Budget Avis Group LLC

Darron Celestine

Colorado Technical University

**Planning**

**Company Description**

The company that I have chosen to study is Avis Budget Car Rental LLC. The following information will outline the company, giving insight on their overall operations. This company was created in 2006 and specializes in the rental car industry, with a NAICS code of 532111 (Avis Budget Car Rental LLC, n.d.). The Company is in New Jersey with a physical address off 6 Sylvan Way Ste 1, Parsippany, New Jersey 07054 USA.

**Its general corporate structure or organization & Leadership:**

This company is owned and operated by a larger parent company, Avis Budget Group. The leadership consists of 9 senior executives who oversee and make decisions for the organization. Through their strategic decision making, the collaboration of the Avis and Budget has been sustainable in growth and development. The corporate structure consists of mergers and acquisitions between Budget rental car, and Avis rental car. Budget and Avis act as their own entity, but the structure is tied to Avis Budget Car Rental.According to Avis Budget Group (2020), their collective operations and history dates to 1948. Avis was founded in 1948, and Budget was founded ten years later in 1958. In addition, they have also acquired Zipcar to add ride sharing to their portfolio of car rentals (Avis Budget Group. 2020).

Avis Budget Car Rental LLC is a corporation that ties the larger corporations together. They consist of 6 members and have a revenue of just below $5M annually. According to structured finance (2010), they are in the marketing with 144A deals. In addition, they operate under three different NAICS codes, 541613 Marketing Consulting Services, 532111 Passenger Car Rental, 532112 Passenger Car Leasing. This covers all areas within the corporation to allow them to manage the operations within the larger parent company. The Parent Company consists of 31k employees and a $9B dollar gross revenue.

**Why this Company Was Selected for Study**

I selected this company because I work in a similar market. I am in the logistics courier service market and we use budget and Avis quite often. I thought that it would be interesting to see how their structure works. Initially When looking at Avis Budget Group as a whole, it did not fit the requirements as the staff is a lot larger than what we are researching. But I soon figured out that there are entities within the parent company that operate, so I figured I would take the angle of studying an LLC within. This was exciting news; I can always perform my best work when I am interested in the information that I am studying and researching.

In Addition, Companies like this have been in operation for a significant amount of years. Although Avis Budget Car Rental LLC has only been operating for 14 years, the history of its parent company is very in-depth. For companies like this to operate and lead industries for70+ years, it speaks to their leadership. To read the history of how the smaller entities have come in the industry is very interesting. Rental car services are one that will be in the market for years to come, it’s an industry that will never go away in my opinion. According to Term Sheets (2006), Avis worked with the banks to open the LLC. It’s very interesting to see that Billion-dollar corporations with heavy capitol still use banks for loans. This is a $5M company under a $9B umbrella, but loans were acquired to complete the merger.

Lastly, this writer chose this company because I would also like to move into the rental car business at some point. Whether this is through a franchise opportunity or having the opportunity to start one from the ground up, this writer enjoys the concept. With this writer having in-depth knowledge in the courier business, it sets a foundation for me to move into this type of market. It gives me somewhat of a head start on the business. In addition to that, this writer enjoys the market and being an entrepreneur. In today’s world we must work to cater to life, whether we like our career field or not. There is more than likely a majority total amount of people who do not completely enjoy work I do, and it makes it a lot easier to think clear when expanding and implementing ways to sustain efficiencies.

**Organizing**

**Customers**

There are many types of customers when it comes to vehicle services. With Avis Budget Car Rental LLC servicing multiple industries, I will speak about three of them. First, we will talk about the rental services that they provide for individual customers. This is what started the company and built their original revenue to allow for them to grow operationally, and financially. The car rental service allows customers to rent a variety of different cars within different categories such as intermediate, full-size, luxury etc. This services customers while traveling for business or on vacation, it also caters to customers who may be having their vehicle repaired. This is a service that has grown in the industry overtime and according to Avis Budget Group (2012), Avis and Budget car are both leading companies in the car rental industry.

Next, I will touch on the market of business rentals. This industry has grown over the years as companies are seeing that some services are more efficient operating with rental vehicles instead of purchases. I will speak specific to the courier services for this specific topic, in reference to peak season. According to Markley (1996), an increase in tourist enter the country during this time frame (November to January). With this and the holidays, it increases the courier services that are needing performed. With this said, Budget and Avis not only have increased car rental, but they also have a significant increase in courier vans for companies to use to meet the markets demand. Companies tend to rent during this time because it is a temporary influx in vehicles, not permanent. This allows for them to capitalize from temporary profits, without having a long-term cost of a vehicle.

Lastly, I will speak to ridesharing, which has been a hot topic in the market for some time. With the acquisition of Zip Car, they now can rent cars to specific 1099 or LLC individuals that run their own taxi services through Zip Car. This is just another added value in supporting the customers who do not yet feel comfortable with Uber or Lift, they can request a ride in Zip Car. Avis Budget Car Rental LLC has covered a large market in the rental car service which is all geared towards servicing customers of all types.

**Products and Distribution Systems**

Their main products and distribution are vehicle services. They offer fuel, diesel, and are now getting into electric car rental services. According to Zacks Investment Research (2017), they have solidified a purchase agreement to allow fleet management through wireless systems. This is something that is strong in today’s market due to businesses moving towards technology-based products. Early in the rental services we seen a lot of base model cars being rented from companies, but this only distributed a baseline product type. In today’s market we see a lot of more elaborate options in the vehicles that we rent. Avis Budget Car Rental LLC is not one of the leading companies because they follow the trends, they are leading because they are ahead of them. This shows through their merger, and the advanced products they are distributing to customers daily.

**Controllable Factors and Noncontrollable factors**

**Controllable Internal:** Avis Budget Car Rental LLC controls the cost in which they rent their vehicles. With them being one of the leading companies in the market, the are a huge factor in the cost driven in market averages.

**Non-Controllable External:** Avis Budget Car Rental LLC cannot control the fuel costs for the vehicles. According to Sloan (2004), fuel prices can be a high expense when traveling long distances. This on top of rental cost can make the difference in taking a flight or taking a road trip.

**Competitive Advantage**

Avis Budget Car Rental LLC has a competitive advantage in the size of their operation. With them being a long-standing company and merging two successful companies, the advantage is in the quantity and technology. According to Feretic (2009), Avis Budget has outpaced their competition through combined technology. In addition, the merger allows for competitive pricing when renting from quantity. Having the capability of renting a high quantity of cars allows for price reduction. All these areas combined with the fact that they have global brand recognition allows for them to sustain competitive advantage in the car rental market.

**Opportunities for improvement**

A SWOT identifies Strengths, Weaknesses, Opportunity, and Threats. Below I will identify 3 areas for improvement.

1. Expanded rideshare from branded vehicles to actual rideshares comparable to Uber and lift.
2. High end Vehicle market that caters to specific wealthy customers.
3. Expansion on box truck rentals for moving services.

**Leading**

**Solutions for Opportunities and Improvement**

To further explain the capability to improve upon opportunities, rideshares are the wave of the future. The acquisition of zip car is a good start for Budget Avis Group to expand on ride share services. Zipcar is a service that allows individual’s the opportunity to operate as an independent contractor. This allows individual’s the ability to use a Zipcar vehicle to perform taxi services. This service decreases the risk for the independent contractor as they are only liable for the vehicle being rented and the costs consumed from using the vehicle. According to Philippidis (2005), employers used rideshares as an added benefit for their employees. This was the beginning of what now has become a well known and heavily used service. Budget Avis Group is a leading competitor in the rental industry with a foot in the door for rideshares. The opportunity recommended is to leverage internal profitability and invest into expanding Zipcar into a rideshare that allows people to use their personal vehicles. This would instantly make Avis Budget one of the top 3 competitors in the industry due to their current platform.

Another opportunity for improvement would be to enhance the vehicle fleet allowing high end luxury cars to be available. This can be performed by completing market research of the different locations they are present. Data can identify the cities throughout the U.S. and internationally that could sustain the high-end car market and increase profitability. For example, Las Angeles and Dubai both are areas that are heavy in the market for high end cars. According to WSJ (2018), Las Angeles is a city that is known for its high-end cars and sustains a rental market. Cities like this could be profitable for a well-known brand name such as Budget and Avis. The approach should be market research, cost projections, budgeting, and implementation for the new vehicle year.

The growing world of delivery services comes the higher need for rental vehicles such as courier vans and box trucks. This is a seasonal demand with the highest demand landing between November and January. When companies rent during this timeframe, they are renting vehicles for a minimum of 3 months at a time. The rental rates are between $1,400 per month to $2,000 per month. Having a vehicle that costs $50,000, profiting $15,000 in a year with a resale value of $45,000 is could mean $10,000-$15,000 per vehicle each year. This seems small to a company like Avis Budget, but on a scale of 500 vehicles a year makes profitability worth it. This would also take market research to identify the cities with the highest demand. Once this is identified, marketing the company directly to the couriers could mean a significant increase for Avis Budget Group.

**Supply & Demand**

An example for rideshares would consist of what the current growth and profitability projections are for current companies. I will use the Lyft as an example, we show that they have fallen in stock around 30% in 2019. This is due to the technology investments as well as the profits that go to the drivers. But what we fail to look at is the overall revenue while building from the ground up. The curve is not only looking at current, we should also look at what was invested versus what Avis Budget group already has in place that Lyft did not when starting. The demand shows that the stock is still profitable, which means the demand for rideshares are continuing to grow. According to Ager (2019), autonomous vehicles will never replace a rental or having your own car, but the demand will continue to be there.

The same demand goes for luxury cars, as the demand is projected to grow 6% over the next 5 years. Staying ahead of this would allow for Avis Budget Group to be a future leader in this industry. Lastly, box trucks and courier vans are tied directly to the demand for at home delivery services. When we look at the increase in online shopping, ecommerce sales have grown close to 15%. This can be directly projected to the need for courier vehicles as the demand grows year after year.

**Ethics Inherent to Corporate Decisions**

When looking at decision making of a corporation, ethics must be involved whether good or bad. This means that there must be a balance in the decision and why it is made. A company can not only think about profitability, but also must take into consideration their customer. This ties together as your customer is the leading reason that your business and product have sustainability. Identifying and following what’s good, right, wrong, or bad are all inherent when companies make decisions within the organization. These decisions can affect not only their customers, but more importantly their staff. This separates some of the successful companies with the unsuccessful ones.

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