

AUTO RENTAL NEWS[®]

The Magazine of the Car and Truck Rental Industry

A photograph of two men standing in front of a large green plant. The man on the left is wearing a blue button-down shirt and has a DTG logo on his pocket. The man on the right is wearing a white dress shirt and a striped tie. Both are smiling.

**Joe Cappy Reveals
DTG's Formula
for Success**

The Payless- Sixt Alliance

**Will the Across-the-Pond
Partnership Push Payless to
the Next Level?**

**Why Outsourcing
Staff Training
Makes Sense**

(l-r) Payless President
and COO Michael Harley and
Sixt V.P. and Franchise
Director Rudiger Proske

The new partnership provides Payless with both a channel for European business and impetus to tighten quality standards across the franchise system.

The Payless-Sixt Alliance



Sixt Rent A Car and Payless Car Rental System now offer customers global access to car rentals through counters such as this one at Munich Airport in Germany.

If Sixt management had any lingering doubts about Payless' commitment to the companies' new partnership, Payless President and COO Mike Harley did his best to squelch those in December. In the midst of the holiday season, Harley left behind the mild temperatures of his company's St. Petersburg, Fla., headquarters to attend a Sixt franchisee meeting near Munich. With temperatures well below zero,

By Cathy Stephens

Harley's Sixt hosts also persuaded him to take part in a local tradition: drinking hot wine.

"The weather was brutally cold and the hot wine was the only way to stay warm," Harley recalls with a laugh.

In addition to touring Sixt's corporate headquarters in Pullach, Harley spoke with some of the company's major franchisees about their hopes for the new alliance. And the exchange wasn't merely ceremonial. After fielding their inquiries about tour business, Harley decided it was time for Payless to further investigate this segment.

"I was asked whether Payless in the U.S. was going to be prepared to handle tour business from Europe, the Middle East and Africa," Harley says. "In the past, we haven't been in the tour side of business. But that's something we're going to take a serious look at in 2004. We'll work together with Sixt on that. We'll need to be trained on how to handle that clientele."

Harley also used the opportunity to invite Sixt franchisees to Payless' next franchisee meeting, scheduled for October in Las Vegas.

This collaborative spirit and give-and-take flexibility are assets that helped Payless seal the partnership with Sixt last September. The agreement creates a global network of more than 1,400 car rental locations in more than 60 countries, with a fleet of approximately 110,000 vehicles.

Under what's officially known as a "cooperation agreement," Sixt



(l-r) Michael Harley, president and COO of Payless Car Rental, and Rudiger Proske, vice president and franchise director of Sixt Rent A Car, say the partnership will offer customers access to more than 1,400 car rental locations in more than 60 countries.

and Payless exchange reservations in an exclusive arrangement and accept each other's methods of payment. The two companies have also agreed to the common use of booking channels for Internet, travel agency and call center reservations. What's more, Payless' U.S. call center now handles all referral calls from Sixt's 29 hotel and airline partners whenever a U.S. customer requests a rental car in one of Sixt's markets.

Under the agreement, Sixt is responsible for rentals in Europe, the Middle East and Africa. Payless covers rentals in North America, Central America, South America and Australia. Both companies will continue to operate under their own brand names, but some signage in airport locations and promotional materials will feature partner logos.

Sixt's partnership with Payless replaces a similar agreement Sixt reached with Dollar Rent A Car in 1999. Before the affiliation with Dollar, Sixt had been a longtime Budget licensee in Germany and accessed U.S. business through Budget. But in the mid-'90s, after Sixt began expanding its own operations

internationally, Budget opted to terminate the license agreement.

After Sixt decided not to renew its agreement with Dollar last year, the search was on for a replacement.

"We looked for a company that has a strong U.S. market presence and is a good fit with Sixt," explains Rudiger Proske, vice president and franchise director for Sixt Rent A Car. "We looked at innovative, upcoming companies. We didn't want a company that was so established in the way it did things that it could not be flexible."

Like Sixt, Payless favors an emphasis on Internet strategies and database management. Both companies have invested heavily in cutting-edge IT systems.

And unlike Hertz and Avis, Payless isn't a head-to-head competitor with Sixt in Europe. Moreover, Payless caters to leisure travelers — a good complement to Sixt's corporate-heavy client base in key markets such as Germany.

Meanwhile, Payless is hopeful the alliance

will help push the company to the next tier — in terms of both revenue potential and global brand awareness.

"The branding value that comes out of this affiliation is critical," Harley says.

Payless is now aligned with Europe's fourth leading car rental company (behind Avis, Europcar and Hertz) and the number-one market leader in Germany and Austria. The partnership is not only expanding Payless' overall growth prospects, it is accelerating a number of customer service and quality-control projects.

Sharing a Focus on Technology

"In Payless Car Rental, we have found an ideal partner who shares our vehicle rental philosophy," says Erich Sixt, chairman of the managing board of Sixt AG, in a statement released after the partnership was announced. "Like Sixt, the company is independent and has no ties to any particular vehicle manufacturer. It aims to continually implement new innovations to make vehicle rental simpler and easier for customers. As is the case at Sixt, this means that the Internet is playing a more and more important role as a sales channel."

Erich Sixt represents the third generation of Sixts to work in the family business.

Founded in 1912 by Martin Sixt, the company was one of the first rent-a-car companies in Germany. Sixt became a licensee of Budget Rent a Car for Germany in 1977. In 1986, the company went public under the name of Sixt AG.

Today, Sixt is represented in 51 countries by both corporate locations and franchise partners. Sixt's rental network comprises about 1,300 locations.

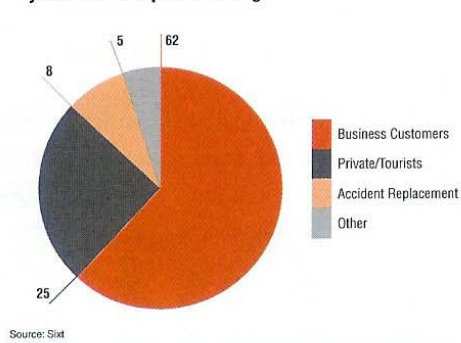
In addition to its rent-a-car operations, Sixt also runs vehicle leasing and e-commerce business units. Formed in 2000, e-Sixt AG bundles all of the company's online transportation services and provides sales channels for the rental and leasing units as well as travel packages.

Sixt has been an innovator in European rent-a-car. The company introduced its Car Express service in the mid-'90s, permitting regular customers to bypass the counter line



Kathy Johnson, Payless vice president of relationship management, is overseeing a variety of projects aimed at improving Payless' public image.

**Sixt Vehicle Rental Revenue in 2002
by Customer Group in Percentage**



Under the leadership of Chairman Erich Sixt, Sixt operates under the principle of putting "earnings before revenue." Because of Sixt's focus on the corporate segment, the company operates a high-end fleet consisting mostly of Mercedes Benz and BMW models. To avert any surprises at the point of rental, both Payless and Sixt are taking steps to educate European customers that the U.S. fleet consists mostly of American models in non-luxury classes.

by checking in at an automated kiosk. In 2002, Sixt became the first car rental company in Europe to offer an entirely paperless rental transaction. Rental agreements and customer signatures are stored electronically. The rental agreement isn't printed out unless the customer requests a copy.

Established in 1971, Payless provides rental services in 15 countries at 135 locations, including those run by franchise partners other than Sixt. Payless has 85 locations in the U.S.

Payless Car Rental System is part of Avalon Global Group, a Florida-based privately held company that also operates Payless Lodging, Payless Car Sales, Payless Parking and REZlink International. REZlink provides a Web-based reservation system and operates the call center for Payless Car Rental.

In the past couple years, Payless Car Rental has embraced an aggressive expansion strategy. Since announcing its alliance with Sixt, Payless has also reached a similar agreement with Network Car & Truck Rentals in Australia. Meanwhile, Dollar Thrifty Automotive Group's decision to transform Thrifty from a franchise-based model to a corporate-based one has also added value to Payless as a franchise system in the U.S. There are simply fewer options today for U.S. independents seeking a national franchise system affiliation — especially one with a major presence on popular online travel sites such as Travelocity, Orbitz and Expedia.

"Our goal is to be in the top 50 airport markets in the United States," Harley says. "We're negotiating with about 34 airports right now.

**Sixt's Revenue Figures
(in EUR Million)**

	2002	2001
Rental Revenue	643	688
Sales Revenue	1,112	1,281
Total Revenue	1,755	1,969
Earnings Before Taxes	22.5	19.8

Source: Sixt

On the local side, we want to have three to five satellite locations near each of those airport locations as well as some that aren't part of an airport-based franchise."

Later this year, Payless plans to release its own rental counter system. Whether the company will make the software package available

**Payless Car Rental System
(U.S. Figures Only)**

	2000	2001	2002
Cars in Service (Avg.)	7500	8500	8750
No. of Locations	78	85	85
Airport Locations	43	45	45
Rental Revenue	\$65M	\$72M	\$75M

Source: Payless

Payless' goal domestically is to serve the top 50 airport markets. Eventually, the company wants a 60% local market, 40% airport market mix in the U.S.

to non-Payless operators isn't yet clear. A prototype of the counter system, dubbed Customer Centric, was demonstrated to franchisees at a meeting last September.

Raising Overall Standards

To reach the company's long-term goals, Harley acknowledges, the company needs to improve customer service standards across the franchise system.

The partnership with Sixt has spurred a number of Payless initiatives seeking to improve its public image and consistency of

customer service. Payless has hired a mystery shopper firm, TrendSource in San Diego, to make unannounced visits to U.S. franchise locations and evaluate the customer service in detail. The firm's shoppers assign scores to a variety of service categories — from vehicle condition to waiting time at the counter. National Survey Associates in Powell, Tenn., has also conducted thorough site inspections and shot digital photos of all Payless locations in the U.S.

With its future at stake, Payless isn't holding back when it comes to pointing out any deficiencies to franchisees. But the company is also assisting them in complying with the more stringent standards. Payless has allocated corporate funds to help pay for the needed improvements.

Most franchisees have welcomed the feedback and advice; a few have become defensive, says Kathy Johnson, vice president of relationship management. But that's to be expected. What's most important is that the mystery shopper scores are on an upward swing. Franchisees are responding to the reports and addressing problem areas. Subsequent scores have reflected their efforts.

"They realize that ultimately, if we don't achieve these goals and clean up our image, we can't go into more partnerships that we need for our own growth," Johnson says.

To protect the company's relationships with such online sites as Travelocity, Expedia and Orbitz — as well as such airlines as Southwest, Alaska and Frontier — Payless is also taking measures to ensure that franchisees aren't delinquent in paying any commissions owed.

Moreover, Payless has hired A&R Management Consulting in Atlanta to provide consulting services on an as-needed basis to franchisees. The company, headed by Tony Elkik, offers training and consulting on subjects ranging from incremental sales to fleet forecasting and competitive analysis.

"With everything we have in place right now, I think you're going to see substantial growth from Payless Car Rental," Johnson says. "As long as we stay on track and we're selective in getting the right franchisees and Mike [Harley] continues to be the visionary, I think a year from now Payless is going to be very, very strong." ■