crazy and insurance replacements went through the roof going into Thanksgiving and then the holidays. Some competitors’ lots were damaged or otherwise knocked offline for a while and that only made things tighter in the region. Then we had the holidays and the discounts never came back. Now we’re hoping to just stay where we are for a while and see if any customers object. Maybe this is the new normal.”
- “So far, it’s worked. We’re only \$4 to \$5 below where we were running Christmas week, which is basically the highest rates of our fiscal year, and roughly where we are at the peak of summer vacation season. Fingers crossed.”
- “We’re lucky in that we aren’t so completely beholden to the walk-in or click-through renter. A large proportion of our contracts are with long-term partners: insurance carriers, corporate fleets, vans on demand, that kind of thing. They come to us first and last and as long as we don’t upset them somehow, they stay with us. They aren’t the people clicking their phones looking to save 50 cents a day or get fee waivers.”
- “Hertz is in that category but they were caught a little blindsided by Sandy and are still in a kind of reactive mode. Their managers seem more eager to offer a cut rate in order to sign a customer, even a walk-in. That’s simply because of the way their incentives work and their incentives work that way because their fleet is bigger and so presents a larger fixed cost every day those wheels aren’t on the road. If they could relax, it would be great.”
- “Can’t say any of the new names you mentioned rings a bell. Our main threats up here are Hertz, Alamo in the airports, Enterprise in the suburbs. That’s the list.”

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*Regional Manager, Avis
Northeast*

➤ **Avis regional manager, mid-Atlantic region**

Headquarters is pushing for higher overall daily rates in the near term and over the next few years, even if it means reducing the number of monthly turns per vehicle. So far this has taken the form of extending holiday pricing into the new year. It is too early to tell whether the strategy will alienate price-conscious renters, but early signs have been encouraging. Deep discount chains are not true competitors for the corporate and luxury leisure markets. Online booking is welcome.

- “It’s been made very clear that we need to do whatever we can to boost average revenue per vehicle, not so much hours under contract. This might mean upselling to the nicer cars to get the customer to agree to a higher overall rate, or enforcing miscellaneous fees and charges that we normally would have waived simply to get the car on the road.”
- “Nobody wants to leave cars in the facility when they could be under contract, but our priority right now is more on the side of not leaving money on the table. We need to get pricing up. That starts with no discounts or breaks. Right now, it means keeping the holiday prices as our baseline even though the holiday busy season is definitely over. Individual managers can budge a little from there, but because the base is higher, there’s more room to work with and still get the trend going the right way again.”

- “So far, I haven’t heard about much pushback from customers. The price of everything is going up and so an extra \$2 or \$3 or \$5 per day on a rental isn’t going to provoke any riots. Our utilization is not suffering on a seasonally adjusted basis and we finally have that higher base.”
- “I look across the aisle and see that Hertz is less eager to bankrupt themselves to sign contracts. That’s a great thing. Generally we get people who think in terms of Avis or Hertz first and then they might explore down the food chain. Enterprise usually is more willing to undercut just to get the cars on the road. They’re closer to a discount fleet but their name isn’t nearly as well known so they need to be aggressive and find ways to market themselves. I know their culture well and it hasn’t changed.”
- “Next year we will have better price power because by then renters will have been trained to this as the ‘new normal’ and they’ll pay the extra \$2 to \$5 per day without grumbling. At least that’s the hope. The year after that, we pursue a similar strategy and roll up prices on the big holidays when we hold all the cards while being a bit slower to roll them back down than we were previously. We might be back at 2009-era prices by that point.”
- “We want revenue. Controlling cost is always an issue, but right now we want to offer a higher-value proposition, charge a bit more and still keep the customers happy. Let all these new low-end fleets fight it out with the car sharing people and the established discount chains.”
- “Online car booking is great. It’s not hurting us because we have one of the better sites, and it frees up personnel resources that we would otherwise be using to run the phones and then have to make up the expense by turning our fleet as often as possible. Less labor means time the cars can actually idle a bit without strangling us on our overhead.”

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*Regional Manager, Avis
Mid-Atlantic*

➤ **Avis regional manager, Midwest**

Raising rental rates is a corporate priority to offset rising residual risk as fleet costs climb. This has been successful in markets where Avis is strongest but harder to execute in areas where the chain is a relatively peripheral player. Hertz is reportedly talking about pursuing a similar strategy, but it will take a few months beyond the holidays to validate the results. Enterprise is not a credible full-service chain and only competes with the more corporate focus of Avis or Hertz via its National subsidiary. While unlikely, there is some talk of pulling back from fringe markets where price discipline is impossible.

- “All regional offices have been instructed to eliminate discounts and charge full rate whenever possible. We’ve tried this a few times in the recent past but this time it actually seems to be working. Here in Chicago we’ve been beating our seasonal targets every single month since summer. Other markets have been picking up as well.”
- “We need this because we’ve been so successful, funnily enough. We’ve been able to resell our cars at unusually high prices, which has helped us invest more in our fleet and help drive the U.S. auto industry recovery. But that can’t go on forever, so the big bosses are making sure we can get every dollar we can out of our cars in their active service life, before we have to sell at what might be a slightly weaker price than last year.”
- “There are worse problems to have. Some of our rival chains have a less sterling reputation and so lower resale value. They can’t get as good of a price from their fleet, but still need to spend more to show the customer that the vehicles are top-of-the-line and close to new. Nobody wants to pay top dollar for an old piece of junk, either renting or as a used buy. We spent more and have been getting more, so now we’re making sure to earn more along the way.”

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*Regional Manager, Avis
Midwest*

- “Hertz has talked a good game about relaxing discounts but I’ve never seen it happen. A lot of their relationships are longer-term corporate accounts that don’t exactly turn on a dime. It takes a year or two to start shifting those relationships to where you want them going forward. Even in leisure, we’re still riding the December seasonal rush and so we won’t know whether any attempt to raise rates is successful for another few months. Maybe by April, we’ll know. Definitely by summer, we’ll know if Hertz is failing.”
- “Enterprise is really a discount chain and doesn’t play in our world. They try to get corporate accounts, but it’s not really the same thing. Their National chain is different and actively competes with us, but it’s smaller and doesn’t aggressively try to sign new accounts into its club model. So Enterprise can do what it wants to its prices and it won’t really affect us.”
- “Some people are speculating that pricing matters so much to us that we’ll pull away from markets where we can’t end some of our discount programs. That might be Houston, maybe other places in the West and Southwest. Everyone there already owns a car and the cities are so far apart that you want to fly and then take an airport rental when you do. You don’t rent for long periods of time or drive a rental from state to state. I don’t think we’ll ever pull out of these markets, but we may decide not to allocate resources to them until our stronger markets improve to where we want them to be. More of a holding pattern, if you will. Definitely not pulling any plugs.”

➤ **Avis regional manager, Southwest**

The regional economy is booming, but corporate renters are cautious about upgrading their current commitments. Pricing has been uneven as established chains grapple with extremely seasonal demand and encroaching low-end competitors. Despite management’s best efforts, the overall trend is still down. Hertz is a primary competitor, not a collaborator in pricing.

- “Things are doing extremely well in Houston in particular and throughout the oil patch. People think of the shale boom as happening up in Wyoming and North Dakota and places like that, but all the money flows through Houston no matter where the oil comes from. That’s great, but our local business owners are still nervous about getting into another boom-and-bust situation. This is especially true in Dallas, which is still more locally focused. As a result, it’s still harder than it should be to sign new accounts or expand existing ones. People just don’t feel rich yet.”
- “We are doing all the usual things we should be doing: offering preferred service and guarantees that the right model of vehicle will be available whenever our corporate customers need them. This is important in the oil patch where we provide field vehicles for investors and others looking at the wells. My job is to make it possible for my team to get these accounts without bending too far on all-in pricing. We’re pretty firm on that.”
- “Unfortunately, it’s been a crazy year in terms of supply and demand. Most of the year, we actually had to yield maybe 5% to 10% in order to win airport and neighborhood contracts from new competitors. I’d say Hertz is the most serious one, but Enterprise and other discount brands are coming in and making their presence known. But last spring, demand for cars soared as everyone wanted to get out after the holidays. Our prices literally climbed from under \$40 a day to more like \$75, and that was just the average.”
- “I hope that happens again this year because the summer and fall bottomed out again and we actually had to give up a bit of ground over the previous year just to win business. That was when the discounters got serious and we really felt it. Now we’re about where we were 12 months ago and hopefully ready for another spike.”
- “I’ll be honest, if not for the seasonal surge our rates would actually be below where they were this time last year, more like 2011 levels.”
- “I don’t know what Hertz is up to on a national level. From where I sit they’re eager to steal our customers with a whisper offer and extra mileage, any concession it takes. The notion that they’d ease up and let us all breathe again is nice, but I don’t know how that would happen.”

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*Regional Manager, Avis
Southwest*

➤ Hertz regional manager, Southeast

Value-oriented markets still require adroit discounting in order to fend off increasingly ferocious competition from above and below. The emergence of new rental organizations and the growth of established ones ensure that the next few years will be turbulent. Winners will remain flexible and opportunistic. Price-sensitive leisure renters insist on online booking and demonstrate no brand loyalty.

- “We always want to generate the biggest possible revenue per vehicle turn, but you don’t get any revenue if the vehicles aren’t turning. It’s not difficult to understand. You can be tough once you’re flexible enough to actually make the sale. This is especially true in what they call the ‘value destinations’ like the one I’m in. People care about dollars when they come here. If you save them a few dollars, they’ll give you the rest.”
- “In our market, there’s a lot of competition. It’s a big attractive market, even though there’s not endless dollars like New York or Boston or Los Angeles. We’re getting the new chains coming into our airport hub and they’re hitting us both on the bottom—pulling down the base rate that anyone can charge and feel like they’re competitive—and even the top.”
- “There are a lot of new names on the market. We’re losing Advantage, and their new corporate mission is to build a new leading national brand. Dollar Thrifty are on our team now, which gives us a little cushion down below us in the mid-market space. Enterprise is still expanding into all kinds of markets, including here in some unusual ways that are literally in our backyard: luxury cars, high-end corporate. That’s a recipe for ‘interesting times,’ as they say. You have to stay on your toes.”

➤ Hertz regional manager, Great Lakes

Nationwide pricing has bottomed out as leading chains adjust their approach from a conventional uniform rate system to a more sophisticated matrix that incorporates location, seasonality, model and vehicle class, competitive goals, and other factors. Hertz is experimenting with such a system now in peripheral markets. Relatively few competitors have the scale and the will to pursue such a strategy, leaving them at the mercy of market forces and the drive to cut costs.

- “You will not see these prices again, largely because they’ve gone as low as they can. In my region, overall pricing sank about 25% last year before recovering in the fourth quarter. That’s coming off a bad 2011 and, to be honest, it’s unsustainable. We choose to remain a going concern so we aren’t going to put up with that. What’s different is the way we’re going about the work of leading the recovery.”
- “What we can do is track the entire fleet and match current rentals against historical patterns to get a better sense of what the local market wants and what prices the local market will bear. Every branch behaves differently and needs different cars at different times of the day, week and year. We can create organic price guidelines now based on that data and then adjust depending on whether we’re moving above or below the historical trend. It sounds complicated, but it really boils down to looking for patterns throughout the entire fleet.”
- “The fleet perspective is the important one here because a given branch or region may appear to be underperforming compared to a naturally stronger branch, but that’s through no fault of its own. What you need to do is make sure every branch has exactly the resources it needs to serve the customers the trend indicates you will need, and that excess resources are diverted to areas that have an emergent need. Maybe you’re running out of vans this summer? Call the next city over, which still have a few vans on the lot and can get them to you this afternoon when your customer wants them. Maybe you have an unexpected luxury tour coming in? Borrow the cars from other branches and send them back.”
- “The key is that you never want to say ‘no’ or have excess inventory on the fleet or branch level. Everything that can be on the road is on the road. And if you’re having trouble getting one vehicle on the road in one branch, the data helps you figure out exactly how to discount it today to make that turn. Otherwise, you don’t need to offer any discounts at all. You can advertise your existing rates today on a given make and model, but that price is your price, and it’s set as what the market will bear.”
- “Now this is also a competitive system because you’re factoring in what

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*Regional Manager, Hertz
Great Lakes*

other brands are charging and how much you care about taking that business. Do you want to grow at other companies' expense in Nashville or Miami, for example? Tell the system to dial back pricing to be in line with those competitors or even undercut them a bit. Renting everything you've got? Go ahead and move up."

- "We are in the early stages of this kind of thinking. It requires cooperation between regions, obviously, and that will take time. But I think it's the future of how we price our cars. It's really a simple evolution of existing long-term contract pricing. The goal is to maximize ROI, if you will. To create an efficient frontier."
- "Some of our smaller or less profitable markets are trying this approach simply because pricing has been so disastrous in these markets. The old system didn't work. We need to use the tools we have—historical data, competitor price transparency—to get smart about setting tactical rates."
- "This is new and requires a bit of a cognitive leap. Nobody with 3,000 cars across a few regions is going to be thinking in these terms, because that person is still thinking about building a brand and building a business. Someone a little larger starts thinking about cutting their way to profitability in order to keep growing the business. They're looking for efficiencies, new technologies, cutting back on staff and running the fleet less expensively. This is the next level. It's about highest cost-adjusted cash flow, which is maybe another way to say 'profit per car.'"
- "So whoever's moving into this business isn't thinking in these terms. They're free to wrestle each other into submission. I don't think any of our primary competitors are thinking in these terms. Avis isn't happy with their rates, so there's an edict across the company to get rates higher across the board. How do they do that in practice? Do they kill weak markets to do that? I don't think they know. Enterprise sets a low base so they never give up market share, and then they grab upward opportunistically via National and Alamo. These are not exact sciences. If anyone creates the exact science, it will be us."

➤ Hertz regional manager, Intermountain West region

Divesting Advantage will force Hertz to compete more aggressively throughout the west, where Dollar Thrifty is a less immediate asset. Pricing over the next year will be opportunistic on a market-by-market basis until the new competitive map has finalized. For now, rates are rising slightly ahead of inflation and have room left to strengthen further.

- "We have been told to push rates upward and retire discounts where we can, so long as we don't give away any hard-won market share in the process. Share is key right now because there's so much going on in the marketplace."
- "To be honest, our old friends at Advantage are now our strongest competitor. They were dominant in this region before their previous demise and still have a substantial position in our core markets. They're coming back here with a new lease on life and suddenly we have to watch our back again."
- "We're not gaining much around here from Dollar Thrifty, however that plays out. So the merger actually puts us on the defensive. It's how it goes. It means we have less room than other regions to push rates. We have to go back to the discounting we might have followed five years ago. Now we'll use our online presence more effectively. Advantage will probably revamp its entire web presence, so that will slow them down."
- "Realistically, nobody knows where prices will be in a year or three years until we know how share plays out in various markets and what share various corporate headquarters will be happy with or will accept. I think for us, HQ will want to see us flank Advantage while they're young and fresh. Share is most important for us, followed by pricing. Then once we hit a certain equilibrium, we can move on pricing again, secure in the knowledge that Advantage or Enterprise or anyone who tries to come into this market has been forced into a secondary position."
- "So far we're edging upward, largely as we pass on new costs to our customers in the form of rising service fees and the like. The turning point was October and now we're maybe 5% or 6% above last year's rates. Mostly an inflation increase to cover our labor and licensing costs and airport rents, things like that."

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Regional Manager, Hertz Intermountain West Region

➤ Hertz regional manager, Northwest

Car Rental

Holiday rates have not been rolled back and reflect a new status quo in strong rental markets. While competition from new chains and car-sharing organizations is increasing, these vendors are not targeting traditional renters. The long-term outlook is good.

- “We kept our rates right where they were from December 2012 and really never looked back. Around here we run a summer sale in order to tempt people onto the road and out of the city, simply because it’s actually a soft tourist season. Most of our tourists come to town in the rainy season, perversely enough.”
- “I can’t speak for anyone else but this is the new normal for us. We aren’t going back to \$40 a day, no matter who comes into our space looking for a bit of market share.”
- “Speaking of new competitors, we are seeing a few from Europe and in the car-sharing side. This is one of Zipcar’s strongest regions, so much so that even copycat companies can get some traction here. It’s their environmental focus, I guess. It encourages us to offer our own Hertz on Demand hourly contracts and push our hybrid fuel options. We do alright.”
- “Car-sharing and deep cut-rate chains aren’t full-service rental groups like us. They don’t steal rental customers from us, because if you have an insurance voucher you’re not going to scale down just because you can, and if you’re a corporate customer, you pay what you signed up for. What they do is expand the car-rental world into new populations: urban people, people who rely on mass transportation, people who live on extremely tight budgets. That’s not our market.”

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*Regional Manager, Hertz
Northwest*

2) RENTAL CAR STORE MANAGERS/CLERKS

ENTERPRISE/NATIONAL/ALAMO RENTAL STORES:

All 21 sources in the Enterprise family of brands view the current pricing environment as highly competitive and, with the exception of six sources; the market is expected to remain that way. Those six sources expect pricing to increase slightly or at least remain flat over the next three years, with the exception of normal seasonal fluctuations. Pricing is set at the corporate level. However, sources spoke about the ability to match documented lower pricing from competitors in their service areas. Customer service and growth are the priorities for the Enterprise brands and sources spoke with pride about the quality employees, service level, and loyalty of their customers. Online booking is responsible for 50% to 90% of rentals and frequently offers the best pricing. One source commented that mobile applications are becoming prevalent. Enterprise’s \$9.99-per-day weekend rate is very popular and in the company dominates the insurance company rental market. The National brand is the least likely to discount heavily, relying on strong corporate contracts and positive reaction to its new [Emerald Club](#) program.

AVIS/BUDGET RENTAL STORES:

All 12 Avis/Budget sources acknowledge the current pricing landscape is highly competitive. Three sources said pricing is flat or up slightly, with one source reporting a 5% increase in daily rates year to year. The competitive pricing dynamic is expected to continue for one to three years; however, two sources expect rental rates to increase to cover the escalating price of new cars. Pricing is set at the regional level and some use of promotions and discounts is employed to remain competitive. Online booking is big at most locations offering renters pre-pay discounts and the lowest prices. One source said online is good because it drives business, but bad because of the lower price offerings and its diversion of insurance coverage to a third party. Enterprise is viewed as the low-price car renter and Hertz is viewed as the high-price provider.

HERTZ/DOLLAR/THRIFTY RENTAL STORES:

The 10 sources representing the Hertz family of companies recognize the current market conditions as highly competitive and expect them to stay that way for the next one to three years. Current pricing trends varied based on the geographic market served. New York and Philadelphia pricing was steady to up slightly, while Southern California was steady to declining slightly. Aggressive pricing is expected to continue going forward, but the expectation is prices will remain flat or increase slightly due to the escalating cost of new cars. Hertz offers tiered branding with its three companies, which allows it to compete at various pricing levels. Online booking accounts for the vast majority of rentals, and Enterprise was mentioned as the leader in online discounting. Prices for Hertz/Dollar/Thrifty are set at the corporate level, but local discretion to match or beat pricing is allowed and used aggressively.

INDEPENDENT BRAND RENTAL STORES:

One of the three independent rental car brand sources expects the market consolidation to lead to increased pricing over the next one to three years. The other two sources expect it to remain flat. Current economic conditions are driving renters to the low-cost providers, which could be any one of the rental car companies on any given day. Enterprise and Avis are strong price competitors for the independents. Independent car rental agencies tend to target customers that don't qualify for cars from the major brands. The rising price of cars is presenting a challenge for the independents as they do not have the buying power of the major brands.

➤ Enterprise assistant branch manager in New York City

Even with the recent acquisitions by Hertz and Avis Budget Group, Enterprise will remain the industry leader in terms of market share and pricing. Its only real competition is Hertz, which has the second-largest market share and a formidable corporate roster. Enterprise competes with Hertz by offering superior customer service; it competes with Avis, Budget, Thrifty, and Dollar with lower rates. Rental car prices will rise with inflation but the pricing dynamic among the different companies will remain unchanged.

- "I think prices over the next one to three years are going to go up with inflation, just like anything else."
- "I don't see the recent acquisitions by Hertz and Avis making a huge difference in the car rental market. We still expect to be No. 1 by being the biggest and offering the lowest rates."
- "I don't see the pricing dynamics changing. Every company fits their respective niches and customer bases."
- "We rank ourselves as No. 1 in the industry. Our only real competition is Hertz because they have the next biggest market share behind us. But we are constantly growing."
- "The way we compete with Hertz is by having more locations, superior customer service and highly-trained, all-college-graduate employees."
- "The way we compete with Avis, Budget, Thrifty, and Dollar is having lower prices. We price ourselves under everyone else."
- "In terms of our corporate business, we have [Enterprise Plus](#) and Emerald Club from National, which is like Hertz Gold."
- "We are the largest buyer of cars in the world and we have so many branches, so we're able to get lower price points and pass the savings on to our customers."
- "Customer service is our highest priority. We just want to be available to as many people as we can. Nos. 1, 2 and 3 are growth, profitability and market share, in that order."
- "Online booking is definitely good for us. It's the easiest way for people to make reservations, and it's how most of our reservations come through these days."
- "Outside pricing websites bring more business to us—and even if they get a low online rate that way, we always have the opportunity to offer customers more options or upgrades once they book with us."

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*Assistant Branch Manager, Enterprise
New York City*

➤ Enterprise store manager in a New York City suburb

Enterprise strives to win customers by offering the lowest rates. If necessary, it adjusts inventory levels across different locations to keep prices down. The goal over the next few years is to keep rates consistently low and to continue pricing below competitors Avis and Hertz, whose rates fluctuate more on seasonal demand. Customer satisfaction is the top

priority. Enterprise does not value online booking over dealing with customers directly. The same low rates offered on travel sites can typically be found by calling Enterprise.

- “We price-position ourselves to be the cheapest, so that we are the best option for customers.”
- “Prices have been consistent for the past four years that I have worked for the company. I think the target for pricing is just to stay where it’s been for the past few years.”
- “In the next one to three years, I would hope prices stay consistently low, but you can’t rule out the chance that they’ll rise. If they do, I know Enterprise will try to stay below the others guys.”
- “It depends seasonally who has the highest prices. It might be Avis, then it might be Hertz. It depends on the demand. I just know it’s not Enterprise.”
- “We don’t really have any problems with fleet availability. If there’s an inventory out there that we can capture, if it means our company having to move cars from a different region into ours because the demand is higher here, we’ll do that to keep our rates consistently low year-round.”
- “The other guys, maybe their rates will jump drastically and then drop drastically depending on their demand. But for us, as long as we can move the inventory to different locations where it’s needed, we’ll do our best to make that happen to ensure our rates stay low where we like them.”
- “I don’t think the pricing dynamic will change, at least as far as Enterprise is concerned. We’ve stayed consistent with our mission of offering low prices for many years. Over the next one to three years, I don’t see why that philosophy would change.”
- “Customer satisfaction is most important to me. If my customers are satisfied, then the other stuff will follow in a positive manner.”
- “Online is more convenient with the technology being what it is, and you can always access great rates online. But we also don’t want to lose touch with that customer who prefers your voice over the phone or face-to-face.”
- “I know some customers prefer travel sites because maybe it’ll help you find the lowest rates. But for the most part, you are going to find the same rate whether you go online or just call Enterprise.”

In the next one to three years, I would hope prices stay consistently low, but you can’t rule out the chance that they’ll rise. If they do, I know Enterprise will try to stay below the others guys.

*Store Manager, Enterprise
New York City Suburb*

➤ Enterprise clerk in Philadelphia

Rental car pricing has declined since the holidays, but not as much as the year before. Pricing is expected to firm up now that the industry has consolidated to three main competitors and remain slightly higher for the next year or two. However pricing will still be competitive and Enterprise is expected to remain the low-price leader. In this location Enterprise is the low cost renter between Hertz and Avis while Hertz consistently has the highest rates. Enterprise is training and encouraging its rental associates to “upsell” the customer when they arrive at the counter. Model upgrades, insurance coverage, extra day, gas option, anything to increase the average daily rental rate.

- “Customer traffic and rentals are up compared to last year at my location. I think travelers are realizing that Enterprise is really the best when it comes to pricing and customer service.”
- “Pricing has declined since the holiday season, but it did not go down as much this year as it did last year.”
- “I think the fact that all the rental-car companies are now owned by a few companies is causing the pricing to firm up and it should stay that way for the next few years, unless someone starts to really discount prices.”
- “Enterprise is consistently the low-cost renter at this location while Hertz is usually the highest priced.”
- “We are always reminded and even trained from time to time to try to upsell the customer when they arrive at the counter. For example, if a six-foot guy comes up to the counter with a conformation for an economy car, I will always try to get him into a bigger car. Insurance is another one we try to sell, but most renters don’t like it when we ask about that. The training is centered on trying to get the average rental rate up by selling extras.”
- I would say 80% of our rentals are booked online, 10% on the phone

Enterprise is really the best when it comes to pricing and customer service. ... Pricing has declined since the holiday season, but it did not go down as much this year as it did last year.

*Clerk, Enterprise
Philadelphia*

and 10% at the counter. We seem to be pushing the online because if you call us there is a message that you might get better rates if you book on line. It's convenient for the customer and for us at the counter when they book on line."

- Enterprise is always pushing customer satisfaction, so that's No. 1, then profitability, growth and market share."

➤ Enterprise assistant manager in suburban Chicago

Pricing will remain very competitive this year and Enterprise will strive to keep its reputation of having the lowest rental rates and will beat any advertised price. Customer satisfaction is its top priority. The company anticipates growth through keeping prices low to keep the customers coming back. Their business counts on insurance rentals, corporate and consumer segments.

- "In the year, pricing will remain extremely competitive. We are checking all the time to make sure we are advertising the lowest price out there. We will beat and meet any advertised price or offer."
- "We don't rely on one segment to support our business. Insurance rentals are a big part, we have some corporate accounts and then we have consumer business. It all plays a part."
- "We are known among our competitors to have the lowest price. We will match any price out there."
- "Customer satisfaction is our top priority. We want our customers to keep coming back."
- "Growth ties into price. Without competitive pricing, we cannot grow. We have to keep our prices low to keep the customers coming back and then we will grow."
- "Profit will come with growth. We are trying to grow as a company nationally and internationally."
- "We want anyone who rents a car to come to Enterprise. That is our goal."
- "Hertz does a lot of insurance business while Avis is known for their corporate accounts. We do a little of everything and are more known for price versus who we specifically service."
- "Everything is done online. Our business would not survive otherwise. And, we price match any online price."

➤ Enterprise clerk in the Milwaukee area

Competitive pricing will continue in 2013 but providing customers strong customer service is what this location puts first. Online booking account for around 50% of its rentals.

- "All agencies are competing on price. That will never change."
- "What sets us apart is our service and the great people who work for Enterprise."
- "Customer satisfaction, growth, and profit are all in the mix. One is not more important than the other."
- "We are very close to a few dealerships so we do get business from them but there is not one entity that is driving our business."
- "Online bookings are about 50% of our business, maybe not even that. We get a steady flow of walk-ins."

➤ Enterprise manager in the Midwest

To ensure continued growth this year, keeping its No. 1 ranking in customer service is top priority for this Enterprise location. Emphasis is also on marketing to local dealerships. Online reservations account for half the bookings; retail and insurance claims make up the rest.

- "Pricing will remain competitive. How we differentiate ourselves is our customer service. We are ranking #1 in customer service and intend to keep it that way."
- "Out of the 10 rentals I have left for pick up today, five are from the insurance company and five were online bookings."
- "The industry is doing well. I don't see any indicators that it will change."
- "Marketing is also very important. We put a lot of money into marketing and working with the local dealerships. It helps to further growth."
- "Customer satisfaction is the top priority. If customers continue to be satisfied, we are going to keep growing."
- "Our rentals are a combination of business, personal and insurance claims. All contribute to sales."
- "We can price match but it needs to be local. We aren't going to match prices in Texas."
- "If the guy next door has a better price for the same level of vehicle, sure, I will match if not, beat it."
- "Online bookings account for about 50% of our business. The others are insurance claims, walk-ins, and phone reservations."

➤ **Rental associate, Enterprise, Powder Springs, Georgia**

The rental-car industry will continue to grow. Enterprise shops the mainstream competition to ensure it is the low-cost provider. All the major companies offer online service, which increases business. He expects pricing trends to remain the same for the next one to three years. Their company ranks its priorities as employee development, customer service, growth, and profit.

- “The rental car industry is going to continue to grow. With more cars on the road there are more accidents so people need a replacement car. That’s a big part of our business—accident rental.”
- “We have pods that track our competitors’ pricing and set ours according to that. We do that to make sure we are the low-cost provider across the board. You may get a lower quote from some other company but once you add taxes and fees we come out with the lower price.”
- “Everyone has online reservation service and we are all moving to mobile apps. Online service provides the customer with greater availability and they can see the rental price online.”
- “Enterprise is leading in low prices, but our sister company National leads in the highest. That’s because National is more for business rental and has more perks.”
- “Our company’s priorities? No. 1 would be employee growth, No. 2 customer service, No. 3 growth and No. 4 profit.”
- “We were the first company to get the [Chevy Volt](#) for rentals. We tried to go with the hybrid but not enough people were renting it.”

➤ **Enterprise store manager in suburb of Kansas City, Missouri**

Enterprise will continue to strive mainly for high customer service while also staying price-competitive against Avis, Budget and Hertz in this suburban market. Consolidation of car rental companies has not really raised prices. Future prices are expected to stay about the same, depending on rental rates offered by competition and the price of new cars. Enterprises solicits business face to face from local businesses.

- “I don’t think the consolidation in the rental-car industry has reduced competition and raised rates. At least I have not seen that happen.”
- “Our rates have been pretty steady in the past year. Our business is really not affected that much by gas prices. People still travel. If gas prices go up, so do airfares. People still want to travel. The cost of buying new cars, if that goes up, could have an impact.”
- “I don’t see any big changes in rental rates in the next year or two, depending on what the competition does. I don’t see any trends either. Maybe electric cars will be offered some day, I don’t know.”
- “Enterprise tries to offer the lowest prices and we will match what customers can get elsewhere if they document it. Usually, all the companies stay in relatively the same price range in our market.”
- “We’re always about customer service more than anything. Prices are set by someone else at corporate, not by us at individual rental locations.”
- “Our main competition would be Avis, Budget, and Hertz. They also rent in our area. The airport is an entirely different market, with a lot higher prices due to the fees there.”
- “Our \$9.99 daily rate on Friday through Sunday, with a limit of 100 miles a day, is quite popular. Nobody else offers that.”
- “We do a lot of face-to-face marketing programs. We visit auto dealerships, who would need to provide rental cars to customers getting cars repaired, and to local companies who would have employees renting cars.”
- “We don’t rent by the hour here but we do have a [WeCar](#) available at the University of Missouri-Kansas City where they do that.”
- “About half of our rentals are booked online. We have a lot of people call in or stop by, such as people leaving their cars somewhere to get repairs. They don’t usually book online.”
- “Training is important at Enterprise. All of our people are trained as if to be managers. Everyone must have a four-year college degree.”

Enterprises solicits business face to face from local businesses. ... I don’t think the consolidation in the rental-car industry has reduced competition and raised rates. At least I have not seen that happen.

*Store Manager, Enterprise
Kansas City, MO*

► Enterprise manager in Overland Park, Kansas

Enterprise manager said competing on price is the overriding goal in his rental-car market, which is suburban rather than at the airport a half hour to the north. He said Enterprise and Hertz have lowest prices, but rates are perhaps up an average of \$2 a day from a year ago and will probably continue to rise in next couple of years due to cost of buying cars and fuel. Enterprise has not followed some trends, such as hourly rentals, but may do so in the future.

- “Our goal is to expand business and to do that you have to be competitive in rates. We do not set our own rates at this location. They are set by the administrative office in Merriam [another Kansas City suburb].”
- “The lowest rates in our area are offered by us and Hertz. It’s hard to compare rates across all brands because there are hidden charges. For instance, we don’t charge extra for a spouse to be on the rental agreement and some others do.”
- “Our rates are slightly higher than a year ago, maybe \$2 a day. That is partly because the cost of cars we buy has gone up in the past year. Some cars we buy are \$30,000. We have to pay more so we need to raise rates. We buy mostly new cars but some used. Also, the price of gas can be a factor because we have to pay for fuel when we transport cars from location to location in town, which we do a lot.”
- “I would expect rates overall to go up slightly in the next year, not dramatically, but the cost of cars and gas is going up.”
- “I don’t see any big trends in the market in rates or services over the next one to three years. I think it will be pretty stable and even-keeled.”
- “I am aware of some of competitors offering hourly rentals, car sharing, et cetera. We don’t do that but if it becomes real popular we may get into that. I am just speculating, but this is how Enterprise reacts to things like this.”
- “Our \$9.99 per weekend day rate is popular. I don’t think anybody else offers that, but can’t say for sure. It is for a limit of 100 miles per day, but unlimited miles costs only about \$15 to \$19 daily. We will also pick customers up just about anywhere they live in the area.”
- “About half of our rentals are booked online and half through phone calls, walk-ins, et cetera.”
- “Rental rates are lower in these neighborhood locations than at the airport because customers don’t have to pay the high airport fees. It’s really not an apples-to-apples comparison. That is a different market at the airport.”

Our rates are slightly higher than a year ago, maybe \$2 a day. That is partly because the cost of cars we buy has gone up in the past year. Some cars we buy are \$30,000. We have to pay more so we need to raise rates. We buy mostly new cars but some used. Also, the price of gas can be a factor because we have to pay for fuel when we transport cars from location to location in town, which we do a lot.

*Manager, Enterprise
Overland Park, Kansas*

► Enterprise manager in Kansas City, Missouri

Enterprise prides itself most on customer service but also is the low-price leader at this urban location, where it competes with Avis, Budget, and Hertz. Rates overall may be a little higher than they were a year ago but are not expected to change much over the next year, given the competition. Auto insurance companies are the primary customers. That is the main reason Enterprise has so many neighborhood locations—to be near body and engine shops.

- “I don’t think that consolidation in the rental car industry has impacted rates.”
- “Rates in the past year have not changed much, they may be a little higher but not a big difference. They are seasonal, of course. They tend to be the lowest in the winter when fewer people travel and higher in summer.”
- “We have the lowest prices among the companies in our immediate area—Avis, Hertz, and Budget. We have people who make sure our rates are the best and I trust them. Avis is our biggest competitor because they are just a few blocks up the street.”
- “Our main customers are insurance companies, who cover people that have been in accidents. I don’t think people realize how many wrecks there are out there.”
- “Customer service is No. 1 with us. That is what people are trained to provide. Price and profit would be next, but they kind of go hand in hand.”

Rates in the past year have not changed much, they may be a little higher but not a big difference. They are seasonal, of course.

*Manager, Enterprise
Kansas City, MO*

Car Rental

- “Our \$9.99 weekend day rate is only good in the fall and winter. The 100-mile daily limit can be removed and rates would still only be about \$20 a day.”
- “Our rates are not set by local managers but by someone higher up. We are allowed to match prices if someone comes in with documentation.”

➤ Enterprise clerk in Dallas area

Pricing has remained steady during the past year—with spikes during heavy demand periods—and should remain so going forward. The busiest time of the year is spring to summer, when Dallas hailstorms cause heavy damage. Many customers take advantage of coupons and online deals, while others prefer to call or walk in. Inventory is routinely on the street and in demand at this location, which serves neighborhood as well as business customers.

- “Prices are about the same as when I started at this location about a year ago. Our name speaks for itself, so people know what they're getting when they rent with us—the best. Sometimes if it's really busy, prices may go up for a day or two or just for an hour. When the airports are sold out, everybody's low on cars and anybody's going to raise prices. That's just business. So sometimes the demand can be high and the prices will be a little bit higher but usually they go back down just like that.”
- “We always stay busy and we're always selling out of cars. Lately, we have been out of cars, but we'll get some back. We're very tight with the cars. When people call, we don't have cars waiting around. They're out on rent. So the next one that comes back, it's back out the door, just like that.”
- “We're everywhere, and our prices are better. They charge more tax at the airport. Avis, Hertz, all of them. The airport is convenient, and you're going to pay more for convenience.”
- “A lot of people book online just because it may be cheaper or there may be some offers or they may have coupons. Or we could be closed and they're booking after hours. A lot of people will just call, though.”
- “It's always crazy around here on Fridays. The special is Friday through Monday, \$9.99 per day. so you have to get it a minimum of three days. Otherwise, we're busiest during the morning and afternoon, when people get off work.”
- “Customer satisfaction definitely is No. 1. I really don't know about market share and all that stuff. They're all important to this business, though. We definitely want to keep our customers coming back.
- “Body shops make their money when the hailstorms hit. That's when it gets crazy. They're still working on cars from last year's hailstorms in April and June. We had a customer come in the other day and she was just putting her car in the shop. I actually worked inside a collision center before I transferred over here and it was crazy busy. We have our crazy storms in Texas.”

Prices are about the same as when I started at this location about a year ago.

*Clerk, Enterprise
Dallas, TX*

➤ Enterprise manager near a Dallas airport

Pricing is steady throughout the year with the exception of the traditional high demand holidays and summer periods when rates escalate. Enterprise pricing is the lowest and they will beat any lower-priced offer. Insurance replacement in passenger sedans represents more than half of the business for this Enterprise location in a busy retail/residential district not far from several car dealerships and a Dallas airport. Third-party online business represents 70% of this shop's bookings.

- “On average, pricing stays pretty much the same throughout the year. There are the slow months, like during winter, when prices are really cheap. Then toward the summertime, prices are higher than usual. It's mainly due to cost. The cars need more oil changes, and gas prices go up so you have to compensate for that.”
- “Most of pricing still depends on supply and demand. More people are renting during the summer, so prices can go up. If you have a corporate account [10 percent of business at this location], prices are set year-round. The price will be \$35 for a full-sized car, no matter what time of the year you rent. You also get the good weekend specials too—\$9.99 for a Friday-through-Monday rental. But we're still going to be the cheapest around. We'll beat anybody's price.”

About 70% of our business comes in online from third parties like Kayak, Hotline, and Priceline. About 25% of that online business comes from our corporate site. And the rest would be walk-ins.

*Manager, Enterprise Airport Location
Dallas, TX*

- “[Revenue mix.] I would say we do about 55% insurance replacement, 35% retail and the rest corporate.”
- “We have more of the marketplace as far as insurance replacements because we’re spread out through the neighborhood. We have a lot of the leisure market. While we have some corporate business, most of it really doesn’t come from our neighborhood locations. It’s mainly at the airports.”
- “About 70% of our business comes in online from third parties like [Kayak](#), [Hotline](#), and [Priceline](#) [Inc./PCLN]. About 25% of that online business comes from our corporate site. And the rest would be walk-ins.”
- “I’m going to take care of my customers first. That would be No. 1. I can’t rank [growth, profitability, and market share]. Customer satisfaction is our main focus.”
- [Among other Enterprise brands in Dallas], “National is for those busy customers who want to get in and out really quick. Alamo does a lot of [leisure] travel business. They specialize in one-ways, like from here to Arizona.”

➤ Enterprise clerk, Thousand Oaks, California

The current market is very competitive with promotions and discounting influencing pricing industry-wide. Enterprise performed well through the recession and now that the industry is improving this source expressed optimism about the future. Customer service and wide selection are keys to Enterprise’s success. Online booking is growing because of the convenience and favorable pricing offered.

- “Everyone’s competing, and that’s because there are hundreds of ways to affect rates with promotions, discounts, et cetera.”
- “I hope we do a little better over the next three years. Even though Enterprise sailed through the recession compared to other players; still, we need to watch out.”
- “We’ve established a reputation that revolves around great service. Also, the varied selection of our fleet is attractive to customers. And they trust us.”
- “The state of the industry is doing better overall, but I think that’s also because online ordering is becoming more commonplace for customers. It’s easier to rent a car when you can reserve it in the comfort of your own home.”
- “Online pricing and booking is seen favorably. Corporate can give you more information about that. It makes more sense to me to book online—who wants to stand here and reserve a car?”
- “Since our inventory is so wide and varied, we do our best to offer any size car. If we don’t have it we’ll try to get one from a nearby franchise.”

➤ Enterprise clerk, Thousand Oaks, California

Price competition is fierce; however, Enterprise’s value and quality service contribute to its success and increasing sales numbers. Success is expected to continue in the future as Enterprise is the largest rental car company that promotes high-quality customer service and is meeting renter demands.

- “I guess pricing is a hot topic right now. I know all the companies find out about each other’s pricing—but in the end, Enterprise offers the quality service that is sometimes worth a little more money.”
- “We’re known for our value and quality service—that is what the market is asking for these days. And that is also what their mantra is around here.”
- “There has been so much merger talk that it’s hard to keep up. It’s hard to know who owns what anymore. I’m just glad I work for the biggest one.”
- “As far as Enterprise corporate is concerned, the future is very bright. Our sales are up and a lot of positive changes are happening in the industry.”
- “I’ve only worked here two years. Even though everyone is still rattled by the recession, Enterprise probably felt it the least.”
- “Enterprise focuses on the big players—yeah, like the mainstream. They say they will never rest on their laurels—and will always just assume the competition is just waiting to take their place.”
- “The low price leaders are probably the companies that advertise that way. I mean, we have great promotions and customer programs, but some agencies are really all about low prices—like Budget.”

I guess pricing is a hot topic right now. I know all the companies find out about each other’s pricing—but in the end, Enterprise offers the quality service that is sometimes worth a little more money.

*Clerk, Enterprise
Thousand Oaks, CA*

➤ Enterprise clerk, non-airport Southern California location

This Enterprise location consistently beats the 10% year-to-year growth expected

by the company. They have a large and growing fleet and a high-volume of daily rentals. Enterprise is gaining market share because of international sales, and it dominates the city market. Enterprise is the cheapest of the major companies and is innovative when it comes to deals that increase business. Hertz and Thrifty are the other top companies right now. Companies offering alternative rental options—such as hourly rentals—are growing, especially in tourist areas, and will hurt the traditional rental industry during the next five to 10 years. Enterprise is slowly working on its green image by adding the [Nissan Leaf](#) to their fleets. Prices have remained the same during the last year.

- “Our top priority is customer service. It’s always our top priority. Then growth, market share and profit.”
- “Overall, the rental car market is great. There are always accidents, people not wanting extra miles on their own car.”
- “We rent 60 to 120 cars a day. Mondays are over 100-plus because of accidents on the weekend.”
- “We’re absolutely up year to year. We’re growing the fleet and taking market share. Enterprise wants 10% growth for each branch. This office we’re 10% plus every year.”
- “Enterprise is taking market share. Especially last year with the international sales. We’re always growing and expanding.”
- “We own the city market. Hertz is not always up there.”
- “The price fluctuates. December and January can be pricey. But we’re constantly looking for ways to be innovative. Right now we have a weekend special to pull in business: \$19.99 per day for a basic economy car, unlimited miles. We also have \$9.99 and 100 free miles per day.”
- “We’re one of the best—we have the lowest prices and beat all the competition. We’ll do whatever it takes. Yes [we’ll match prices] but you have to prove it.”
- “Hertz is pretty pricey, but the cheapest is Enterprise.”
- “The rates for the next few years depends on the market. It always fluctuates, but they’ve been the same for the last six months to a year.”
- “Enterprise, Hertz and Thrifty are the top three. I don’t see Enterprise or Hertz dropping off. They’ll always come out top three.”
- “The smaller companies—the ones offering different rentals, like hourly—are growing. Especially in this area where you have a lot of college students and in tourist areas. That will hurt traditional rental companies during the next five to 10 years. Electric cars, anything going green. Enterprise is slowly promoting green with the Nissan Leaf.”

Enterprise is taking market share. Especially last year with the international sales. We’re always growing and expanding.

*Clerk, Enterprise
Southern, CA*

➤ Enterprise manager, Southern California location

Enterprise is the most competitive on price and is always the cheapest. Pricing is based on supply and demand and varies by each city. Customer service is a high priority and Hertz is its biggest competitor locally.

- “Enterprise is very competitive. We are always the cheapest.”
- “Our pricing is done on a city level, so it will not be the same as another city.”
- “Pricing is very much supply and demand.”
- “Around here, our biggest competitor is Hertz. If you look online you will see how the pricing [between us] trends.”
- “If you know Enterprise, you know we are definitely No. 1.”
- “My team is very aggressive. Other than price, our customer service is high up. It’s really important to us.”

NATIONAL RENTAL STORES:

➤ Manager at an airport National office in Dallas

Prices have declined slightly in response to low-cost competition from agencies such as Advantage. But National remains a solid player in its niche, serving business travelers through its Emerald Club program and efficiently turning over its inventory. Rates are mainly set through corporate contracts and are not subject to coupons or specials, but agents will match rates when necessary. Overall, parent company Enterprise Holdings should be strong going forward, with its National (business travel), Enterprise (insurance replacement) and Alamo (leisure) brands serving three distinct markets.

- “I don’t see a particular trend in pricing, only that we have the low-cost renters like Advantage coming back into the market that cause rates to come down just a little bit as we try to stay competitive. So we haven’t seen rates go up at all. If anything, they’ve come down a little bit. You have some of the loss leaders in town like Advantage, Budget and Thrifty. But that’s not a concern at all because we typically turn our cars more quickly than our competitors.”
- “National is specifically in the business of business, the road warrior. The road trip professional, that’s National. These folks contract a rate with us; they don’t even see us at the counter. They get off the bus, get in their car and leave.”
- “A large amount of our business comes via the web, some through [Travelocity](#), but our primary business is our Emerald Club business. Those are our repeat customers. That I would say is 99% web-based. Customers are on the road 50 weeks out of the year and they make their reservations online. We have contractor rates with them, so they know day in day out they’re going to get the best rate possible.”
- [Pricing going forward:] “Those decisions are definitely made way above my pay grade. We do have flexibility to match rates at the store level. We can match competitor rates and we do it all the time. But we don’t necessarily set the rates here as far as what you would see on the sites like Travelocity. All of that is done at the corporate level.”
- [Rank growth, profitability, customer satisfaction, market share:] “It would be customer service, primarily. Customer service is No. 1. The Taylor family [Enterprise’s founders] believes in customer service. Next would be growth. Market share would be third, with profitability fourth. We know if we’re doing the right thing on customer service, profits will tag right along.”
- “Car sharing is a very specific segment that doesn’t pertain to the Dallas market at all. It’s a real big thing for college towns such as Austin, Texas, or San Francisco, where they’re getting very eco-conscious, very green. Dallas, we haven’t quite gotten there.”

I don’t see a particular trend in pricing, only that we have the low-cost renters like Advantage coming back into the market that cause rates to come down just a little bit as we try to stay competitive. So we haven’t seen rates go up at all. If anything, they’ve come down a little bit.

*Manager, Airport National
Dallas, TX*

➤ Owner, National rental car agency, Southern California

The rental-car business is highly competitive with each company monitoring what its competitors are doing. National’s Emerald Club Aisle program is the first of its kind in the rental car industry and has been well-received by renters, according to this source. Promotions and customer loyalty programs are used to keeping National competitive.

- “We watch the mainstream players – definitely – and they watch us. We do our best to give the customer the best price available at the time. For example, receive one free day when you rent a compact through full-size car for a three-day minimum. For executive member customers, we offer something like \$25 off a premium or luxury rental—available with a three-day minimum. We also offer great deals through associations like [AARP](#).”
- “It seems like the best way to describe the state of our industry is ‘change.’ It’s like everything is changing. There’s a lot more online ordering, now car sharing is starting to grow, et cetera.”
- “I think there will be more rollouts of programs like our complimentary Emerald Aisle program. You know National was the first to come up with a program like this—that focused on choice/options. If a customer reserves a mid-size or higher they can drive away in any vehicle located in the Emerald Aisle area. Then, there’s a higher level of service for executive members—and here we just use nicer cars.”
- “With the Emerald Aisle program, the best thing we’re offering is choice—and customers seem to like it. The program eliminates the concept of an ‘assigned space’.”
- “Online ordering is a force all its own. We’ve seen it increase steadily.”

➤ National branch manager in New York City

National always tries to price-position itself below Hertz and Avis but above sister company Alamo and parent Enterprise. Maintaining that pricing dynamic is part of National’s ongoing retail strategy. Rental car prices will remain low because Enterprise, the industry rate leader, is intent on offering the lowest possible price. National’s top priority is customer satisfaction and cementing client loyalty. Enterprise benefits from owning National because of National’s corporate accounts and airport presence.

- “Hertz is usually the highest priced, Avis is next, National is after that, then Budget, then Alamo, then Enterprise.”
- “Our outlook for the future is to ensure that, retail-wise, at National we always price-position ourselves lower than Hertz and Avis. Ninety percent of the time we are also going to be priced above Alamo. And Enterprise is almost always the lowest.”
- “I don’t imagine there being any major shift in the industry pricing dynamic over the next one to three years. Even with the recent acquisitions by Hertz, Enterprise will continue to be the rate leader in this industry and will continue to set lowest rates.”
- “The difference between Enterprise, National and Alamo versus its competitors is that you will never see us go above a certain rate. Even if it’s July 4, our prices will be at their highest, but they’ll still be in a certain range in relation to our competitors.”
- “Customer satisfaction and service is our top priority. Our mission is, ‘Take care of your customers, take care of your employees and growth and profitability will follow’.”
- “We are not overly-concerned by what our competitors are doing. We are concerned with maintaining a high level of customer service, so that our customers remain very loyal.”
- “National and Enterprise are very different brands that appeal to different customers.”
- “Enterprise appeals to cost-conscious consumers and is by far the biggest renter to the replacement business. About half of all car rentals in the country are replacement rentals and Enterprise gets about 90% of that business.”
- “The major reason Enterprise benefits from National is that National has tremendous amount of airport facilities. National is already part of the airport infrastructure. National is also more of a retail corporate option. If you sign up for a corporate account with us, you can get a free upgrade or a double upgrade depending on your status, and at the airport you can bypass the desk and pick up the car right away.”

I don’t imagine there being any major shift in the industry pricing dynamic over the next one to three years. Even with the recent acquisitions by Hertz, Enterprise will continue to be the rate leader in this industry and will continue to set lowest rates.

*Manager, National
New York City*

ALAMO RENTAL STORES:

► Alamo clerk at an airport office in Dallas

Price is key and the majority of Alamo’s business arrives through online services such as Hotwire, Priceline, and Travelocity. Even so, prices are demand-driven and may change several times a day, achieving premium levels during major athletic events such as the Super Bowl. However, service builds the brand’s reputation and keeps customers coming back.

- “If you’re going to rent directly through the rental car facilities, Alamo does typically tend to hang near the bottom, near the lowest price rate. But honestly, the majority of our business comes through the third-party companies such as Hotwire, Priceline, and Travelocity. Online is definitely the majority of our business. We get some walk-ins, but it’s a low percentage.”
- “Pricing is ever-changing. I’ve seen rates change multiple times per day. Sometimes you’ll get an online Hotwire rate of \$10 a day. Now, if it’s a holiday and there’s a bunch of stuff going on in town, if the demand is up really high, then obviously the rates are going to get up high—in excess of \$100 a day for a normal compact car. As you can imagine for an SUV, a Suburban, Super Bowl weekend [last held two years ago in Dallas], sometimes they can go for \$700 a day.”
- “It’s definitely your budget-type rental. We have good rates. But what you see on the wall here [Vacation, Relax, Adventure], that kind of defines us.”
- “Customer service is definitely No. 1. That’s going to be across the board with all three brands [National, Enterprise, Alamo]. If the customer service aspect is there then the profitability will follow. Growth is a factor, and that would follow customer service. After that, market share and profitability are 3 and 4.”
- “We don’t have control of the rates, so I don’t know what’s in store. It comes from corporate. They don’t fill us in on the trends or what rates will be in the future. All we know is what the reservations are going to look like from now to a short time in the future. The rates populate and that’s all we can do.”

➤ **Owner, Alamo store, Burbank, California**

Cutting prices through discounts and promotions to gain market share is the norm at this Alamo location. Pricing over the next three years is expected to remain flat or increase only slightly. There is a definite jump in online orders, and it makes it feel like the whole nature of the industry is changing.

- “We definitely cut our price and apply discounts to get market share. My prediction is that prices go up only slightly over the next three years. More than anything, I believe they’ll stay flat.”
- “It’s definitely felt like the whole industry put the brakes on for a while (excuse the pun). But, slowly you’re hearing more companies talking about growth. When companies do well they travel—and then they rent cars!”
- “Online orders and the increase in them have changed the whole nature of the industry. It’s getting tougher to keep up with them.”
- “Our prices can compare to competitive prices—with ‘can’ being the key word. Like with any agency on a given day, in a given month, there are available discounts. For instance, when a customer pays in advance for a qualified reservation, the pre-pay discount of 10% is automatically applied to their rate. It’s not hard to qualify either.”

We definitely cut our price and apply discounts to get market share. My prediction is that prices go up only slightly over the next three years. More than anything, I believe they’ll stay flat.

*Owner, Alamo Store
Burbank, CA*

AVIS/BUDGET RENTAL STORES

All 12 Avis/Budget sources acknowledge the current pricing landscape is highly competitive. Three sources said pricing is flat or up slightly with one source reporting a 5% increase in daily rate year over year. The competitive pricing dynamic is expected to continue for one to three years, though two sources expect rental rates to increase to cover the escalating price of new cars. Pricing is set at the regional level and some use of promotions and discounts is employed to remain competitive. Online booking is big at most locations, offering renters the lowest prices and pre-pay discounts. One source said online is good because it drives business, but bad because of the lower price offerings and diversion of the insurance coverage to a third party. Enterprise is viewed as the low-price car renter and Hertz is viewed as the high-price provider.

➤ **Avis/Budget assistant manager in a New York City suburb**

Prices will likely remain flat or drop a little while the pricing dynamics among different companies will remain unchanged. This Avis-Budget branch tries to compete with Enterprise on price but has slightly higher average rates and cannot match Enterprise’s \$9.99-a-day weekend specials. The cost of keeping a car on the lot is \$20 to \$25 a day, so rates rarely go below that. Profitability is priority No. 1. The goal is to maximize vehicle utilization while avoiding the use of freebies, like no-cost upgrades, to move cars off the lot. Though it caters more to corporate clients, Hertz could pose a threat if it begins opening dual-branded Hertz-Thrifty locations to capture both market segments in one spot.

- “Avis competes more with Hertz and Enterprise. Budget competes more with Alamo and Thrifty.”
- “Price trends will be flat, if not down a little, over the next one to three years.”
- “Over the next one to three years, I would say the pricing dynamic is going to stay where it is right now—with Enterprise the lowest but with Avis-Budget fighting it out with Enterprise for the lower prices and Hertz remaining higher on the price scale.”
- “I have been with the company for five years, and I haven’t seen the pricing dynamic change in that time.”
- “We try to stay competitive on price, but we have a bare minimum that we can’t go below. It costs us \$20 to \$25 a day for a car to sit in our lot, so we won’t rent a car for less than that. We do \$23 or \$24. We’re not making much money on it, but it still covers the cost of the asset, and you’re getting the product moving.”
- “Our weekend specials are \$23 for a regular-sized car, not a tiny compact. Enterprise has the \$9.99 special on weekends, but it’s a compact and I guarantee there is no way you’re walking out of there with just the car. They try to shove add-ons down your throat.”
- “Enterprise may be beating us on price overall, but not by much—less than \$5 on average, I’d say.”

Price trends will be flat, if not down a little, over the next one to three years.

*Assistant Manager, Avis/Budget
New York City Suburb*

- “Enterprise has the lowest prices. But from one week to the next, it really depends. We try to duke it out with them. It’s a battle of mortal enemies. Some weekends, we might have a special that makes us the lowest.”
- “Hertz prices historically have been a little higher, but they also carry higher-end cars. We are trying to catch up with them in luxury market.”
- “Avis gets a lot of big corporate clients like JPMorgan Chase. Budget tends to cater more to the cost-conscious renters and people looking for trucks.”
- “Our parent company has kept the Avis and Budget brands distinct, but has put a lot of them side by side, like us, to capture both segments of the market. If Hertz can do the same thing with Thrifty or Dollar, where they are getting both the higher rollers and the regular people, it would probably give them a bigger share of the market to compete with us.”
- “Our only competition at the airport is Hertz.”
- “Our No. 1 priority is profitability. At this point, we are really focused on getting the most utilization out of our cars so they don’t sit on the lot. Also not giving free upgrades. We want to make sure people are paying for what they are getting.”
- “Priority No. 2 is customer service, No. 3 is growth—we are actively trying to buy other companies—and No. 4, market share.”
- “Sites like Orbitz are good for us because they bring more customers. But they’re bad because they direct customers to our lowest rates and, in some cases, divert people to third-party collision coverage providers. On the whole, it’s a net positive—but not by much.”

➤ **Avis store manager in New York City**

Avis Car Rental prices tend to be roughly the same as its main competitors, Hertz and Enterprise, a dynamic that shows little sign of changing. The primary factor driving price for all three companies is fleet availability, which fluctuates seasonally. Avis sets its prices with an eye toward what the competition is doing, but such decisions are made at the regional and national levels, not locally. Based on past experience, there will be little if any change in car-rental prices or the pricing dynamic among the three major players over the next one to three years.

- “I feel that our prices are usually about the same or very similar to our competitors. I don’t see a huge difference in price.”
- “Whoever is in charge of pricing on a regional level handles that for the local branches. We don’t really get involved.”
- “One week, Avis might be a little higher in price than Enterprise, and then the next week it’s flipped. But overall there usually isn’t much difference.”
- “We on a local level do not set prices. But I’m assuming the pricing department looks at what our competitors are doing and sets their prices based on that.”
- “Our biggest competitors are Hertz and Enterprise—but it isn’t just them; anybody that rents cars is competition for us.”
- “I don’t foresee any changes in pricing in the next one to three years, and I think the dynamic between everybody will probably be the same. It hasn’t changed much in the past, so I’m assuming it’ll probably stay that way.”

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*Store Manager, Avis
New York City*

➤ **Store owner, Avis, suburban Chicago**

While Avis is known to have higher rates than Hertz and Enterprise, this source considers his store’s prices competitive and customer experience superior. An Avis price quote is firm while other operators tack extras on the renter’s bill. Advance payment is becoming a trend in the rental business. Avis’ bread and butter is short-term rentals for nearby corporation’s contractors. Business is increasing at this agency thanks to the efforts of its newer operator. Summer business is expected to double the current rentals from 50 weekly to upwards of 120.

- “Avis has a reputation of being on the high end of pricing. We have a reputation for being expensive but we don’t charge all the add-ons. We want to build relationships.”
- “Our prices are in line. We have to be competitive.”

- “The trend is for companies to advertise the lowest price then add on a bunch of extras at the back end. We do not operate like that. We give you a quote and that is the price you will pay. Period. We don’t use gimmicks.”
- “Hertz and Enterprise advertise the lowest rates, but there is a catch. They are closed at noon on Saturday, all day on Sunday and they don’t reopen until Monday morning. Customers that don’t know this are then forced to pay the Monday rate upon return.”
- “One trick other companies use is charging more for rentals that are picked up after 5 PM. They often charge an extra \$20 to \$30 more per day.”
- “The rental companies are following the lead of the hotel industry and the airlines. That is one big trend. Car rentals are now starting to require advance purchase to get the best rate.”
- “Pricing is determined by area as well as season. The prices are at the discretion of the operator at every Avis location.”
- “Summer season is approaching so we expect our business to keep getting busier and busier. Summer is traditionally our biggest season. Rentals in the summer are double winter rentals. We play catch up in the summer.”
- “For the regular Avis customers, price does not matter. It is all about customer satisfaction. We get them in and out. Their car is ready and clean. That is what they pay for and expect and we give it to them. They are out bread and butter.”
- “We cater to businesses. The majority of our business is rentals for short-term contractors. We have a lot of corporations nearby. They use contractors from overseas and out of town more frequently now and they need cars to drive.”
- “Customer satisfaction is top priority for us. After that, market share then profit and with profit comes growth.”
- “There are added products that we have to mention by law like insurance coverage but we do not push it on the customers like other agencies.”
- “Enterprise is our only competition out here but I do not consider them to be competition. They rent to a different kind of customer. They rent to people with bad credit and to those who do not have credit cards for liability purposes. You only have to show an electric or phone bill. If someone tries to rent here and they are rejected for bad credit, we send them over to Enterprise. We don’t want to take the risk.”
- “By not being the cheapest and lowest rental agency out there, you keep out some of the hooligans.”
- “National and Alamo are not on the radar for us. They really only exist near and in airports and we are too far from O’Hare [International Airport] to compete with those offices.”
- “Seventy-five percent of our bookings are done online. The other are walk-ins, generally for personal use.”

The rental companies are following the lead of the hotel industry and the airlines. That is one big trend. Car rentals are now starting to require advance purchase to get the best rate.

*Store Owner, Avis
Chicago Suburbs*

➤ **Avis/Budget clerk in Wisconsin**

Low prices dictated by corporate and a recent surge in local construction might account for the growth seen at this location. It is expecting higher sales this summer than in 2012, which had the strongest sales to date. Its location away from the airport has appeal because of lower taxes and more convenience. Most of its rentals are for business use and 75% of its bookings are generated online.

- “People want the best price. For the most part, we are known to have the lowest prices out there. We want to keep it that way to keep the customers happy.”
- “Corporate handles the prices so we don’t have any control. What pops up on my screen is what we charge.”
- “Last summer was the strongest in this operator’s history. We expect to top it this year.”
- “We are a high grossing location and you would never know it since we are back in the corner of a hotel.”
- “We are really already making plan and gearing up for the summer so we have the vehicles we need. We don’t want to get caught in any jams.”
- “One thing that might be driving our business is there is a lot of construction traffic nearby so more people are coming into town and needing the cars.”
- “There are a few reasons we are successful. People don’t want to rent from the airport. They prefer to come here. The airport location’s tax

Corporate handles the prices so we don’t have any control. What pops up on my screen is what we charge.

*Clerk, Avis/Budget
Wisconsin*

rate is nearly three times of ours. It is much more convenient to come to this location as well. You don't have the hassle of airport traffic and we have free, easy parking."

- "About 75% of our bookings are generated online. The rest are walk-ins and folks that call in their requests."
- "Hertz is close to us so I guess they are our main competitor."

➤ **Avis/Budget clerk in Wisconsin**

Corporate executives control price and keep it competitive, although they are not able to price-match like Hertz. Pricing is expected to remain competitive in the future. The growth pattern seen by this operator in the last few years is expected to continue. Their revenue has doubled the last two years and they are expecting at least that growth this year. Online bookings account for half the rentals, while the rest are in person and by phone. Enterprise is its top competitor.

- "Corporate sets the pricing. We don't have any control over that. They set all the rates."
- "We cannot really price match. If someone comes in and tells us they have this great rate with Hertz, depending on what that rate is versus the price we show, I might tell them to rent at Hertz."
- "We keep our prices pretty competitive. We will continue to this year and beyond."
- "The industry will continue to grow. We are experiencing a growth pattern and there are no signs that it will stop any time soon."
- "Our revenue has doubled the last two years. We are expecting the same from this year."
- "Online reservations account for 50% of our business. The other 50% is walk-in and phone-ins."
- "We do both car and truck rentals here. Rentals are about 50% for cars and 50% for trucks."
- "Enterprise is considered our top competitor. For this location however, there is not one that close so they affect other offices more than ours."
- "Customer satisfaction is at the top of our priority list. Growth would be next then profitability and finally market share."

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*Clerk, Avis/Budget
Wisconsin*

➤ **Avis/Budget clerk in central Dallas**

Urban renewal has boosted rentals at this combination Avis/Budget location in central Dallas, but prices fluctuate based on competition and demand, with no particular trend. Nearby residential areas and proximity to downtown bring corporate, leisure, and insurance replacement business. Customers seek out brands, not necessarily the best price.

- "From our perspective locally, we always try to maximize rates. But they fluctuate based on what our competition's doing; what our supply and demand is. Otherwise, I don't see a trend in prices."
- "Prices change constantly, day by day. It's a constant supply and demand issue. Prices do fluctuate frequently. When we had the hailstorm in [spring] 2012, that was a factor. That definitely affected business and retail prices were going up. Conventions are another influence on prices."
- "Our business is growing; 2012 was better than 2011. We haven't seen a huge increase in rentals, but it's a pretty steady business. I don't know if we're necessarily taking market share from anyone. We've seen a lot of growth in the area, new apartments and condos. The economy is improving and we're all doing better."
- "We rent cars and trucks, for Avis and Budget. They're the same cars, really, and we charge the same prices. But we have corporate people who use Avis only and we have people who rent from Budget. So there's really no difference. People are used to one brand. But since Avis bought Budget, it's all the same company."
- "We do quite a bit of business through online reservations, through our corporate sites for both Avis and Budget. We see some reservations through third-party sites, and specials and coupons, but we don't keep track of the percentages. A corporate person decides that and sets the rates."
- "From my perspective running a local, neighborhood business, customer satisfaction would be first as far as making this store successful. All of the other factors are important, obviously. But they all depend on customer satisfaction."

➤ **Avis manager, Overland Park, Kansas**

Avis has to monitor Enterprise and Hertz to keep its rates competitive. Rates have dropped since the busy holidays but will rise again in March when demand picks up. Pricing over the next two years is expected to be steady but the market will remain competitive. This location rents to local residents for business and pleasure travel and seeks a lot of repeat business, so it values customer service.

- “Rates have gone down since the holidays because there is less demand. We rent to a lot of people for leisure travel, so the holidays are busy.”
- “In the next year or two, I think the market will stay competitive. Prices will probably stay about the same.”
- “A large share of our customers are business people who live in the area and travel in the region by car.”
- “Prices will probably stay low until March and spring break. Our biggest competitor is Enterprise and Hertz, too, because they are so close by. Budget is a little further away. We all keep prices pretty close, I think.”
- “Prices depend on the supply of cars. I don’t have a say in that. They are set by the regional manager.”
- “The majority of our bookings are online but some people do call in.”

Rates have gone down since the holidays because there is less demand. We rent to a lot of people for leisure travel, so the holidays are busy.

*Manager, Avis
Overland Park, KS*

➤ **Avis manager, Kansas City, Missouri**

Prices have been stable for the past year and this source expect rates to increase over the next three years due to higher car prices. Avis trails Enterprise significantly in market share at this location, due mainly to the niche Enterprise has with the car insurance business. Customer service is more important to Avis than price and many customers are regulars because of service and familiarity. Enterprise has the lowest rates, Avis is probably second to Hertz for the highest rates.

- “Rates have been about the same in the past year. When customer traffic is up, rates go up. When it is down, they go down.”
- “In the next one to three years, I think rates will go up. It will depend on the prices of new cars and leased cars.
- “Enterprise has the biggest market share in this area—probably about 50%. Avis, Budget, and Hertz fight over the rest, but there is a car dealer who also rents cars and they account for about 10% of rentals in this area.”
- “There could be a big impact on the rental car industry in the next ten years if more car dealers rented out cars. They have lots full of used cars. If they push those rentals for \$15 a day, they could change this business. But I don’t think they are smart enough.”
- “Enterprise has the lowest rates. We don’t really compete with them and their \$9.99 weekend rate. Budget would be our main competitor. Hertz would be highest and we are probably next, followed by Budget, in this area. Our average prices average about \$41 weekdays, \$24 weekends before taxes. A weekly would be \$200 for the smallest car.”
- “We care most about customer service. I want to build good relationships with customers. Price is not an issue with our regular customers. They know you and they trust you and they don’t mind paying \$5 a day more for that.”
- “Enterprise advertises a lot on television and that gets them a lot of business, including college kids. Avis doesn’t do a lot of advertising. We’d rather give that money back to customers with lower rates.”
- “Only about 15% of our reservations are made online. A lot of our customers can’t afford computers. About 50% of the renters have reservations, but most of those are made over the phone on the 800-line or to our office. The rest are walk-up customers. About 20 percent of our reserved customers are no-shows.”
- “After customer satisfaction, I don’t think the other priorities can be ranked. Your growth, market share and profitability are connected. One will take care of the other.”

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*Manager, Avis
Kansas City, MO*

➤ **Avis clerk, non-airport Southern California location**

The base price went up by 5% during the last year at this location because of business rentals, which also drove more rentals in January year to year. People will continue to rent regardless of the economy because they cannot afford a new car or do not want to put unnecessary miles on their old one. Enterprise is Avis' biggest competitor nationally and has the best price. Hertz is mostly corporate rentals and is the most expensive. Smaller companies will not affect market share. The source ranked customer service as Avis' top priority, followed by profit and market share.

- "Prices went up 5% [during the last six months to year]. They are now \$45.99 plus tax. Here, we have a lot of higher-end businesses, a lot of corporate rentals. In other locations, prices went down. Pricing really is determined by the area, who can afford it. But they had some problems with that and plugged in additional discounts—5% to 8% to stay equal with previous rates. When people call who have rented with us before they say, 'Hey, it used to be \$39.' That's when we'll offer the discount, but not unless they ask about it."
- "Next year, prices will go up. The pricing of cars is more expensive and the industry in general [will push up prices]."
- "We rent 70 to 80 per week. We rented more in January year to year. A lot of companies are lower in January, but it varies by location. Businesses start up after December and need to see clients or have meetings in the new year."
- "In this location, there are no close competitors. Nationally, Enterprise. They have similar cars—though pretty much everyone does—but they have the best price. Hertz is mostly corporate, but they are more expensive than Avis and Enterprise. Enterprise is more like us, some corporate, some leisure."
- "We compete with higher-end rental car companies. It's not even worth cleaning the cars at the rates [lower-end companies charge]. Fox's rates are too low. It doesn't damage us here, though."
- "The prices ... get higher than the base price depending on demand or holiday."
- "Our top priority is customer service—it's free advertising via word of mouth. Second and third are profit and market share."
- "Online use is getting higher and higher; 85% to 90%. It's more convenient."
- "Avis does a pre-pay that offers the customer a bigger discount."

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*Clerk, Avis
Southern CA*

➤ **Avis clerk, Southern California**

Little change in the industry is expected over the next few years, rental rates are flat to up slightly. Avis does not price at the bottom, however they use promotions and discounts. Car sharing is expected to grow and online booking has become a major contributor to growth. He says Avis corporate has made it loud and clear that customers need to come first.

- "I think it's [the state of the car rental market] in transition. Now just three big companies own the majors. The independents don't really pose a threat to the bigger companies, but they are holding their own. Rates seem to be at a place where they're flat—maybe up a little—and it looks like car sharing is going to take off. That is why Avis bought Zipcar."
- "Between now and 2015 I'd say the car rental market won't look too different than it does now. I think companies will still make good money on the used car market and mergers will continue."
- "You know Avis doesn't focus as much on rock bottom rates as Budget does. Avis has its share of promotions—most of which include a decent percentage off rental rates."
- "We're focused on mainstream competition. The company goes after travelers—mainly the commercial and leisure markets."

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*Clerk, Avis
Southern CA*

- “Avis is committed to putting the customer first as a means of making customers more loyal. They think this loyalty is what will stimulate the kind of profits they want.”
- “Online booking is definitely a force, man! Customers are getting more comfortable making reservations this way and usually they get better deals because of it.”
- “Right now I think everyone is watching everyone else to gauge how much they should be online.”

BUDGET RENTAL STORES:

➤ Budget manager airport location, Kansas City, Missouri

Budget tries very hard to compete on prices, especially since all the rental-company counters are in the same building. Rentals were down about 8% in 2012 because of less airline passenger traffic. Prices have remained steady and will probably not go up in next one to three years because of the competition factor. Customer satisfaction is the top priority at this Budget rental outlet.

- “In the next 24 months, I expect the market to be even more competitive. Prices will have to stay about the same. More people are realizing we are all in this same facility and they can shop for the best prices. It’s not where you take a different shuttle to each car location. We are all right here in the same place.”
- “We had a decline in customers of about 8% in 2012 compared to 2011. That is because the number of air travelers out of Kansas City was down by about that much.”
- “Customer satisfaction is the most important thing for us. That’s No. 1.”
- “Customers have to pay a lot of fees when they rent at the airport. It is more than 40% so people living in the area rent from other locations to save a lot of money.”
- We don’t have hourly rates yet. [Payless](#) and [Fox](#) do. If you rent for a few hours you can just rent for 24 hours at just as low of a rate.”
- “The most expensive company up here is Hertz, they cater to the business traveler most of all. Avis would be second most expensive, followed by us, Alamo, National, Dollar and Thrifty.”
- “We try hard to get the walk-up traffic here so we offer discount prices and good customer service. We have color pictures of all the cars and sizes so they can see them.”
- “When we see people with reservations for a small car come to the counter with a lot of luggage, we will tell them they can get an SUV or van for just a little more a day, maybe \$5. Or if we see a person renting alone and it’s a weekend we try to upgrade them to a sporty car or convertible. We just give them the options. Customers like a variety of cars but they don’t like pressure.”
- “Ninety percent of the people already have a reservation, booked online, when they arrive. But some people might change their minds when they get here if they can get a better rate. Online, if they go to [www.budgetkc.com](#) they may get better rates than on [budget.com](#).”

In the next 24 months, I expect the market to be even more competitive. Prices will have to stay about the same. More people are realizing we are all in this same facility and they can shop for the best prices. It’s not where you take a different shuttle to each car location. We are all right here in the same place.

*Manager, Budget Airport Location
Kansas City, MO*

➤ Budget employee, California

Prices vary widely day to day and are typically better when booked online. Budget offers the best prices of the national companies, including Hertz and National, which are the most expensive, but smaller local companies offer the cheapest rates. Budget was extremely busy last summer, which was in line year to year. The source said current customer flow is spread evenly among the other rental companies based on the number of people in and out of the shuttles.

- “Prices are day-to-day. It can be as low as \$20 or up to \$60 per day.”
- “Online prices are typically less than over the phone.”
- “Hertz and National are highest [on price] and the non-name brands are lowest. It all depends on your budget and the quality you want.”
- “Out of the name-brands, Budget is the best price.”
- “From what I see of our buses and the shuttles to other companies, it’s [number of customers] evenly spread out to and from the airport.”

HERTZ/DOLLAR/THRIFTY RENTAL STORES:

The 10 sources representing the Hertz family of companies recognize the current market conditions as highly competitive and expect it to stay that way for one to three years. Current pricing trends vary based on the geographic market served. New York and Philadelphia pricing was steady to up slightly, while Southern California was steady to declining slightly. Going forward aggressive pricing is expected to continue, however the expectation of prices remaining flat or increasing slightly due to the escalating cost of new cars was discussed. Hertz offers tiered branding with its three companies, which allows it to compete at various pricing levels. Online booking accounts for the vast majority of rentals and Enterprise was cited as the leader in online discounting. Prices for Hertz/Dollar/Thrifty are set at the corporate level, but local discretion to match or beat pricing is allowed.

► Hertz clerk in a New York City suburb

Hertz views Enterprise as its biggest competitor but does not try to compete on pricing. Instead Hertz strives to distinguish itself by offering a wide assortment of options to meet every customer's needs. It offers models for leisure drivers, business travelers and replacements renters, with various packages on insurance coverage, roadside service and fuel-purchase plans. Hertz's prices are not expected to change much over the next one to three years, nor are those of its competitors. Customer service is Hertz's top priority, followed by profitability, growth and market share.

- "Our main competitor is Enterprise, but we compete with everybody."
- "We don't concern ourselves too much with Enterprise's prices. We don't compete so much on the price. We try to distinguish ourselves in other ways, by focusing on what we can do for our customer to accommodate their needs."
- "We want to be able to give customers whatever type of car they want, whether its luxury models, or business rentals, or leisure vehicles or just a replacement."
- "We are not overly aggressive on pricing. We might do price matches from time to time – but not often. We don't ever go to bare bones."
- "Hertz is always looking to make the experience more convenient and to accommodate our customers' needs—even if it means paying a slight premium for it."
- "We offer cars that are less than a year old, leisure vehicles like Mustangs and Camaros, a 'prestige collection' like Mercedes-Benz and Infiniti. We have insurance packages for protecting our car or for liability coverage. We offer roadside assistance plans similar to AAA. You can get discounted rates on gas with our fuel-purchase options. We also have equipment such as child seats, GPS, and [E-ZPass](#). We do pickup and dropoff within a couple miles of our office. There's also [Hertz on Demand](#) and our automated kiosks that allow you to just swipe your card and get your keys."
- "Our rates fluctuate seasonally. At high travel times, like the holidays, we expect to have a surge in prices. It always comes down to supply and demand."
- "Hertz gives the local branches a lot freedom on price. We can't slash the heck out of our rates, but the branches often can suggest price cuts if they want to stimulate demand."
- "I expect prices to stay roughly the same over the next one to three years. I don't see any reason why they would drastically change."
- "I don't see the pricing dynamic changing. I know that Enterprise prides itself on offering the lowest price. But I think Hertz feels it has a business model that works for Hertz, and the mentality is if it isn't broke, don't fix it."
- "The highest priority is customer satisfaction. We use [Net Promoter Score](#) to track customer surveys and reviews, and we are always checking how we're doing on customer service on the branch, regional and division level."
- "A lot of our reservations come from online."
- "Hertz is not particularly aggressive in online marketing."

We are not overly aggressive on pricing. We might do price matches from time to time – but not often. We don't ever go to bare bones.

*Clerk, Hertz
New York Suburb*

► Hertz rental clerk in Philadelphia

Pricing is comparable to last year at this time; however, following the traditional summer demand and pricing runup prices are expected to decline less than last year. The industry consolidation will cause the rental-car companies to increase prices, but it is still a very competitive industry that requires frequent price changes to keep cars on the road.

Eighty to 90% of the business at this location is booked via the Internet and renters can secure the best rates by booking online. This Hertz location fights hard to be the low-price provider, frequently edging out Enterprise, while Avis is typically the high-priced company in the area. Looking ahead, prices are expected to be higher than they were the past few years, but the industry will still be very competitive.

- “The industry consolidation has not caused any major changes yet, but I do expect prices to start to increase during the normal busy summer season and then maybe not decline as much as they have in the past. They won’t have to come down as much because there is less competition.”
- “We are always pushing customer service so that’s our first priority, and then I would say growth. I think that is why we work so hard to be price competitive in this area? We usually beat out the Enterprise about a mile down the road for low price and Avis is always the highest in this area.”
- Online booking has taken off. We get 80% to 90% of our bookings online. It’s great for the customer because that is where they can get the best rates.”
- “There seems to be increasing demand for hybrids and [EcoBoost cars](#). Anyone that is planning to drive a lot of miles is looking for fuel economy.”
- “I think the next few years will see less volatility in pricing because of the consolidation and higher prices, mainly because everything is going up.”

► Hertz clerk in Wisconsin

Aggressive pricing and price matching will continue to be a trend. Customer satisfaction is top priority. Summer business is expected to double, and back to school is traditionally strong as well. Hertz is experiencing continued growth fueled by its successful ventures overseas and use of green technologies. This location’s core customers are local business people, who rent on Monday and Tuesday for the work week. Thirty to 40% of its business is driven from online bookings and customers like to snag weekend deals on sites like Hotwire.

- “Pricing is very competitive and it will continue to be throughout this year and moving forward in general. We get calls from other agencies checking our prices and we do the same thing.”
- “We can price match or beat any price advertised. The customer just has to show me documentation of the price. We will beat it by at least a buck.”
- “I have worked here six years and have seen growth every year. We expect to continue to grow this year, especially since summer is approaching. The only thing that would throw our business off is really high gas prices but since they have been stable, we are looking good.”
- “Our rentals double in the summer compared to winter months, with the exception of the holidays. We did pretty well over these past holidays.”
- “We are hopping from mid-June to September. Back to school is big for us too with people wanting to rent SUV’s and trucks.”
- “We do mainly business rentals for residents in the surrounding communities. Even though we are in a hotel only 5% of our business is generated through hotel guests. The other 95% is the local community renting cars.”
- “Most of our business is done on Monday and Tuesday mornings when folks come to pick up their cars for the work week.”
- “Customer satisfaction is top priority for us followed by price, growth then profit.”
- “Hertz is doing an amazing business overseas. We have a lot of growth in Europe. Plus, I understand all cars are green over there. And I hear they are trying to get some U.S. locations green as well.”
- “One new trend for Hertz is the Hertz on Demand program. I understand they are already doing it overseas and they are starting to test it out in the states now. One benefit is you can schedule a rental at 2 AM and then you can pick up your car anytime, even when the office is closed.”

The industry consolidation has not caused any major changes yet, but I do expect prices to start to increase during the normal busy summer season and then maybe not decline as much as they have in the past. They won’t have to come down as much because there is less competition.

*Clerk, Hertz
Philadelphia*

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*Clerk, Hertz
Wisconsin*

- “One catch in the Hertz on Demand program is the car is expected to be clean when it is returned to us. If it is not, the customer will be charged for the cleaning as we have to take it out to do it.”
- “Thirty to 40% of our business is generated through online bookings. The rest is walk and call-ins.”
- “Customers like to use the online sites like Hotwire, especially for weekend rentals. I have seen prices as low as \$12.99/day for a compact through Hotwire.”
- “Pricing is based on demand. Corporate sets the prices although I can price match. If our fleet is booked up, chances are the other car agencies are as well and then the prices start going up.”
- “When customers get a quote, that is the price they pay unless they add fuel or insurance. We have to ask them about it but we don’t like to push the customers into it.”
- “One good thing about Hertz is there is unlimited mileage. Other operators charge after a certain point is reached and they also don’t allow you to take the cars out of the Tri-State area [Wisconsin, Indiana, Illinois] and we do, without charging extra.”

➤ Hertz branch manager in downtown Dallas

Supply and demand exert the greatest influence on prices, and rental car prices can spike when tens of thousands of visitors occupy the nearby Dallas Convention Center and area hotels. This Hertz office draws 65% of its business from corporate accounts and 35% from insurance replacement customers.

- “What a lot of companies are doing now is tiered branding. They have the marquee, mid-level, and economical brands. It’s the same with hotels and with rental cars. Hilton Worldwide Inc. [HLT] has the Anatole and then it has Hilton Suites. Hertz is the marquee and then you have the mid-rate brand, Thrifty, and then Dollar, the discount brand. We’re not necessarily lowering prices; we’re accommodating price ranges.”
- “The rental business is all based upon supply and demand. Rates do change frequently. I’ve worked at Enterprise as well and the same things influence prices. These last two weeks we had large conventions in town. This last convention had more than 50,000 people. I was renting a lot of cars, so the rates went up. Prices can change depending on the time of year, during the holidays. It just depends on when you need a car.”
- “Prices can change by the day. They can change by the hour. But we don’t set prices at the branch level; it’s done by corporate.”
- “We have a mix of both business rentals and what we call insurance replacement rentals, when people are putting their personal cars in body shops. The mix depends on your location. Being downtown, I do a lot more corporate business than other locations. Further out and in the suburbs, we do a lot of corporate rates and a lot of insurance rentals. At this location we’re probably at about 65% corporate and 35% insurance replacement.”
- “If your customer service is No. 1, usually [growth, profitability and market share] follow right in line. We’ve grown and strengthened our company with the acquisition of Dollar and Thrifty. We won the award for best customer service in 2011-2012 and we’re very proud of that.”
- “For any business now, online is the way to go. We do have a heavy online presence. Most of it is through our own site, hertz.com.”

What a lot of companies are doing now is tiered branding. They have the marquee, mid-level, and economical brands. It’s the same with hotels and with rental cars. Hilton Worldwide Inc. [HLT] has the Anatole and then it has Hilton Suites. Hertz is the marquee and then you have the mid-rate brand, Thrifty, and then Dollar, the discount brand. We’re not necessarily lowering prices; we’re accommodating price ranges.

*Branch Manager, Hertz
Downtown Dallas, TX*

➤ Manager, Hertz, North Overland Park, Kansas

Hertz prices competitively but won’t get into cut-rate wars with other companies. It has a niche of renting to customers who need a car temporarily while their car is getting body work. This source does not expect price increases in the next three years, but rather lots of fluctuation. The store may go to hourly rentals this summer.

- “Business hasn’t slowed down much since the holidays. Most of our cars are rented to insurance companies to replace damaged cars that are being fixed, so that is not a seasonal thing. We also have people who rent on weekends for leisure, and we have business travelers, but most of them use our south location.”

- “We try to stay competitive on price, which is mostly dictated by supply and demand. We know what cars might be sold out at the other companies nearby and we will price those higher. We also match prices if we have cars and someone can show us the price they got somewhere else.”
- “Our main competitors are Enterprise and Avis, which are here on the same street. We are usually the highest. We set the market. By that I mean that if someone lowers a rate and then we go down, rates would keep going lower and if we kept doing that cars would be \$5 a day. So we will only drop so much and that would become the highest rate in the market. Enterprise has that \$9.99 a day weekends. We don’t.”
- “In the next three years I think prices will be about the same. They fluctuate all the time, every week, and that will happen every year. Our prices at Hertz in Kansas City vary by location.”
- “We have not gone to the hourly rental but we have tested it in Lawrence at the University of Kansas with students. We call it Hertz on Demand where they can rent by the hour. We may start doing it here this summer.”
- “I would say about 90% of our bookings are online as opposed to someone calling us for a reservation or just dropping in.”

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*Manager, Hertz
North Overland Park, KS*

► Store owner, Hertz, Southern California

The rental market is recovering from tough market conditions during the recession. This source is upbeat about the industry’s future. Hertz has never been known for being at the lowest price point, but it does offer competitive promotions and online discounts. Prices are set by corporate; however, the local agency can match lower prices. Rentals are expected to increase over the next few years during the summer, a traditional busy season for the car-rental industry.

- “I think the rental car market is making an amazing comeback, considering the condition it was in a few years ago. I feel like it was one of the industries hit the hardest through the recession.”
- “Nationally, the average cost to rent a car is going down. We bought a study that said the average cost to rent a car per day had decreased by almost 5% from 2011.”
- “We’re very sensitive to competitive pricing right now—mainly because all of the rental companies are equally as sensitive. So, we’ve got some promotions going on—like discounts for booking reservations online.”
- “A lot of pricing decisions are made as a function of demand. Even though the prices come from corporate, if we think the other agencies are low on cars also, then we will price match.”
- “For years we’ve been seen as the ‘it’ brand for business travelers, but price points seem to be winning as a competitive advantage these days.”
- “Forecasting out a few years, I know for sure we’ll see better summer months than the last couple of years. Since those tend to be our bigger months, that alone should help us see sales boosts.”
- “We’ve been advertising sales prices (about 20% discounts) for online bookings between Christmas and 1/31/13. It really made a difference—people took advantage of it.”
- “Hertz has been doing a lot to fine tune its rental process recently—thinking mainly in terms of customer relationship management.”
- “Don’t hold me to this, but I’d say the top two for Hertz are customer satisfaction and profitability.”
- “Our Gold members have the option of changing their vehicle in the same price class. They really seem to like this.”
- “Hertz on Demand is a great car-sharing program. It really provides customers with new and improved flexibility because they can rent cars for an hour or two instead of by the day or week.”

I think the rental car market is making an amazing comeback, considering the condition it was in a few years ago. I feel like it was one of the industries hit the hardest through the recession.

*Store Owner, Hertz
Southern CA*

DOLLAR RENTAL STORES:

➤ Dollar assistant branch manager in New York City

After being acquired by Hertz, this Dollar branch is offering more upscale vehicles and increasing its rates. That trend is expected to continue over the next few years. Hertz has not made its intentions for Dollar fully known yet, but it appears that the main goal is to expand Dollar's corporate clientele. Gaining market share is the top priority. There is also stronger emphasis on customer service.

- "Enterprise is probably the lowest priced. Generally, Hertz is the highest."
- "We haven't really felt the impact of the acquisition yet. We don't even know what it's going to mean for Dollar. We have heard that Hertz is planning to expand Dollar, but we don't know for sure how. I personally have an idea, but there are still a lot of questions about that."
- "We are trying to cater more to business travelers and capture more of that market. We haven't been too successful so far, but we are definitely trying."
- "We have had some corporate clients in the past, but not as many as we want. We have a new sales rep who's been hitting the streets to get more of those accounts."
- "Hertz seems to be setting Dollar up to be more a part of the corporate business while Thrifty is staying in that lower-end niche of hourly and daily leisure rentals."
- "Dollar's prices have already started rising. I think in the next one to three years they'll keep upping the prices and making our inventory more and more upscale."
- "Previously we had some nice SUVs and other luxury vehicles—but not too many. Now we are bringing a lot more of those high-end cars back into our inventory."
- "Insurance rates are sky high for us so it makes sense to offer high-end vehicles."
- "Our No. 1 priority right now is gaining market share."
- "Customer satisfaction is a big priority, too. Before we were all about profit and meeting the bottom line, and customer service sort of fell by the wayside. Now we are changing that whole dynamic and focusing more on improving our customer service."
- "If I had to rank by price from highest to lowest, I'd say Hertz, Avis, Budget, then us, Thrifty and Enterprise."
- "Everybody looks at each other's prices every day, so the lowest could be anybody on any given day."

➤ Manager of a Dollar/Thrifty store, California

Prices will increase across the industry during the next year because of vehicle and gas prices, though prices remained steady during the last year. Avis and Hertz are dominant especially at the airport and represent 80% of market share. Enterprise is more of a local brand with little presence at the airport, even with National. Smaller companies' lower prices would hurt major players if they were published online and if the companies had the services to back them up. Car share will start to reduce rental-car volume during the next three to five years in metro areas, aided by the current trend for weekend and hourly rentals.

- "Prices are determined by fleet availability. Our prices are the same online as in person. Prices were about the same last year."
- "Avis and Hertz are premium brands. They hold their prices."
- "Prices will go up—same as a lot of things these days—because of the vehicles and gas going up."
- "Price changes [in the industry] come from the top down."
- "Avis and Hertz hold the majority of market share—maybe 40% each. They dominate at the airport. Enterprise is more of a local brand. Certainly not a presence at the airport. They have National, but they still aren't a major player, especially at the airport."
- "Car share will start to affect market share. It will start to reduce volume in rentals during the next three to five years."
- "You'll start to see car share in the inner-cities and metro areas. Not at the airport where you have to get a shuttle to your car."
- "There is also a trend to weekend rentals or just using something for a few hours."
- "Fox and other smaller companies pop up everywhere. They get a lot of the customers who get turned down at major rental companies for whatever reason, because of the strict regulation. They aren't on websites, you won't

Prices will go up—same as a lot of things these days—because of the vehicles and gas going up.

*Manager, Dollar/Thrifty
California*

find them on Travelocity. If they did publish their rates online, they'd sell out in a second and they wouldn't be able to handle the numbers. But when you're at an airport, you need a shuttle and services."

- "Everything is going in the direction of fuel-efficient vehicles. There are some companies that are trying to get all green or hybrid fleets. I think there are some in Los Angeles and New York. They're small companies at this point."
- "Online is very important. We're probably 80% online and 20% phone or walk-in. And online will only increase with mobile bookings."

THRIFTY RENTAL STORES:

► Thrifty clerk in New York City

Thrifty will likely keep its rates below most competitors as part of its brand identity. Hourly and single-day rentals are in the highest demand for this New York City location. Its main clientele are tourists and local residents seeking short-term rentals for leisure travel or errands. Profit is the top priority. This employee frequently pushes customers to get upgrades. Prices are expected to remain flat in the near future.

- "Thrifty tries to keep its price low because that's part of its brand identity. We are lower than Alamo and definitely lower than Hertz. Our rates are often lower than Enterprise."
- "It is hard to say what is going to happen with prices. They haven't changed much in the past few years, so I don't see why they would change in the near future."
- "I have not noticed any big changes at Thrifty since we were bought by Hertz."
- "I don't think Hertz is going to change the Thrifty and Dollars brands. They are too well established. It would be shooting yourself in the foot to change the brands."
- "Profit is the first priority for us. Every little action we take is to guarantee an increase in profits."
- "We push our regular customers to get the different options for coverage and for upgrades. If you can, you always want to see if a customer will spend a little more for a better car."
- "The goal is to have all of your fleet in the street. A car just sitting there is losing money."
- "We offer hourly rates. Most of our customers are locals from the neighborhood who need a vehicle for the day, or even just a few hours. We are very much like Zipcar in that way."
- "We do not have too many corporate clients or replacement customers. This is a neighborhood shop in Manhattan, so our customers are either going to be tourists who come in with vouchers or leisure drivers who want the car for a weekend or for a couple hours for errands."
- "Our customers are mostly looking for day rentals. They don't keep them overnight. It's a convenience thing."

They haven't changed much in the past few years, so I don't see why they would change in the near future.

*Clerk, Thrifty
New York City*

► Thrifty manager, Marietta, Georgia

Currently rentals are very competitive and influenced by seasonal demand. Their rates are 10% higher than the lowest advertised rates. Enterprise leads the industry in low prices with Hertz the high price leader. Their company's priorities are profitability, customer satisfaction, market share and growth. Of their customers, 90% book online. She thinks the trend will be hybrid rentals although she has heard talk of hourly rentals.

- "We have been hit very hard by the economy. It started about four years ago—we would have rentals every day all day. Now rentals are very seasonal with not much leisure travel."
- "I don't know what the rental car market will look like in the next 12, 24 or 36 months. I know it is competitive now. You have to lower your rates to compete but lowering your rates means lower profit."
- "Our prices aren't the lowest. We are 10% higher than the lowest advertised rate. We are cutting prices although I've never seen them as low as they were in 2012. We do use lower prices to try and gain market share."
- "Our main focus is on low-end domestic rather than business."

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*Manager, Thrifty
Marietta, GA*

- “Enterprise has the lowest prices and Hertz the highest. I don’t see any change in the next couple years. In the next 3 to 5 years I expect the pricing trend to go back up because you have to make a profit. Right now we are taking a loss to gain market share.”
- “Our priorities are profitability, customer satisfaction, market share and growth.”
- “Online booking has definitely helped. I’d say 90% of our bookings come through online. Enterprise uses online the most to impact pricing.”
- “As the economy grows travel will increase. As far as trends, maybe hybrids. I have heard talk of hourly rentals but that is not trending here.”

INDEPENDENT BRAND RENTAL STORES:

One of the three independent rental car brand sources expects the market consolidation to lead to increased pricing over the next one to three years. The other two sources see pricing remaining flat. Current economic conditions are driving renters to the low cost providers which could be any one of the rental car companies on any given day. Enterprise and Avis are strong price competitors for the independents. Independent car rental agencies tend to target customers that don’t qualify for cars from the major brands. The rising price of cars is presenting a challenge for the independents as they do not have the buying power of the major brands.

➤ Manager/owner Fox, Payless, [Ace Rent A Car](#), Kansas City International Airport

The consolidation of rental cars into the “big three” groups has led to less competition and price increases that will continue over the next one to three years, said this source, who has managed low-end rental car companies in Kansas City since 1996. Hertz has the highest rates and market share in Kansas City, but Enterprise is the most efficiently-run company, he said.

- “We were up 12% last year over 2011, even with lower air passenger traffic. Everybody else was down because of less airline travel so prices went up. When prices go up for the big three, I do better. There is a dropout rate from them.”
- “Hertz bought Dollar and Thrifty to raise prices. They eliminate two competitors by buying them. The consolidation in the rental car business is anti-trust. The FTC should not have let this go on.”
- “The prices here at the airport from highest to lowest would be Hertz, Avis, National, Budget, Alamo, Enterprise, Dollar-Thrifty and then the little guys. Our rates are about 40% lower than the others.”
- “Hertz has the biggest market share here, it was 33% 15 years ago, now it’s in the mid-to-low 20%. Avis has the second biggest share, then National. Budget, Enterprise and Alamo are about the same, 4th; then Dollar/Thrifty and us. We are about 3-½% of the market. I could try to push it to 5%, but then the others would focus too much attention to me.”
- “In the next one to three years, the prices will have to go up. There is less competition. There is nobody to hold down prices anymore.”
- “Enterprise wins the [J.D. Power award](#). They do everything better than everyone else. They are so much more efficient. All their people are highly trained and have college degrees. Everyone is trained to move up the ladder. They are management trainees.
- “Enterprise bought National and Alamo so they could get a presence at airports that they couldn’t get alone. They needed that market share.”
- “Hertz doesn’t know what to do competing with a company like Enterprise. Hertz will have a hard time justifying their high prices. They’ll charged \$45 or \$60 a day and we little guys will pick up more volume. The small guys will grow naturally. There might be a little market change there.”
- “How do we make money with such low prices? The small guy has to work twice as hard to make half as much.”
- “The thing about the rental car market is it’s not going any place. It’s a mature industry. It’s not growing, we’re not going to add more airports. That’s why Hertz and Avis went into the local markets.”
- “At the airport, 99 percent of the rental car business is booked on the Internet. There are almost no local rentals. That’s an entirely different market.”

We were up 12% last year over 2011, even with lower air passenger traffic. Everybody else was down because of less airline travel so prices went up. When prices go up for the big three, I do better. There is a dropout rate from them.

*Manager/Owner, Ace Rent A Car
Kansas City Airport*

➤ **Fox desk agent, California; repeat source**

Prices vary by day and demand but should stay the same over the next one to two years. Avis is the most aggressive on pricing and has the largest market share because of marketing and maintaining high-visibility third-party contracts. Hertz is the most expensive, while Enterprise is not in the market-share picture. Fox is expanding to more markets outside of the West Coast, and the source ranked market share and profitability above customer experience. The trend to economy-size cars and no upgrades continues—even for groups of five people. Business travelers use major brands because they want a better car and to gain club points. Leisure travelers want the cheapest rates and turn to [Yelp](#) for reviews on local or non-brand rental cars not found on major travel websites.

- “Prices will remain the same during the next year and the year after that. It depends on what the car industry comes out with, what the economy is like, whether people are traveling or not. But prices are all about the day—demand, number of cars on the lot. It’s just like the airline business.”
- “In general, Hertz is the most expensive.”
- “Avis is the most aggressive on pricing because they have more outlets. They have more market share. They are bigger and have more marketing to get the brand out.”
- “Avis works with the majority of airlines, they work with Costco, AAA, AARP, and they have military contracts. I don’t know if these are exclusive, but they’re really big on it.”
- “Avis has 45% of the market. Then Hertz with 30%. The other 25% goes to the rest.”
- “Enterprise is always great but they are privately owned, like Fox. They are big, but still a bit ‘Ma and Pa.’ Their advantage is they’ll drop off the car at your location.”
- “Fox is also very aggressive. You can get a convertible for \$125 a week. This week a customer got one for \$18 a day.”
- “Fox is changing, getting bigger. It was always just the West Coast, but now they’re in every major city in Florida and next year they are opening more.”
- “Fox is still trying to get it down with their new locations in Florida. Each state has different laws. So right now, Fox’s priorities are growth, market share, profitability, and customer satisfaction.”
- “Fox’s rates are incredibly low. People choose rates over brand name. A lot of that has to do with Yelp—they go with the reviews and the lowest rates, not the name.”
- “People want the best price—it’s all about the cheapest rate. The only reason people go with mainstream is if they are looking for a certain class of car. If they don’t mind a lower-end car, they’ll go for price. We’re more leisure but do get some government and business travelers. Business travelers go for the bigger companies because of preferred clubs and points.”
- “Everyone books economy because of the price of gasoline. At Avis and Hertz, you’re paying \$20 to \$30 per day plus \$4 per gallon on a six-cylinder car, it adds up. So I see people getting economy cars and putting five people in them.”
- “The rental car market today is price and demand. People are traveling more than they were during the last two years for leisure and business.”

Prices will remain the same during the next year and the year after that. It depends on what the car industry comes out with, what the economy is like, whether people are traveling or not. But prices are all about the day—demand, number of cars on the lot. It’s just like the airline business.

*Desk Agent, Fox
California*

➤ **Owner of an independent car rental company in a New York City suburb**

Small rental companies have to pay more for their vehicles than major players like Enterprise—yet they still charge low rates to stay competitive. To survive, this off-brand competitor buys mostly used vehicles. It also rents to people with no credit cards or low credit scores who would be turned away by Enterprise and Hertz. The owner hopes prices in the industry will rise, but realistically expects them to stay flat. Customer satisfaction and growth are his No. 1 and 2 priorities, respectively. The 11-year-old company with six employees and about 100 vehicles recently opened a second, much smaller location.

- “I hope prices are going up because it forces everyone to raise their rates, but I do not see that happening. Rates will probably stay where they are now.”
- “We cannot compete with Enterprise, across the board, on price. We would never be able to do business at the rates they offer.”

- “Cars are more expensive for me now than they were two or three years ago, but I have not been able to pass those higher costs on to customer.”
- “The big guys can buy their cars for so much less than us, which allows them to keep rates lower and forces everybody else to do the same to be competitive.”
- “We mostly buy used cars and SUVs that have around 10,000 to 15,000 miles. We keep them for a year or two until they hit 40,000 to 45,000 miles.”
- “We do compete with Enterprise on rates when it comes to specialty vehicles such as larger SUVs and minivans. For instance, I can afford to charge \$10 less because my Tahoe cost me \$35,000 used, whereas Enterprise bought theirs direct from GM at \$45,000.”
- “We also compete with Hertz and Enterprise by renting to people with no credit card or bad credit.”
- “Renting to people who don’t qualify elsewhere is the only way an independent can survive in this part of the country today.”
- “We’ll charge you lower rates that are on par with Enterprise for a replacement vehicle that your insurance company is covering or that comes from a referral by a local body shop. But we’ll charge you \$50 if you just walk in and ask to rent a car for the weekend. That way, we end up averaging around \$42.”
- “We are fighting an uphill battle against Enterprise. One way we counter that is by striking up relationships with other local businesses. A lot of people prefer to deal with small guy, so one thing we do is go out to body shops and car dealerships at least once a week to try drum up business.”
- “Customer satisfaction has to be the top priority for us because it will take care of all the other priorities.”
- “It is particularly important for us to make sure our customers are happy because we’re a local business and if somebody has a bad experience with us and tells 10 friends, that hurts my profitability and my growth a lot more than it does Enterprise or Hertz.”
- “Priority No. 2 for us is growth. I am trying hard to grow my business, and I do sacrifice some profitability to do that.”
- “The bulk of our new reservations come from online, but our largest source of revenue is a combination of repeat customers and referrals.”

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*Owner, Independent Car Rental Co.
New York Suburbs*

3) INDUSTRY SPECIALISTS

Four industry specialists see no pricing discipline in the rental-car market. Despite all the mergers and acquisitions activity, the market is fragmented with new independents and the new Advantage, and this could drive prices down. According to two of the four sources, Avis is trying to increase prices, but Hertz has shown no sign of doing so as well. Enterprise is well positioned in the market and has no motivation to increase prices. Online bookings that involve price comparisons are well established and are not going away. Established brands offer loyalty coupons to reward frequent customers and have shown no sign of discontinuing this practice. Discount brands and upstart brands use online bookings to gain market traction and will continue to drive lower prices in an effort to build market share.

➤ Long-time travel agent and head of a leading industry trade group

Avis and Hertz are struggling to restore price discipline after years of chronic over-capacity and the emergence of ultra-discount competitors. Other chains are content to fight for share gains and keep cars on the road. Efforts to embrace online ordering and other innovations have helped preserve margins while aggravating the industry’s crowded condition. While the corporate travel environment is volatile, the trend remains flat.

- “Avis management has promised shareholders that they will start moving prices up again to where they were before the recession. I don’t see that happening in the near term, even if Hertz follows through and joins them. There are simply too many rental organizations willing to give travelers a deal in order to increase their turn rates.”

- “The problem is that anyone who can buy or lease a few cars can open an office and start renting. European chains are coming here because they see the opportunity to create a presence in one of the biggest and most vibrant car markets on Earth. Startups are springing up to take advantage of the new car-sharing short-term rental model. And on the national level, even the merger of Hertz with Dollar-Thrifty doesn’t help in the short term.”
- “Right now, I’m not seeing average pricing rise or fall, but I don’t really track industry averages. I’m seeing a lot of deals opening up to entice people to rent luxury cars or sign longer-term contracts: a week instead of three days, that kind of thing. The goal is to shift existing business up-market a little while keeping the low end loose to capture comparison shoppers. Chains who don’t have a lot of luxury cars can’t do that as easily, so it buys the largest agencies a little breathing room, but it doesn’t exactly buy them any friends with the price-obsessed segment of the market.”
- “The issue is that web price comparison is here to stay. People may not book online and they may not check all the agencies before they make a move, but they’re running through the price calculations on a couple of sites to see who has the absolute lowest cost for what they need. Then they’ll scale back up with any extras they really want if they have budget left, or they might not.”
- “The web has helped automate a lot of the sales and booking, helping the chains get through the last few years with really savage cuts in staffing without sacrificing business. For better or worse, I don’t think they could go back now if they tried. People are trained to book or at least price cars online now. Mobile coupons are making that permanent. And while those staffing cuts have helped these companies survive the lean years and even squeeze more profitability out of their fleets, the more profitable fleets get, the more room there is for additional discounting.”
- “Avis wants pricing and can afford to sacrifice a bit of market share to get it. They can always re-deploy Zipcar to give the discount crowd an ultra-low-end minute-to-minute deal if they feel like they’re falling too far behind. They’ll try to get pricing through luxury offers. Hertz wants pricing and has eliminated a discount competitor in Dollar-Thrifty, so they might be able to get it on the main brand side. I don’t think they want more share at this point. Enterprise hasn’t shown any sign of reining in discounts but they really have nothing to gain in continuing the race to the bottom. If so, that end of the market may start decoupling from the low end now.”
- “Business travel has been insanely choppy over the last year, largely due to the uncertain economic outlook. Companies just don’t have budget clarity and so something like a sales trip can be pushed back quarter to quarter or handled remotely. Things look a little better here, but on the whole demand for car rentals on the corporate side is not increasing.”

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Travel Agent & Head of a Leading Industry Trade Group

► Executive editor, auto rental trade publication

Despite recent M&A activity, both leisure and corporate markets will remain fragmented for the remainder of 2013 if not beyond. The return of Advantage as a standalone brand and the emergence of independent competitors make it impossible for leaders to establish price discipline. If anything, the trend in pricing is down.

- “You are going to see pressure on rates throughout the premium through value segments of the industry, which is just about everyone up the scale from Enterprise. This is because it’s impossible for players who want to portray themselves as premium, corporate-oriented brands to do that in the current environment. Down-market players will also face the pressure, but that’s standard operating procedure for them.”
- “The issue is that there are too many new brands on the market: Sixt, Fox, Payless, the new Advantage. You don’t start a brand at the bottom and rise out of ‘budget’ territory as your reputation improves. You start in a relatively consumer-neutral place and rise or fall according to your marketing plans and how your consumer reception works out. So Sixt, Fox, all these new chains are starting in the middle of the market and

So you have a market that’s not only fragmented but chaotic, confused. That favors upstarts and not established leaders.

*Executive Editor
Auto Rental Trade Publication*

getting in absolutely everyone's brand space."

- "Eventually the new budget brands will sink into the budget brand space and anyone who wants to rise—Advantage, maybe—will do so. But in the meantime, the typical renter doesn't know or care that Hertz and Sixt don't consider themselves direct competitors. The typical renter just sees two logos and two cars and one is cheaper than the other. It will take at least two years for the new status quo to resolve. So you have a market that's not only fragmented but chaotic, confused. That favors upstarts and not established leaders."
- "And yes, the industry is still fragmented. Taking Zipcar off the table was not a consolidation move but a strategic move. Zipcar is very high-profile but also tiny. Dollar Thrifty is no longer independent, but it will take time to figure out what that means and how—or if—these brands play into the Hertz strategy. That deal also gave the new independents a toehold in some of the country's biggest airports and the airport is the key to the most lucrative corporate markets. You may lose Dollar Thrifty as competitive forces but you definitely gain Fox, Sixt and company. It's a net loss in terms of industry consolidation, at least for the next year and probably a lot longer."
- "Bottom line: more players with nothing to lose, more introductory pricing to peel rentals away from people who wanted to push pricing the other way. Best case for Avis and Hertz is maintaining the status quo and joining the price fray. I don't think they can do that, but they may end up trying. Worst case is they lose share and it doesn't matter what their pricing is like because the momentum is on the other side."
- "Enterprise really has it all here. They're the low-price giant, with scale and a massive footprint. They're not invested in moving up market, but they can do it if they see an opportunity. They have no interest in raising prices right now and I doubt they will. This is their chance to push their mid-range and premium brands and lead the charge against their competitors."

➤ Industry analyst, corporate data clearinghouse

Avis seems deeply invested in raising prices but Hertz has been lax in terms of enforcing discipline at a branch level. Enterprise has no immediate motivation to raise prices as long as it is still perceived as a discount vendor. The emergence of new discount chains has been overstated in terms of immediate market impact, but a suddenly crowded industry will confuse long-term branding efforts that would make premium price initiatives possible.

- "Avis wants to get prices climbing again. We know that. I have a strong sense Hertz would like to join in and recapture the old duopoly glory, but they aren't organizationally set up to do it quickly. Local rental managers are too well trained to get the lot cleared at any cost. That flexibility is great if you value turns above anything else. It's a bit of a cognitive shift if you then tell them there's business you just do not want."
- "Hertz may come around by summer. That's when we'll know. By then it may be too late. Enterprise is eager to prove itself as the next-generation full-service contender. They have the technology to make that happen and the corporate culture to win some higher-end accounts. They can move up market now and basically drag the up market players down at the same time."
- "Realistically the new names have no market impact, less than car sharing even. But they confuse the consumer's sense of the marketplace and the discounting they are engaged in to establish themselves helps to drag pricing down even below where it is today."

You are going to see pressure on rates throughout the premium through value segments of the industry, which is just about everyone up the scale from Enterprise. This is because it's impossible for players who want to portray themselves as premium, corporate-oriented brands to do that in the current environment. Down-market players will also face the pressure, but that's standard operating procedure for them.

*Executive Editor
Auto Rental Trade Publication*

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*Industry Analyst
Corporate Data Clearinghouse*

For most of last year, pricing was down double digits over 2011 year-ago levels. Right now pricing is a little better than where it was in January, February 2012, but that won't last if anyone thinks they need to take [Sixt](#) or Fox seriously."

- "The new Advantage is more of a threat since it basically creates a new fourth top-tier organization to replace Dollar-Thrifty. It's small and hungry, but it has the critical mass of a national chain and a corporate parent that's frankly desperate to expand into the United States at any cost."

➤ Consumer rental consultant and long-time reservation agent; repeat source

Listed prices remain stable. Online and mobile couponing has transformed the industry, giving established chains a chance to reward loyal customers with unadvertised discounts. No chain is eager to change standard rental rates, but those looking for pricing power will opt to restrain their couponing campaigns first. Enterprise does not rely on coupon discounts. Hertz and Avis do, and as yet neither shows any sign of ending their programs. Emerging deep discount chains have embraced online offers as a way to generate interest and create brand loyalty.

- "I am not seeing any concerted drive to roll pricing back up to where we were going into the 2008 recession. All in all, rates seem to have bottomed out but are not rising fast. Drivers are used to these rates now and when any increase comes it will start on the high end: the luxury cars, the vans, the hybrid green vehicles. It won't start lifting the core rates for at least a seasonal cycle, so we would see the everyday rates lag by about a year."
- "This doesn't mean the chains have no ability to offer discounts or not depending on whether they need to make a last-minute sale or avoid leaving money on the table. Discounts are simply situational now and almost entirely unlisted. Just about every chain has a drawer full of coupons they can pull from when a local location wants to tempt a wavering customer into a car. They might not be physical paper coupons—they may be cell phone codes or discount codes that the booking rep can be authorized to give the customer and then enter onto the ticket to generate a better price. This is now par for the course in the industry. It isn't so much a formal rollback and it isn't so much a heavily advertised 'sale,' although it can operate like a temporary rate sale."
- "Most electronic advertising campaigns work on this kind of discount coupon basis. You see it when chains create packages with the online travel agencies in order to boost their turns in a particular destination. You see it with conventional display ads on consumer sites. You increasingly see it in mobile and group buying sites like [Groupon](#) [Inc./GRPN]. And finally, it's how auto loyalty reward programs are evolving. It boils down to situational pricing and makes it hard to really say how much the chains are really earning despite their advertised rates."
- "Couponing will tighten before advertised prices. So far it hasn't. Advertised prices remain low and couponing remains heavy. Coupons have to tighten before the formal prices for the simple reason that not everybody gets, wants or asks for a discount, so getting tougher on discounts only alienates a fairly small portion of your prospective customer base who was on the fence anyway. You're not trying to pass a universal price increase out to everyone, which is what a rise in advertised prices would do."
- "Hertz and Avis are running as many specials as ever, and their advertised prices remain as low as I've ever seen them. Thrifty is also especially active in this field, probably more active than anyone else. Enterprise does not actively discount, but relies on its reputation as the lowest-advertised-price vendor to bring people in and discourage them from asking for deeper concessions off that price."
- "I'm seeing plenty of names I've never seen before entering this market with the coupon discount strategy. This is more of a classic coupon because it's an advertising tactic designed to get your name out there and get people to come in for the first time and try you out. Names like [Airport Rental Cars](#) and Payless."

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*Consumer Rental Consultant &
Long-time Reservation Agent*

Secondary Sources

A review of rental-car industry trade material revealed that Enterprise is the top choice of car-rental agencies. Rental rates are on the rise in five of six cities surveyed and 2013 is expected to be a good year for car-rental agencies, though new emerging services will present some challenges.

➤ **TopTenReviews [article](#)**

A 2013 comparison of top rental-car companies revealed Enterprise as the top choice thanks to its easily maneuvered website, environmentally friendly options, superior customer service, and availability of any type of rental car. Bad support packages, including a lack of online insurance, roadside assistance packages, and airport shuttle information, dropped Hertz to No. 3. Avis ranked sixth overall, hurt by its lack of rental-car options including earth-friendly hybrids, and confusing website.

➤ **Feb. 5 [article](#) on Auto Rental News website**

Car-rental rates are continuing to increase. In a six-city monthly survey rate are up and average of \$6.67 per day year over year. This continues the strong rate pattern established in late 2012.

- “The strong year-over-year results that we saw in November and December continued into January. While not as strong as December, the January 2013 increase of \$6.27 over the previous year is still an impressive result.”
- “Boston and Chicago continued to have double-digit year-over-year increases and only Seattle had a small decrease from last year.”

Year-to-Year Comparisons

	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan
BOS	(8.65)	(16.74)	(0.21)	1.14	1.52	10.11	24.44	12.32
MIA	(25.58)	(24.27)	(11.98)	(6.02)	(9.79)	(7.28)	11.67	5.74
ORD	0.11	(2.86)	22.96	6.24	10.64	28.72	37.24	12.14
HOU	(4.75)	(5.01)	(6.54)	(9.46)	(4.50)	(2.88)	2.88	(2.76)
SEA	(20.34)	(23.25)	(22.59)	(2.29)	0.53	7.10	19.31	4.90
LAX	(14.32)	1.90	(7.87)	(5.50)	(7.91)	4.11	9.64	5.29
6-City Avg.*	(12.25)	(11.71)	(4.37)	(2.65)	(1.58)	6.65	17.53	6.27

➤ **Dec 2 [article](#) on Travopia.com, an online platform for the travel industry**

An overview of the rental car market shows 2013 is expected to be a better year for the changing industry and outlines the new challenges facing the industry.

- “2012 and 2013 are clearly a better year for car rental industry. But the equation of the game is changing. More peer-to-peer car rental companies and carpooling companies have emerged out in the last couple of years, these companies give competition to the established direct-consumer players like Avis, Hertz, Enterprise etc.”
- “The trend that is picking up in the market is ‘car sharing/pooling,’ especially in campuses and corporations. Car owners want to make money when their cars are not used. This business model makes sense. With the advent of social media and mobile, peer-to-peer car-rental industry has taken a storm.”

Additional research by Scott Martin, Tina Strasser, Lindsay Gadsby, Cindy Elsberry, Colin Gustafson, Kevin Murphy and Ken Turetzky

Car Rental

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