

Car-based business makes a turn into the self-storage lane

Payless parent company sets sights on independent storage

BY AJA WHITAKER-MOORE
STAFF WRITER

ST. PETERSBURG - Move over U-Haul, Payless is changing lanes and entering the \$8-billion self-storage market.

The Payless family of brands already is holding their own on the open road in the car rental, car sales, lodging and parking industries.

Avalon Global Group Inc., parent company of Payless, is now focusing its attention on converting 500 independent storage facilities to a franchise system, much like its car sales business model that includes more than 53 franchises in 12 states.

There are currently 40,000-plus storage facilities throughout the country that are owned by a group of 32,000. Many are not affiliated with brands such as Storage USA Inc., which owns 400 corporate stores and has about 70 franchises.

Independents operate viable businesses, but Payless needs to show them the advantage of having access to advanced technologies, extensive marketing programs and a wide network of vendor relationships, said Michael J. Harley, president and COO of Avalon Global and Payless president and CEO.

"We think it is the right time to present our case and our plan to the independents that today would like to be part of a growing company or brand," Harley said. "The bottom line is we will take a small independent and make them competitive with the biggest public storage companies. Payless will put them up with the Jones'."

Converting successful entrepreneurs to a new business model will not be an easy task.

There are no national franchise companies that have been successful in conversions without starting in the industry by building facilities and then possibly going public as real estate investment trusts, said Michael Scanlon, president and CEO of the Virginia-based Self Storage Association.

"Independents know the local situation and market because that is where they live and work," Scanlon said. "What would the franchise bring



KATHLEEN CABBLE

Payless Car Rental's Sam Koubaissi, account manager, left and Michael J. Harley, president and CEO, talk outside a Tampa location.

them that they don't already have? That is the question a company like Payless will have to answer. But I am not saying it can't be done."

Payless will announce its storage industry plans to existing franchisees in January. Initially, the company expects to convert 50 stores in 2005.

RENT AND PARK EXPANDS

Privately held Payless Car Rental System Inc. reported revenue of \$80 million in 2004.

In 2003, Payless ranked No. 12 in the U.S. Car Rental Market with 9,175 cars in service, compared with No. 1 Enterprise Rent-A-Car with 510,425 vehicles, according to *Auto Rental News* magazine.

Through a cooperative agreement with Sixt Rent A Car and Network Car and Truck Rentals, Payless/Sixt has a collective presence in 62 countries with more than 1,800 locations and a fleet of 115,000 vehicles.

Payless is focused on opening more corporate-owned locations within the car rental brand and *expanding to include Payless Parking* components where possible.

In September, the company signed a five-year lease with Thrifty Car Rental to take over space it occupied on the corner of Boy Scout and West Shore boulevards in Tampa.

Thrifty relocated its rental car business to Tampa International Airport and could no longer operate a parking location, leaving an opportunity for Payless to establish a corporate-owned store and increase its dual brand.

HARLEY'S PRESENCE

Travel industry veteran Michael Harley joined Avalon Global Group Inc. in 1983, and under his management, automated and voice reservations increased by 2,000 percent.

Harley left the company in 1993 to become president of an international destination marketing company that ultimately went public. He also owned a \$5-million leisure travel company before returning to Avalon in 1998 and being named president and COO of Payless Car Rental in 1999.

Harley led the company's technology development that supports an aggressive growth strategy and doubled the number of Internet visits to corporate sites.

"In order for us to get the fleet deals from the manufacturers and get fleet costs down, it is all about volume," Harley said. "As we open more corporate stores, it will help us in our bargaining."

In addition to a 400-car rental fleet, the Tampa location offers valet service for 700 cars and a unique online parking reservation system that allows a customer to reserve a space in the lot prior to arrival.

Payless operates another corporate facility in Orlando with room for parking 1,500 cars.

CAR SALES ADD FUEL

Payless Car Sales Inc. is rapidly increasing its presence in the used car sales business in an attempt to compete with industry leader CarMax Inc.

Payless now touts more than 53 franchises, including 13 in Florida, and expects car sales system revenue to reach \$86 million in 2005. Virginia-based CarMax (NYSE: KMX) reports revenue of \$4.6 billion and 51 locations.

CEO Harley plans to use the Internet to drive business to car sales and all of the Payless brands.

"Until someone tells me they are going to the Internet to spend more money, we will continue to do very well," Harley said.

The company owns more than 300 domain names with the Payless moniker not including payless.com, which is owned by retailer Payless ShoeSource Inc. (NYSE: PSS).

amoore@bizjournals.com | 813.342.2463