

**Case Study**

**Investment Potential Assessment of the  
US Car Rental Market**



# Case Study

## Investment Potential Assessment of the US Car Rental Market



### About the Client



- A US-based private equity firm that typically invests in middle market buy-out transactions and growth platforms in the financial and healthcare sectors

### Client Objectives / Goals



- The client wanted to understand the investment potential in the US car rental market
- They also tasked us to identify revenue models in the industry, and analyse select companies basis pre-defined criteria

### Approach and Methodology



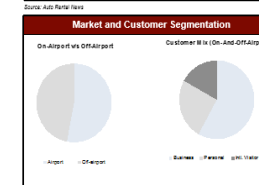
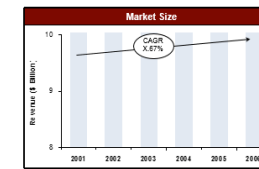
We used a top-down approach, breaking down the project into three phases.

- Phase 1: Analysed the global car rental market covering challenges faced by the industry, geographic segmentation, key global brands and their market share, etc.
- Phase 2: Analysed the US Rent-a-Car market covering market size and growth, customer segmentation, key trends, drivers & inhibitors, key players and their share, Porter's five forces analysis, etc., to evaluate the investment potential
- Phase 3: Identified car rental companies basis pre-defined criteria to understand their revenue models and evaluate their attractiveness from a strategic viewpoint

### Sample Output



#### US Rent-a-Car (RAC) Market



**Market Overview**

- U.S. Rent a Car (RAC) industry accounted for approximately 30% of worldwide rent-a-car revenue
- Car Rental Rates in North America are expected to rise 1%-1.5% in 2007 due to increased fleet costs

**The "Net" Impact**

- The internet is emerging as the preferred rental booking site
- Allows comparison shopping for lowest price
- Travel websites provide convenience of one stop shopping for airfare, hotel, rental car together
- Portals make processing easy for rental companies
- Increasing online activity provides brand building opportunities

**Market Segmentation**

- There are two car-rental market sectors in the US: Airport and Off-Airport
- The Airport segment, which consists both business and tourist use, contributes 32% of the market
- Off-airport rentals include use by individuals or businesses when vehicles are unavailable due to maintenance or theft
- The rental industry is also segmented according to user type:
  - User types include business, personal, and international visitors
  - Business users have the maximum contribution with Market share of 30%
  - A majority of Business and International tourist users rent from airport facilities

### Results / Value-add



Our study helped the client's investment team build a case to explore acquisition/investment opportunities in this sector. It also aided in challenging certain preconceived notions, such as the fact that a car rental company does not make money from renting out cars, but from buying and selling cars as well as charging insurance premium