Working with Car Rental Firms

Vehicle shortages and higher prices remain issues but in some markets are beginning to abate.

CAR RENTAL COMPANIES WERE ONE OF THE FIRST TRAVEL SUPPLIERS TO begin to see a recovery from the pandemic, with leisure demand for road trips—along with business travelers opting to drive rather than fly—taking off in the summer of 2020 and continuing through 2021. The global shortage of new vehicles due to a microchip shortage among other supply-chain issues, however, meant these suppliers could not rebuild their fleets so easily after selling them off when Covid-19 first struck, thereby causing car rental prices to skyrocket.

The major players have begun to expand their fleets with new cars when they can find them, with used cars and by keeping vehicles in rotation for more miles—up to 50,000 miles, for example, as opposed to an average of up to 30,000. But this could mean less satisfied corporate travelers who may be used to more top-of-the-line options. In the 2021 J.D. Power North American Car Rental Satisfaction Study, customer satisfaction was down 11 points from the previous year, while average prices increased 58 percent in the prior nine months.

During a May podcast, J.D. Power managing director of travel, hospitality and retail Michael Taylor said the company does not see these trends changing at least through 2023. Cars still will be in high demand at higher prices, along with continuing staff shortages, longer wait times for vehicles and occasional lack of availability, depending on the market. Non-leisure destinations are starting to see prices level off. This situation lends itself for travel buyers to implement service-level agreements.

As with other segments, like hotels and airlines, car rental suppliers aren't as willing to roll over corporate contracts as they were in recent years, so travel buyers should prepare for negotiations with destination and volume data. Hertz, which emerged from bankruptcy less than a year ago, noted during a February earnings call that its bankruptcy allowed the company to cut unprofitable corporate contracts and renegotiate the rest, to their benefit. – *Donna M. Airoldi*

I. GATHER DATA

Show potential suppliers as much information as you can gather on past use of car rental, chauffeured services, ride-hailing and other relevant services.

A. Usage statistics from car rental firms should provide the most complete and detailed information. Also tap travel management companies and expense management systems for taxi, transfer and third-party spend like train and ride-hailing expenditures. Most corporate charge card data shows the total spend on such transactions and does not yet detail expenses like 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 break it down for cities or areas with high volume. Also, segregate by airport transactions versus off-airport/local market transactions.

1. Total volume, expressed in the number of rental transactions, number of rental days and expenditure level—all broken down by country. If you can break that down by market, it helps suppliers forecast and plan.
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, alongside number of taxi/ride-hailing trips. Categorize as possible, i.e., by miles/cost for short trips and airport transfers.
3. Breakdown by class of cars booked and driven, such as compact, intermediate and full-size.
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, midweek, monthly, weekend and one-day rentals by day of the week.
6. Breakdown of rentals by day of the week and weekly and monthly rentals.
7. Locations where all corporate car rentals have taken place and annual rental days in all markets, including the share of rentals at airports.
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. 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 age 25.
13. Special billing needs, including regional, 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 use.
20. Historical development of data and outlook on development of travel/mobility spend for the next two to five years.
21. Terms of supplier deals with companies in your industry or like-size companies with similar requirements.

II. SET STRATEGY

Company 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. When developing your strategy, consider the following.

A. Before embarking upon any supplier review, reevaluate your travelers' needs, look at the demographic of users and look for innovative ways of transporting them from point A to point B.

B. Options for supplier strategy could include:

1. A global contract with two car rental suppliers to hedge against times when one supplier may not have available inventory.
2. 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.
3. A global agreement with one supplier, supplemented by agreements with country-specific suppliers, often providing lower rates in areas outside the U.S. where you deliver high volume. 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.
4. 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.
   - **a.** 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.
   - **b.** Companies seeking global contracts often already have consolidated with one TMC internationally.

C. Look into alternative programs like ride-hailing and car- and fleet-sharing for short-term rentals if you are in a participating market where third-party suppliers exist. Ride-hailing and car-sharing, which allows pickup and return at unstaffed locations can benefit intracity travel. Suppliers increasingly are offering such programs in major markets and may even consider placing vehicles at your corporate locations.

D. Consider different business needs a rental car provider can fulfill, including car sharing, ride hailing, Mobility as a Service leasing, fleet management and commercial truck or equipment rental.

E. 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.

III. PREPARE 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, fees, upgrades and other options like fuel programs, GPS, satellite radio and emergency road service. Here are some RFP elements 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. Also consider process costs in this area.
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 companies 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 card programs. If you have your own insurance, check with your company's risk management department to be sure it covers all car classes and rentals overseas. Even those companies 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 roadside services?

D. Obtain examples from suppliers of standard and customized management online reports provided to other corporate clients. Know what spending and usage information your company 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 locations to yours, as well as from accounts no longer using the company as their preferred supplier.

F. Request a list of participating locations. Not all of a supplier's locations participate in corporate rate or insurance programs, especially in the U.S.

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 travel program 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. Whether travelers can enroll online.
7. Whether the supplier offers status matching for existing employees if the company were to switch to that supplier.

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 span after which cars are returned to manufacturers or resold.

O. Details on local fleet size in areas where you have special needs.

P. The financial health of the car rental supplier and its ability to provide the fleet and services you require, as well as lawsuits renters have against the supplier.

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. Make sure that you get insights into its IT system and its ability to centralize all mobility services into a single system.

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

T. Availability of hybrid, flex-fuel or high-fuel-efficiency vehicles. Note that hybrid vehicles can cost significantly more.

U. Alliance with a chauffeured transportation company, the benefits that can be derived from that partnership and the requirements to receive them.

V. The procedures and technologies the car rental company offers to expedite the pickup and return of vehicles and whether they're available at all locations.

W. Service level agreements.

X. Periodic rate audits.

Y. Differences in prices, fees and services for different brands owned by the same company.

IV. NEGOTIATE

Following are the items open for discussion. 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.

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

B. Most companies opt for flat rates with unlimited mileage. Of those corporate contracts that do have mileage caps, 100 miles is the standard, and then 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, including 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 for weekly, monthly, multi-monthly, partial-day, hourly and one-way rentals.

D. 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. Two-year contracts are standard in the industry.

E. 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.

F. 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.

G. Can the supplier provide reporting in real time?

H. 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. For years, the standard amount has been $100,000 of coverage per person, up to $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.

I. Rate concessions based on your company'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.

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

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

L. Special shuttle or corporate car-sharing rates if many travelers drive between two specific cities.

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

N. Free upgrades to higher car classes when available and free delivery and collection of rental cars.

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

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

Q. 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.

R. 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 negotiated rates will be blacked out.

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

V. EVALUATE BIDS

A. 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.

  1. The most common factors to consider include rental rates and ancillary product fees, service quality, geographic coverage domestically, airport location and the speed of rental and return processes.

  2. Also consider international coverage and report capabilities. Delivery and collection of vehicles is common in Europe, so the supplier's footprint is key.

B. 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.

C. Consider and allow for alternative local suppliers in specific markets that can provide the same vehicles, with basic services, at a considerably lower cost.