

IN THE DRIVER'S SEAT

By Mike Vogel



ALSO ON THE ROAD ...

BUDGET GROUP

Cendant, owner of Avis, hopes to close soon on its purchase of Daytona Beach-based Budget Group, the third-largest car and truck rental company. Cendant will pay \$107.5 million and assume \$2.7 billion in debt to buy Budget out of bankruptcy court. Budget's headquarters will move to Parsippany, N.J.

ANC RENTAL

Fort Lauderdale-based ANC's focus is on cutting overhead by dual-branding up to 160 locations. Its 1,242-employee headquarters is up — 33 workers — since its bankruptcy filing last year. The company, which owns Alamo Rent A Car and National Car Rental, says it's ahead of the usual 18-month time line it takes to emerge from bankruptcy.

Truth be told, Michael J. Harley never much cared for the Payless Car Rental name — it sounded “cheap” — when he worked for the St. Petersburg company in the 1980s.

In 1992 he left the small outfit for a series of senior-level jobs at another car rental firm, American Express and a reservation service. Along the way, Harley developed a newfound respect for “cheap.” He came to see rental cars as a commodity business: “A car is a car is a car.” Success, he came to believe, depends on wooing consumers looking for internet deals. Payless, he believed, could undercut the majors by \$5 to \$30 a day.

Clearly, Payless had the “cheap”; Harley saw to it that it got the internet. First as a consultant in 1998 and later as chief operating officer and now president, Harley took Payless from 1,200 unique website visitors a month to 262,000.

The jump allowed Payless, which has added 20 locations since Sept. 11, 2001, to be the only rental car company that “made money through Sept. 11, after Sept. 11 and still today,” Harley crows.

The system's showing is all the more remarkable given that Daytona Beach-based Budget Group and Fort Lauderdale-based ANC Rental, parent of Alamo and National, have taken shelter in bankruptcy court post-Sept. 11. Harley's “really given some direction and foundation” to the Payless brand domestically and internationally, says industry consultant Neil Abrams.

The good fortune of privately held Payless, which has been owned by a Taiwanese group since 1989, derives from its structure. A franchise outfit, it doesn't have the debt load of larger operators. Franchisees operate smaller, easier-to-shrink fleets with lower overhead.

And then there's that “cheap” identity and Harley's e-commerce zealotry. Like a roulette player covering as many numbers as possible, Harley purchased 500 domain names: www.PaylessMiami.com, www.PaylessTampa.com, www.PaylessEgypt.com. You get the picture. Typing Payless or even “pay less car rental” in a search engine brings a deluge of links to the Payless site, where, Harley promises, a confirmation number comes in just three clicks. (Harley didn't cover all the payless bets: The most obvious, payless.com, is for the shoe store.)

Payless is managing to steer clear of troubles that have hurt other car rental companies.

Payless gets 70% of its business over the internet, and Harley supports it with a 24-hour live call center. His look-to-book ratio is 4%, which is at the high end of the industry range of 2% to 4%. The name recognition and internet sluice feed sales of Payless franchises.

Wife-and-husband Serina and Mauro Olivieri, owners of an independent car rental operation at the Miami and Fort Lauderdale airports and at Miami Beach, decided last year that they needed a technology edge and signed on under the Payless name just before Sept. 11. The 29-year-olds credit the move with helping



DRIVING FORCE

Payless President Michael Harley helped drive sales by building up the company's internet operation. Payless now gets 70% of its business from the web.

them increase volume in a tough market. (The Olivieris wouldn't discuss specific numbers.) They plan to add a fourth location at Southwest International near Fort Myers in the next couple of months. "We're looking to compete with the big boys," Mauro says.

Becoming one of the big boys will take some doing. In 2001, Payless ranked 13th in the U.S. car rental market with 8,500 vehicles, compared to No. 1 Enterprise, which has 486,138, according to *Auto Rental News*. Payless last year had \$59 million in system revenues, according to the magazine, compared to Enterprise's \$5.1 billion.

Harley plans to reach 500 locations in 2004, up from the current 134. Payless, to its benefit, remains one of the last brands with a global reach to which independents can hitch their wagon — for a franchise fee ranging from \$35,000 for non-airport locations to \$500,000 for major airports such as Los Angeles. Franchisees also pay 8% of revenues to Payless in royalty and marketing fees

and from \$5 to \$9.25 per reservation, depending on the booking source.

In May, Payless purchased Tampa and Orlando locations, with about 1,200 cars between the two, from a franchisee to gain operational experience and provide a showcase for franchisees. Harley expects the system's revenues to rise to between \$65 million and \$70 million this year.

Meanwhile, Harley, 44, last year became president of Payless' parent, Avalon Global Group, under which he's building Payless car sales, Payless lodging, Payless parking and Payless get-aways, among others.

"I'm branding the name every way I can," says Harley. "I think the next five years are going to be incredible." □

Mark Wemple

