Working with Car Rental Firms

FOR YEARS, THE THREE LARGEST U.S. CAR RENTAL COMPANIES HAVE strained persistently to raise corporate rates, with only intermittent success. Some suppliers have even gone so far as to vow to limit the number of their corporate deals in an effort to increase pricing. But the relentless competition between Avis Budget, Hertz and Enterprise generally has squashed any broad-based price hike, and deals remain available—not only on rate but also on the long list of amenities rental car suppliers offer—particularly for organizations with significant volume and well-established car rental programs. Rental cars don't comprise a major share of a typical organization's travel budget, but they can play an important role in traveler comfort and productivity. The following is a guide to gaining the most from negotiations with car rental suppliers.

I. GATHERING DATA

Show potential suppliers as much detailed information as you can gather on past car rental usage by your travelers.

A. Usage statistics from car rental firms should provide the most complete and detailed information. Also tap travel management companies and expense management systems. Most corporate charge card data only shows the complete sum of the spending parts and does not yet detail such expenses as insurance costs, fuel surcharges and other miscellaneous state and local taxes and fees.

B. Types of data: Gather as much information as possible on overall usage and provide breakdowns for cities or areas with high volume.

1. Total volume, expressed in the number of rental transactions, number of rental days and expenditure level.
2. Average number of miles driven per day and percentage of rentals and rental days that a car drives beyond various thresholds, such as 75, 100 and 150 miles.
3. Breakdown by class of cars booked and driven, such as compact, intermediate or full-size and two-door or four-door.
4. Number of intercity and one-way car rentals, including origins and destinations. Include miles driven and what miles were charged.
5. Number of weekly, monthly, weekend and one-day rentals by day of the week.
6. Breakdown of rentals by day of the week, weekly rentals and monthly rentals.
7. Locations where all corporate car rentals have taken place and number of annual rental days in all markets.
8. Evidence of travelers' safe driving records while on company business, particularly if you plan to seek collision damage waiver or loss damage waiver coverage and supplemental liability coverage.
9. All information available on international car rental usage, highlighting usage by city and country.
10. Percentage of car rentals booked through global distribution systems, TMCs and online booking tools.
11. Compliance with existing preferred car rental deals. Show you can control your travelers.
12. Rentals by those under 25 years old.
13. Special billing needs, including regional billings, those coded certain ways for tax purposes and the need to track unlimited mileage, plus the percentage of the total that is master billed.
14. Service requirements, such as onsite availability at your company's location or locations, VIP treatment and off-airport special needs, including off-airport parking, GPS and electronic toll-pass devices.
15. Data that shows your company is growing is important to note, as is demonstrating a strong and enforced travel policy.
16. Suburban locations where the organization has rented vehicles, including number of rentals, rental days and expenditures.

17. Number of rentals and spending for GPS, satellite radio, etc.
18. Refueling history, full-tank option and per-gallon charge.
19. Emergency roadside assistance usage.
20. Use of onboard navigation systems.

II. SETTING STRATEGY

Organizational culture, travel policy and rental patterns are major factors in determining which car rental suppliers to consider and which contractual elements to emphasize during negotiations. Survey some of your most frequent travelers about their car rental experiences. Here are various types of corporate car rental relationships to consider:

- **A.** An exclusive nationwide, North American or global contract with a single car rental supplier, though this limits your flexibility in cases when that supplier does not have available inventory.
- **B.** Agreements with one primary supplier and one secondary supplier and or an off-airport supplier in case the primary supplier is sold out, cannot provide convenient service or lacks locations in key areas.
- **C.** A global agreement with one supplier, supplemented by agreements with country-specific suppliers, often providing lower rates in high-volume areas outside the U.S. Determine whether costs will be lower if you give all your volume to a national supplier or deal with local operators. Small organizations without large national volumes might get the best overall deals by working with their TMCs or a consultant.
- **D.** One or more agreements for international service. Typically car rental suppliers look for significant spending before offering lower negotiated rates. Organizations with less spend likely would be offered either a percentage off discount or a standard set of business rates.
  1. This can be part of a worldwide agreement with your domestic supplier, a separate agreement with your domestic supplier or a deal with a supplier you do not use domestically.
  2. Organizations seeking global contracts often already have consolidated with one TMC internationally.
- **E.** Look into alternative programs like car- and fleet-sharing for short-term rentals if you are in a participating market. Car-sharing programs or technology that enables the pickup and return of vehicles from unstaffed locations can benefit intracity travel, and suppliers increasingly are offering such programs in major markets and may even consider placing vehicles at your corporate locations.
- **F.** Consider different business needs a rental car provider can fulfill, including fleet management and commercial truck or equipment rental.
- **G.** Review your company's policy on the use of personal vehicles for company business. This can be a significant hidden expense and can pose a liability risk. Consider a threshold of 100 miles or more, at which point renting may be more cost effective than the IRS-specified reimbursement amount. Some vendors offer a calculator to help you compare.
- **H.** Collect data on use of ridesharing platforms like Uber and Lyft, including how often your travelers use these services and how much they're spending. This could help craft corporate policy on what is being used and whether any of it should go to rental cars instead.
- **I.** Consider how your organization might handle new peer-to-peer car-sharing platforms and other alternative business models.

III. PREPARING RFPS

Based on the data you have gathered and the strategy you have established, create an RFP that provides information about your program and that details your requirements. Generally, RFP criteria can be summarized into five areas: rental eligibility, vehicle classes, insurance coverage, supplier programs and rates and fees. Not all RFPs contain the same elements, but here are some to consider:

- **A.** Historical mileage levels.
  1. How will base rates differ under agreements in which mileage is unlimited versus those with a per-mile fee above a mileage cap?
  2. How will planned corporate initiatives, such as acquisitions and cost-savings initiatives, impact travel spend?
- **B.** A description of all the supplier's insurance and related products, including base rates, if included.
  1. Collision damage waiver or loss damage waiver: A daily fee relieving car renters from responsibility for accident damages and/or stolen vehicles and loss of use of the vehicle.
  2. Personal accident insurance covering injuries to the renter.
  3. Personal effects insurance covering loss of the renter's personal property in a lost or stolen rental car.
  4. Supplemental liability: An umbrella policy that covers organizations beyond the state's minimum requirements and covers accident damage to other people and property.
  5. Many large companies can be self-insured or use insurance provided by their corporate charge card programs. If you have your own insurance, check with your organization's risk management department to be sure it covers all car classes and rentals overseas. Even those organizations that have their own coverage include the supplier coverage, which is more efficient and less likely to let a claim fall through the cracks.
- **C.** Emergency road service: Is it provided through a national 24-hour service or outsourced to local operators? What charges, if any, are associated with road-side services?
- **D.** Obtain examples from suppliers of standard and customized management reports provided to other corporate clients. Know what spending and usage information your organization requires.
  1. To what degree can you drill down into transactions by name, location and date?

2. In what formats are management reports provided?
3. When are reports provided: monthly, quarterly or in another interval?
4. Is there a cost to obtain customized reports?
5. Can you get a consolidated report that includes data from all geographic areas?
6. How can the supplier help your organization identify variances from policy?

E. References from customers with similar volume and location to yours, as well as from accounts no longer using the company as its preferred supplier.

F. Request a list of participating locations. Not all car rental locations participate in corporate rate or insurance programs.

G. A list of the supplier's outlets near your major locations and destinations. Consider off-airport locations with lower prices and fewer surcharges. Also obtain a list of franchised versus corporate-owned locations and outlets that do not participate in corporate negotiated rates, rebates and/or coverage.

H. A list of locations that the supplier indicates are on- and off-airport, including the types of express services offered at each location. Also get a list of airport locations by mode of conveyance from terminal to rental counter and then to vehicle. This will have an impact on speed and service.

I. A list of all surcharges for high-cost cities and one-day, midweek rentals.

J. A list of supplemental charges by location, including taxes, other local surcharges, off-airport access fees or on-airport concession fees. Buyers should get a breakdown of all charges and pass-through fees that are government imposed or charged by the supplier.

K. Request fixed refueling rates or pricing that demonstrates the national average plus a service fee based on current gas prices.

L. Many car rental suppliers offer special rental services, enhanced programs and clubs for VIP travelers and frequent renters. Ask suppliers to describe any such programs. Factors to consider:

1. The maximum number of VIPs an organization can enroll.
2. The benefits such programs offer.
3. Extra fees for loyalty miles earned on rentals.
4. Whether there is a cost to the buyer for such programs.
5. Whether the supplier has affiliations or partnerships with airlines, hotels or other corporate travel suppliers for frequent-flyer or other loyalty programs.
6. Can travelers enroll online?
7. Can the supplier offer status matching for existing employees if the company were to switch?

M. A description of the car rental supplier's safety-enhancement programs and vehicle-safety systems.

N. Information on the average age of the supplier's fleet and time after which cars are returned to manufacturers or resold.

O. Details on local fleet size where you have a special need so you can assess availability.

P. Information on the financial health of the car rental supplier and its ability to provide the fleet and services you require.

Q. If availability has been a recurring problem, ask the car rental company for a "guaranteed availability" clause that will ensure business travelers will get a car, regardless of day, time and location.

R. Investigate the supplier's technology for direct reservations and booking.

S. Special programs, such as on-site fleets, one-way car rental rates from the airport and one-way flat rates between certain cities.

T. Does the provider offer GPS, satellite radio, Wi-Fi and electronic toll payment devices? Such amenities can be considered for inclusion in a negotiated rate.

U. Ask about the availability of hybrid, flex-fuel or high-fuel-efficiency vehicles. Hybrid vehicles can be significantly more costly.

V. Consider whether the car rental company has an alliance with a chauffeured transportation company. If so, what benefits can be derived from that partnership, and what are the requirements to receive them?

W. Understand the procedures and technologies the car rental company offers to expedite the pickup and return of vehicles. Are these available at all locations?

X. Consider service-level agreements.

Y. Ask the supplier to agree to periodic rate audits.

Z. Ask about differences in prices, fees and services for different brands owned by the same company.

IV. NEGOTIATING

The most popular concessions in car rental contracts are reduced daily rates, unlimited mileage, free upgrades, premium club memberships, city surcharges, weekly/monthly multipliers and insurance. To a lesser degree, corporate travel buyers can negotiate for upgrades, waivers of charges for dropoffs and one-way rentals, and delivery of vehicles to headquarters or other locations. Understand your actual car rental usage so you can comprehend the value of the agreement terms offered. Type of car rented, day of week, length of rental, rental city and whether the car was taken one-way or round-trip all can affect price. Items open for discussion:

A. All corporate agreements have a fixed rate per day for each car class.

1. Negotiate with the car rental company to obtain the best rates published. While some suppliers automatically honor the best available rate, others don't. Ensure this circumstance is addressed in the corporate agreement. If a lower noncorporate rate is taken, will the supplier include your corporate coverage and other benefits?
2. Ensure your TMC will search for best-available car rental rates.

B. Most companies opt for flat rates with unlimited mileage. Of those corporate contracts with a mileage cap, 100 miles is the standard. Per-mile charges starting at about 25 cents are assessed on top. Do not have your travelers pay the higher unlimited mileage rate if they drive an average of 50 miles or less per day.

1. Averages are deceiving because rental cars driven only a few miles distort the averages. Identify the percentage of car rentals and rental days exceeding 100 miles, with geographical breakdowns.
2. Consider "time and mileage" agreements, which involve low daily rates but per-mile charges starting from the first mile.

C. Special rates in cities where you have high volume and/or special rates for weekly, monthly, multi-monthly, partial-day, hourly and one-way rentals.

D. On which days of the week do one-day rental surcharges apply, in which seasons and in which locations? Mitigating high midweek surcharges could lead to savings.

E. Negotiate to lower premium location charges, assessed on top of the daily contract rates in key travel destinations where costs are high.

F. The length of the term of the contract and specified limits on annual rate increases, and the possibility of reopening the contract if conditions change.

G. The extent to which suppliers will add international car rental volume to domestic volume for the purposes of establishing worldwide rates. The success that is possible from leveraging the organization's international car rental mix will depend on suppliers, volume, the international proportion of the volume and the international locations that travelers frequent.

H. Discuss blocking the add-on features offered at the time of pickup, including additional insurance coverage and GPS. Negotiate with the supplier to block unneeded add-on features.

I. Can the supplier provide reporting in real time?

J. Free or reduced-rate collision damage waiver or loss damage waiver coverage, if corporate travelers are not covered by other insurance.

1. At least a minimum amount of coverage is required. The standard amount for years has been $100,000 coverage per person, up to a total of $300,000 per incident, in addition to $25,000 for personal property.
2. Several car rental suppliers have lowered coverage to minimum levels allowed under state statutes.

K. Rate concessions based on your organization's commitment to building volume: Consider tightening your corporate travel policy to mandate use of preferred suppliers or to cover international travelers, making changes to your corporate booking tool to steer travelers to preferred suppliers, linking the car rental company to your corporate intranet or broadening your program to include fleet replacement or other services.

L. Discounts for safe-driving programs.

M. Rebates and/or incentives for meeting or exceeding contract goals.

N. A mileage radius within which travelers can pick up a car at one location and drop it off at another location at no additional cost or one-way rentals without surcharges.

O. Special shuttle rates if many travelers drive between two specific cities.

P. A grace period after the stated end of the rental period during which a car may be returned at no additional cost.

Q. Free upgrades to higher car classes when available, and free delivery of rental car and/or dropoff.

R. Provisions for employees under age 25, who normally are charged higher rental rates.

S. Procedures for central billing by nonemployees, including job candidates and consultants.

T. Whether the supplier provides the option to refuel at market prices, plus a reasonable markup. If not, discuss reduced refueling charges, specifically negotiating a reduced price per gallon or liter. Having travelers fill the tank before returning their cars is the least costly option, but if your internal data shows travelers regularly are paying the higher price for not doing so, negotiate a reduced price per gallon for gas into your base rate. Corporate travelers running late for a flight often do not have time to fuel up before returning their vehicle. It is best to address this upfront.

U. Reduce or eliminate blackout dates, depending on your spend and ability to shift volume. Otherwise, get a list of blacked-out or sold-out dates and cities for the upcoming year. This will help calibrate service expectations and allow travel managers to notify travelers in advance. Additionally, get a list of locations and dates for which vehicles will be available but your corporate rates will be blacked out.

V. If your travelers rent GPS or toll passes, request a daily or weekly discount or fee waiver and/or maximum charge per rental.

W. Evaluating a bid.

1. Assess the components that are most important to your organization and use a grid that gives more weight to those responses. Review BTN's most recent Car Rental Survey & Report at www.businesstravelnews.com/Research.
   - **a.** The most common factors to consider include rental rates and ancillary product fees, service quality, domestic geographic coverage, airport location and the speed of rental and return processes.
   - **b.** Also consider international coverage and report capabilities. Delivery and collection of vehicles is common in Europe and therefore supplier locations are key.
2. Research the supplier's financial stability so you can determine its ability to deliver on the terms you have negotiated. Consider what effects M&A in the industry has had and will have. Assess the supplier's ability to provide continuing levels of service, reporting capabilities, rental car availability and other aspects of the contract. Follow what's going on in the industry to identify bad service and fleet issues.

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