

# Expanding a traditional concept to new areas

*Dealers take rental services down different avenues*

BY KARIN GELSCHUS

■ ASSOCIATE EDITOR

While rental programs for dealers located in tourist destinations are popular, stores in non-tourist destinations have implemented alternative rental services that have also been successful, using programs like rent-to-own, test rides and loaners for service customers.

Like most profit opportunities, these services require additional efforts and costs, including obtaining insurance, maintaining/servicing rental units, hiring additional staff, adding and removing units and altering advertising.

Despite the additional work and expenses, dealers continue to utilize rental services for their profit potential.

## RENTAL PROGRAMS

One of the most popular rental operations on the rise is a "try before you buy" program, which is MBA Insurance's tagline, says Josephine Johnson, director of marketing for MBA Insurance.

"Let them get out there," she said of new unit consumers. "My husband test drove every Harley there was before he made a decision."

Rentals in fact can help a consumer decide which bike they like best, says Michael Schaefer, marketing director of Denver's Mile High Harley-Davidson, which has a rental operation.

"One day they might rent a Softail and one day they might rent a V-Rod just so they can see what the different bikes feel like," he said. "It helps them with their purchases."

To encourage customers to buy, Ciao Bella Scooters in Alton, Ill., has a rent-to-own program. Owner Helen Davidson says that produces a lot of sales because often times people aren't sure if they really want to buy in the first place.

"If they rent it for a full day and want to buy within 30 days," she said, "we'll knock (the rental charge) off the purchase price."

Even if people aren't ready to purchase, it's a way to get them in the dealership and build a rapport for when they are ready to buy, says MBAs Johnson.

"Someone may not be able to afford one but when they are ready," she said, "the dealership that rented to them is going to be the first place they go back to."

Another way to attract potential rental customers is through state license departments. Ciao Bella Scooters provides its 250cc scooters for testing at four DMVs located near the dealership. Davidson says they deliver bikes to the testing facility and charge the customer \$65. It usually takes about an hour to an hour and a half of the dealership's time.

"A lot of them buy the big Harleys and the big motorcycles, and they can't pass the test on



Mile High Harley-Davidson has 77 bikes it uses for rentals, which is up from 50 bikes last year.

it," she said. "We have a little 250cc automatic that's small enough and easy to use that makes it a breeze. The DMV testing is actually a really big thing that kind of took off right off the bat."

A different sector of the rental business that escalated for Mile High Harley-Davidson is using some of its rentals for loaner bikes. Schaefer says they'll lend a brand new Harley to a customer whose bike is in the shop.

"We offer those out as loaners during the week," Schaefer said referring to rentals. "During the week isn't a high (demand) time."

Those current year-model loaners not only attract more service customers but create more sales opportunities. Schaefer says that program is a big reason why people choose Mile High. Plus, it's not uncommon for people to turn around and buy the loaner bike. "At that point, they sell themselves," he said.

It is expensive to buy the new Harleys and a lot of work to set up and maintain the bikes, Schaefer says. The dealership puts a number of accessories on the motorcycles, including windshields,issy bars, louder pipes, "things that will make the bike more conducive to touring," Schaefer said. "There's quite a bit of work in setting up those."

The dealership has five additional people that work just with the rentals, making reservations, checking out and taking the bikes back in. When the dealer gets a bike back, a staff member will do a walk around to make sure there's no damage. Schaefer said, "It's the same type of operation when you go to rent a car."

Although it's a lot of effort to offer the rental program, Schaefer says it's worth it. He adds the dealership has a good record of selling all or most

of the rental motorcycles at the end of the year.

"It makes a really good deal for the customer to purchase one of those bikes," he said. "They've been really well maintained. They still have a year's worth of warranty from the factory that goes with the bike. They're depreciated, and customers get a good price."

In addition to the profit from the actual rental, Johnson says it gives dealers a chance to sell more PG&A, which has been the result for Mile High Harley-Davidson in regards to customers who aren't locals.

"As (renters) are coming in and checking out their bikes, they shop the retail section," Schaefer said, "lots of stuff to take on their ride or take home with them."

The more traditional motorcycle rental market has taken off considerably for one of the largest motorcycle rental companies in the world.

Eagle Rider President Chris McIntyre told *Powersports Business* at the start of the year that the company had record-breaking sales and its dealer network is expected to exceed 100 this year.

Last year had been the company's best year thus far, McIntyre continued, with profits quadruple that of 2007.

"Just because people aren't buying power-sports vehicles," he said, "it doesn't mean that they don't still want to escape on a bike and rent something to ride on for an afternoon or a long weekend."

## INSURANCE COVERAGE & COSTS

The key thing to remember is a dealership's sales insurance usually excludes rental services completely, including test rides, says Johnson.

"Our policy is the rental business coverage

## TIPS TO START A RENTAL SERVICE

There are some critical points dealers should consider and follow before providing a rental service for their customers, says Josephine Johnson, director of marketing for MBA Insurance. Here are some of those critical points:

- Start small — no more than six units.
- Have an even number of units available to rent because people usually come in pairs.
- Change the dealership's Web site because a lot of people search for rentals on the Internet.
- To come up with pricing, research other rental businesses in the area and state.
- Have a separate person dedicated to the rental business, so it doesn't take away from floor sales.
- Fluctuate the number of vehicles throughout the season to reflect the demand. Add or delete units monthly.

up to \$1 million to protect their own operations from any allegations of negligence for what they're doing rental wise," she said. "We also give up to the policy limit plus legal defense."

That also applies to ATVs, scooters and snowmobiles. For all powersports, rates vary by what vehicle the dealer is renting and the unit's value. Johnson says MBA Insurance might charge \$60 for an ATV or \$110 for a motorcycle valued at \$18,000.

Although costs are a large part of a rental business, dealers also need to determine how many units to rent and what vehicles are going to be rented.

"They have to be motorcycles that are insured individually by VIN number," Johnson said. "Normally (a dealer's) open lot garage policy doesn't cover a rental operation. It's a sales operation. It's a different exposure."

In addition to the rental policy, MBA Insurance provides its dealers with rental agreements for the renter and operator, so they don't have to hire an attorney.

"We have an attorney who specializes in this and writes all the contracts for us," Johnson said. "We also give (dealers) their check-in and check-out forms. They're templates so they know what to go over with the customer coming in."

MBA Insurance also guides dealers in how to keep accurate maintenance logs, so they can prove units are road worthy.

"If (the renter) has an accident and someone says, 'It was your fault; it had faulty brakes,' there's documentation (in the maintenance log) that says the brakes or whatever was just done on this day."

Having the program be a part of the rest of the dealership is a key driver in the success of the rentals, says Schaefer.

"For us, the success of the program has been in its ability to be intertwined with all the other things we're doing," he said. "I don't think the program would have been as successful if that's all we were doing. It's been ingrained in the sales department, in the service department, meshing our marketing. It's part of our fabric. It's an important piece." **PSB**

# How to tap into Gen Y's \$200 billion buying power

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The 75 million offspring of Baby Boomers are growing up and have substantial — to say the least — buying power.

Making up slightly more than a quarter of the population, Gen Y (born 1980-current) has a buying power of \$170-\$200 billion annually, says Leah Reynolds of Deloitte, a consulting company for a number of different industries, including automotive, retail and insurance.

With that amount of buying power and a national survey revealing that many people in Gen Y are ready to purchase a vehicle, there's a huge pie powersports dealers could get a piece of.

*Editor's note: Last issue we provided statistics from the Motorcycle Industry Council that show a huge new and young consumer group is entering the powersports market. Here is a more detailed look at where and how to find them for your marketing purposes.*

A large part of Gen Y's buying power is directed toward purchasing a vehicle. A Deloitte national survey of 1,000 respondents conducted in September 2008 revealed that three-fourths of Gen Y is somewhat likely to buy or lease a vehicle within the next two years.

However, getting Gen Y's business can be tricky because they don't like being told what to like or what to do.

"Understand that Gen Y is an experience culture. They want to

experience the world for themselves and pass their own judgment," Bea Fields, president of Bea Fields Companies Inc., a leadership coaching, consulting and training firm, said in her article "Marketing to Gen Y: What you can't afford not to know."

In her article, Fields said, "Gen Y does not care about what you have to say unless you have been endorsed by their friends. They care about what their community says, and they take each other and their network's recommendations very seriously."

It is possible, however, to win them over. Fields says that can be done by finding out what they like along with recognizing what is important to them and how that plays into their buying decisions. Here are some additional tips on this new buying group.

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