

Chauffeured Transportation Pulls Out Of Dark Tunnel

BY CHRIS DAVIS

The chauffeured transportation industry in 2009 was a dark place, plagued by plummeting corporate demand, the evisceration of the financial companies that provided a consistent stream of business and the tarring of their product by some as extravagant and unnecessary. Casualties were plenty: Untold numbers of small limo companies died, major suppliers pulled out of entire cities, countless jobs were lost and millions of dollars in revenues evaporated. As time progressed, the U.S. economy approximated a rally, corporations loosened the reins on travel spending, and the beleaguered chauffeured industry began to see some rays of light shine through.

“Investment bankers are still investment bankers, and senior executives are still senior executives,” said Dav El Chauffeured Transportation Network president and CEO Scott Solombrino, pointing to similar stabilization in other corporate travel sectors that appeal to those groups, such as first class air travel, private aviation and luxury hotels. “People want these efficiencies and are a little less worried about a shareholder revolt. They missed those travel cycles.”

Beginning in the early months of 2010, chauffeured suppliers began to see those changing attitudes translate into a sunnier demand outlook. While nobody suggested a full rebound already has taken place, the absence of plummeting demand offered a starting point for a comeback.

“Flat is the new growth,” said BostonCoach president and CEO Larry Moulter.

Still, a sense that the worst of the storm has passed has taken root in the industry. “Companies

are traveling more frequently, and they’re getting back to more typical patterns,” Solombrino said. “They’re seeing the safety and efficiency chauffeured cars offer. Their tolerance level for inconvenience and inefficiencies has gone down. We were wondering if that would ever get back to normal, and it is.”

Changes in corporate demand patterns inevitably beget changes in supplier negotiating strategy, and while corporate travel buyers still can wield significant leverage in those talks, the days when chauffeured suppliers can push back likely isn’t too far off.

“We had a two-year degradation of the chauffeured car sector, and thousands of companies went away,” Solombrino said. “Now, there’s a correction of the supply and demand curve. There’s a supply shortage, and in the next six months we could have some upward pricing momentum for the first time in two years.”

Solombrino repeatedly offered the caveat that any overall economic dip would imperil the segment’s growth, but said, “We’re all in a very aggressive pattern now and trying to understand how improvements in the economy are going to look going forward.”

While corporate volume at EmpireCLS Worldwide Chauffeured Services is “somewhat flat” versus 2009 levels, said chairman and CEO David Seelinger, business from hotels and private aviation clients who offer limousines to their customers has risen.

“There’s not a lot of large carriers anymore,” according to Seelinger. “A

lot of midsize companies went out of business. It doesn’t really change our strategy. We’re not the least expensive provider, but we have competitive pricing, and a large number of customers are not price-sensitive.”

Pricing remains a sticky topic for suppliers, who live in a competitive space and know current corporate travel procurement philosophies dictate the importance of pricing and competitive bids, but also believe their products are differentiated by service and traveler experience.

“We’re selling through operational excellence,” Moulter said. “We want to be meaningful partners with travel managers, CFOs and procurement executives.”

That will happen in three ways, Moulter said. “First is maintaining the core competency: the ride, being on time and exceeding expectations. Second, as customers have downsized, they

need to be smarter and more efficient with their T&E spend, and we’re investing \$9 million in tech upgrades to help that. Third is a systemic approach to managing and controlling spending with management reports and real-time data. Travel managers want to audit spend and drive compliance, and the ability to create reports enables you to reduce spend.”

Introducing that level of report detail—“a big step forward for us,” according to Moulter, including such information as wait and stop times, actual vs. quoted costs and cancellation information—is a reaction to what Moulter said was the rising influence of procurement philosophies in travel management.

“Chauffeured is 2 to 4 percent of T&E spend,” according to Moulter. “People didn’t worry about it. Now, procurement and travel managers worry about ev-

Between The Lines

The Hertz Corp. and **Dav El Chauffeured Transportation** in January 2010 launched a multiyear marketing, sales and distribution partnership primarily designed to cross-promote each company’s services to corporate travelers through Hertz.com and their reservation centers. The agreement is not reflected in third-party online booking systems, and, unlike a 2007 purchase of a stake in **Carey International** by **Avis Budget Group**, no interest in Dav El was purchased by Hertz. Avis Budget currently holds a 47.9 percent ownership stake in Carey.

Praesidian Capital Investors, a provider of mezzanine capital for small and midsize companies, in September 2009 invested \$10 million of senior secured debt in **EmpireCLS Worldwide Chauffeured Services**.

EmpireCLS played a part in a deal between **American Express** and **Hilton Hotels Corp.** to launch a co-branded premium credit card. Users of the Hilton HHonors Surpass Card from American Express can receive discounts, complimentary upgrades and bonus Hilton HHonors loyalty points from EmpireCLS.

Chauffeured Transportation Companies

Company	LOCATIONS								Corporate/ Systemwide Fleet	Business Travel Percentage of Revenue	Percentage Airport/Off-Airport Revenue
	2009 Systemwide Revenue (\$000)	2008 Systemwide Revenue (\$000)	Total Locations	U.S. Corporate Locations	U.S. Affiliate Locations	International Corporate Locations	International Affiliate Locations				
BostonCoach <i>Boston, Mass.</i>	83,000	128,000	462	7	401	0	54	337/35,000	95	70/30	
Carey International <i>Washington, D.C.</i>	355,000	370,000	556	45	336	18	336	1,950/17,180	95	45/55	
Dav El Chauffeured Transportation Network <i>Chelsea, Mass.</i>	209,084	216,052	617	11	355	0	251	NA/13,320	93	46/54	
EmpireCLS Worldwide Chauffeured Services <i>Norwood, N.J.</i>	107,000*	113,000*	690	3	485	0	205	915/15,000	70	60/40	

*BTN estimate

ery penny.”

Moulter said BostonCoach has picked up 73 new corporate clients since he became president and CEO in July 2008, but he criticized request-for-proposals-based procurement approaches. “Clients who want an RFP generally want to commoditize it,” he said. “With RFPs, it can be a 250-day sales cycle. That produces waste, and it’s an old way of doing things.”

That said, it was also a way of doing things that had grown in prominence in the past few years, with the recession certainly not lessening anybody’s emphasis on price. “A lot of corporations we service went out to bid for better prices, and we captured some of that,” Seelinger said, adding that EmpireCLS is “not to quick to respond” to RFP-based corporate procurement efforts, but “of course we participate. We renegotiated pricing in certain markets, and we did not lose a customer.”

EmpireCLS is pushing technological development, Seelinger said, including electronic confirmations that include carbon

emissions information for all trips, automatic posting of limousine charges to hotel room bills and planned applications for Apple’s iPhone and iPad that will include reservation and detailed chauffeur information.

“Corporate due diligence has increased dramatically,” Seelinger said. “Companies are doing it the way it should be done. They are ensuring services, engaging the company, seeing how the offices operate internally and how they ensure services and safety.”

Given the level of upheaval on the supplier side of the chauffeured transportation industry, speculation persists that some significant changes in the competitive roster could occur. Seelinger encouraged that line of thinking.

“I can almost guarantee you that we will do more than one transaction,” said Seelinger, whose company in 2009 received \$10 million in funding from Praxidian Capital Investors. “That’s definitely coming. It’s just an issue of timing, the economy and lending sources. I hope one happens before the end of the year.”

Dav El pulled out of no cities during the downturn, a move that Solombrino said has enabled him to increase the company’s marketshare. “We were the only company to make the choice not to close cities down,” Solombrino said. “Maybe it wasn’t the best financial decision, but it was the best strategic decision for marketshare, and now we’re reaping the benefits.”

One deal that already has occurred in 2010 is a marketing, sales and distribution partnership between The Hertz Corp. and Dav El, in which no equity changed hands.

“The size and breadth of the Hertz brand has been extraordinarily helpful to me,” Solombrino said. “We’re in the res systems, on websites, and we’re cross-selling and cross-marketing. Every conceivable way we can integrate, we’re offering a seamless way to book.”

“We’re still navigating that, but it is another solution,” added Hertz Corp. senior vice president of global sales Robert Stuart. “It gives you something else in the toolkit.”

That deal followed a 2007 investment in Carey International by Avis Budget Group, which currently owns 47.9 percent of the chauffeured transportation supplier.

“Not a lot has changed, and we talk about it with customers when appropriate,” said Avis Budget senior vice president of commercial sales Bob Lambert. “There are a few places where we’ve been successful, but it’s not earth-shattering. Chauffeured transportation experienced maybe more of a downturn than we did. Hopefully, things are improving.”

Those signs are on the table, according to the chauffeured executives, who now see themselves as being in a position to push the service initiatives that are the bread and butter of their industry.

“One good thing about the downturn is that it let us refocus on our day-to-day operations, with plenty of time for training and re-training,” according to Solombrino, who specifically cited passengers’ experience with drivers. “Chauffeured is always going to be about the experience.” ■