

Easygroup

[Business](#), [Marketing](#)



EasyCar.com was part of the EasyGroup family of companies, founded by the Greek entrepreneur, Stelios Haji-loannaou. This company was created in 2000 with costing Stelios a £10 million investment. Before EasyCar was founded, Stelios had founded EasyJet, one of the early low-cost, no frills air carriers in the European market. EasyJet was founded on a basis of simple point-to-point flights, booked over the Internet, and the aggressive use of yield management policies to maximize the revenues generated from its assets.

EasyCar's approach was founded on the easyJet model, which was very different from those used by other rental car companies. EasyCar rented only one car type at each location it operated, while most of its competitors owned a wide variety of vehicle types.

95% of EasyCar's bookings were made through the company's website, and did not use agents, as most of its competitors did. The rest of the company's bookings were made over the company's phone reservation system, which charged customers ? 0.95 per minute for the call. Most rental car companies worked with a wide range of intermediaries, and their websites accounted for only 10% of their bookings. EasyCar also managed prices in an effort to have its fleet rented out 100% of the time and to generate the maximum revenue from its rentals. EasyCar's information system constantly evaluated projected demand and expected utilization at each site, and adjusted price accordingly. Due to its aggressive pricing, easyCar attained a fleet utilization rate of over 90%. This achievement was much higher than that of other rental car companies, with the industry's leader, Avis Europe, having a rate of 68%.

For the fiscal year ending September 2002, easyCar broke even on revenues of £27 million. The company had improved significantly from the previous year with a loss of £7.5 million on revenues of £18.5 million. Stelios had additional financial goals for the next two years. He wanted to quadruple revenues to £100 million and increase profit to £10 million in the next two years to prepare for the planned initial public offering in the second half of 2004. If this goal was achieved, the company was estimated to be worth £250 million. In efforts to achieve this goal, easyCar was pushing to open an average of two new sites a week through 2003 and 2004 to reach a total of 180 sites by the end of 2004.

The Rental Car Industry in Western Europe

The Western European rental car industry comprised of many different national markets that were only semi-integrated. In this industry, there were numerous competitors, but there were several dominant players in the industry either across a number of national markets or within one or a few national markets. Industry experts considered this sector as ready for consolidation. There were several international companies that held strong positions across most major European markets, including Avis, Europcar, and Hertz. There was also a primarily national or regional company within most countries that was dominant in its home market and perhaps a moderate market share in neighboring markets. Generally, these major players comprised more than half of the market. For example, in Germany, Sixt, Europcar, Avis and Hertz accounted for 60% of the €2.5 billion German

rental car market. Generally, these major players targeted both business and vacation travelers and offered a variety of types of vehicles for rent.

There were also many smaller rental companies that operated in each market, with many of them operating at only one or a few locations, mostly in tourist locations. There were also numerous brokers, such as Holiday Autos. Brokerage companies did not own their own cars for rent, but managed the excess inventory of other companies. They matched customers with these companies with excess inventory.

In general, the rental car industry could be divided into two broad segments: a business segment and a tourist/leisure segment. Depending on the market, the tourist segment accounted for approximately 45% to 65% of the overall market, and was largely very price conscious. The business segment accounted for 35% to 55% of the market. This segment was less price conscious, but cared more about service quality, convenience, and flexibility.

The Growth of the EasyCar

EasyCar first opened in London in April 2000, as EasyRentacar. The company then opened two more locations, all three being in popular easyJet destinations. Initially, vehicles could be rented for as low as ? 15 per day, with an additional ? 8 for a one-time car preparation fee.

At that time, easyCar only owned Mercedes A-class vehicles for rent. The company had signed a deal with Mercedes to purchase 5, 000 A-class vehicles, with guaranteed buy-back terms, for a little over £6 million. Stelios had explained this choice for the company to be a reflection of the

easyGroup brand. He stated, " We do not compromise on hardware, we just use innovation to substantially reduce costs... EasyRentacar will provide a choice for consumers who pay out of their own pockets and who will not be ripped off for traveling mid-week." 1

EasyCar expanded to other locations, particularly to those that were popular easyJet destinations. By July 2001, easyCar had fleets of Mercedes A-class vehicles in 14 locations. EasyCar had also secured £27 million from a few sources for further expansion of its business, which included a combination of equity and loan stock.

After the September 11 attacks in the US, demand became volatile, forcing easyCar to open new locations slower than original plans. However, in spring 2002, growth picked up, opening 30 new locations between May 2002 and January 2003. This acceleration in growth occurred with easyCar's change in policy regarding its fleet composition. Beginning in May 2002, easyCar added other types of vehicles to its 6, 000 fleet of Mercedes A-class vehicles, the first being the Vauxhall Corsa. Nonetheless, easyCar still maintained its policy of only offering a single vehicle at each location, but now the vehicle the customer received depended on the location.

According to Stelios, the Vauxhall Corsas cost easyCar £2 a day less than the Mercedes. Therefore, the savings were passed onto the customers, giving them the choice of paying for the premium if they want the Mercedes.

EasyCar also added Ford Focuses, Renault Clios, Toyota Yarises, and Mercedes Smart cars by January 2003. The company planned to further

increase its fleet from 7, 000 vehicles in January to 24, 000 vehicles by end of 2004, making vehicles available at more locations.

EasyCar also changed its policies for 2003 to allow rentals for just one hour, and with only an hour notice for rental. Stelios felt that this change allowed easyCar to compete with local taxis, buses, trains, and even car ownership. The company believed that consumers living in traffic-congested European cities who only use their cars occasionally would likely use rentals and give up their cars, if they made the prices low enough and the rental simple.

Facilities

EasyCar had facilities in 17 cities in five European countries. The company mainly opened facilities near bus and train stations in major cities with lower lease costs. It tended to stay away from prime airport locations as the lease costs at those locations, both at and near them, were generally much higher. Airport locations also tended to require longer hours to satisfy customers arriving on late flights or departing on early flights. EasyCar's airport locations were open 24 hours, while its offsite locations were generally open from 7 A. M. to 11 P. M.

The physical facilities were minimized in all aspects of operations. Many locations were leased space in an existing parking garage, and employees worked out of a small, self-contained cubicle, minimally equipped. EasyCar also leased out spaces within the garage for its cars, but since the vehicles were rented 90% of the time, the number of spaces required at an average site was less than a quarter of the fleet size. To expedite the opening of new

locations, easyCar had equipped a number of vans with all the needed computer and equipments to run a site. Hence, easyCar could simply add another location to the company's website by simply leasing a small space for the fleet, hiring a few staff, and moving the van to that location. Depending on the fleet size, there were typically only one or two employees working.