

11:45 – 12:00

While You're Getting Excited

Thank you for attending our workshop

Please complete the short survey.

We'd like to know your reason for attending

Learn how renting will enhance your sales, service, parts and F&I business

2015 RVDA
International Convention

Dan Pearson, Pleasureland RV
Scott Krenek, Krenek RV Supercenter
Martin Onken, Expedition Motor Homes,
Inc

Survey

- Informal & Limited: from RV Rental Success 20 Group & MBA clients
- Wide sampling:
 - Average time renting: 16 yrs (1 – 45)
 - Income: 77% happy
 - 31% what I expected
 - 31% more than expected
 - 15% a lot more than expected
 - Income less than expected: 23% not happy
 - Do it Again? 92% yes
 - Income: Average: \$34k worst yr - \$702k best yr
 - Actual size range: \$8k - \$2.15m, 3 - +100 units

Can I make money

- Yes, 3 out of 4 do (2 out of 4 make a lot of money)
- Can I loose money? Yes (1 out of 4 do)

“There are a few ways to make money in this business, but there are a lot of ways to loose money. The devil is in the details.”

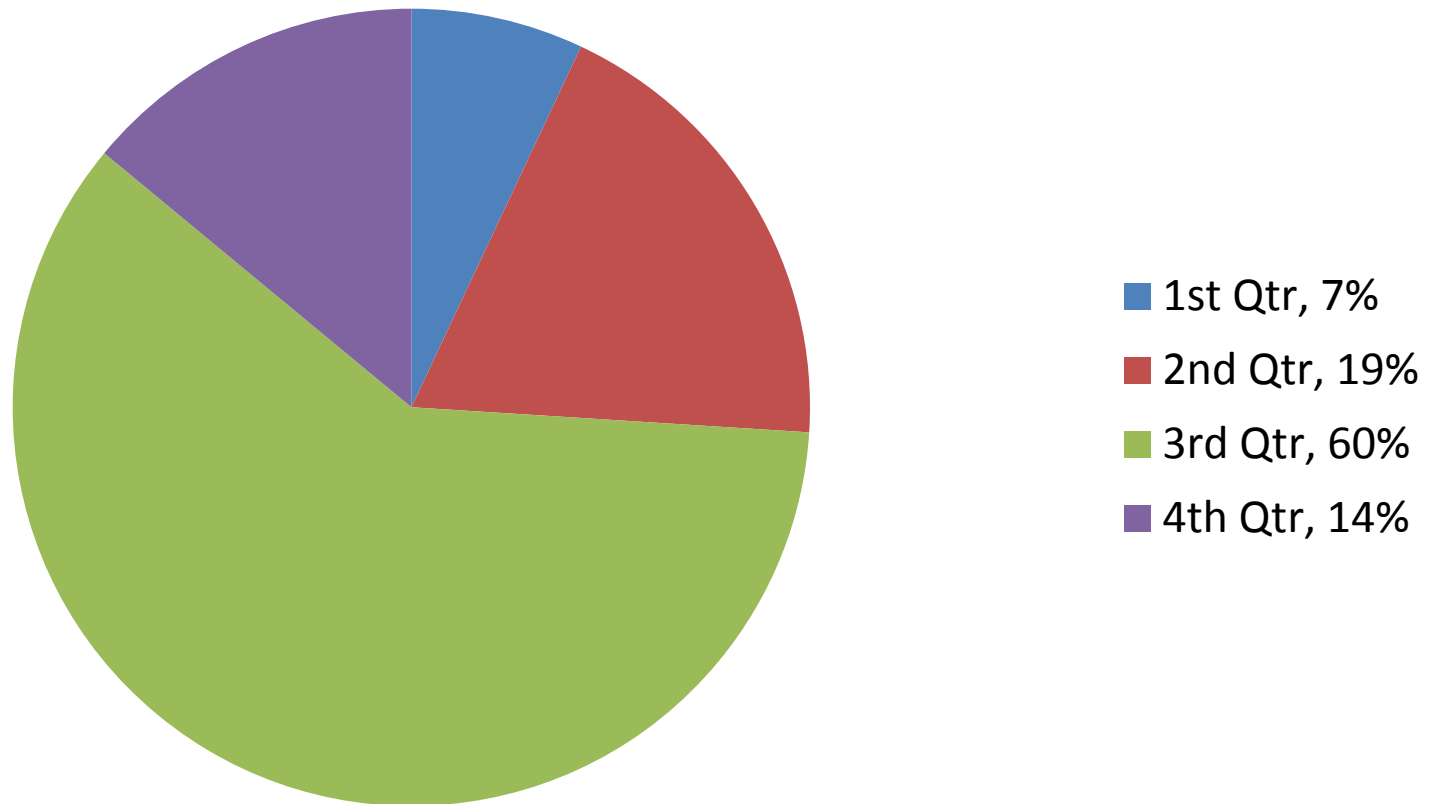
Scott Krenek, MBA RV Rental School, “Wisdom in 1.5 Seconds”,
every year I can remember

Market outlook for 2016

- Rental customers are “2nd cousins” to buying customers;
- RVRA survey reports expected 20%+ increase for 2016, maintaining a trend for past 3 years;
- Customer rental life: 2+ trips/year; 4-6 yrs = 8-12 buying experiences
- “On demand buyers love RV rentals!
- Access to 71% of Americans who take less than 10 days vacation (42% took none, 16% took 1-5 per 2015 Google consumer survey of 2014 vacations)

Typical annual gross: year round operation

Rental Income



Why should I Rent?

Survey results:

8% Easy money

8% Hard work but good money

8% Cash flow

15% Profitable work for under utilized employees

15% Future sales*

46% Source of good used vehicles for sale

54% Future customers*

Low Risk: Easy in / Easy out

Less Competition than Sales

Survey results:

Who are your 3 best competitors:

31% none in our market area

Some competitors listed:

83RV, Cruise America, US Adventure RV,
Dee's RV, RV Rental Outlet, El Monte RV,
Best RV Rentals, Uhaul, United Rentals,
Dragon Fly Vans, Go Westy

How do I make money

Rent stuff:

- Nightly rates: \$99 - \$550 motorized
- Miles: \$0.25 - \$2.00 per, motorized
- Add-ons: Accessories and Services
 - 2014 Expedition: 35% of revenue
- Damage associated charges: Loss of Use, Administrative fees & Diminished Value

All other dealership departments

Key indicators, per year

Average gross revenue per vehicle:

- Class C: \$22k - \$28k per year
- Class A gas: \$33k - \$38k per year
- Diesel pushers: \$30k - \$50k per year

Miles per year: 10k – 18k

Trips: 12-20

Life of unit:

Towable: 3-5 years

Motorized: 2-3 years, 20-36k miles

Service department

How much damage to rental units did you bill?

2014: \$500 - \$250,000 (average is \$62,000)

2015: \$400 - \$300,000 (average \$68,000)

Maintenance & warranty of rental units

Extra hours for techs & helpers on rental units
(cleaners, PDI, walk through, delivery/pick up,
etc)

Sales department

How many NEW & USED units sold as direct or indirect result of renting first, 2014 -2015?

New: 10%, and 0-190 units

Used: 10%, and 0-20 units

Effective closing tool:

Rent before you buy, “test drive” trip, rental fee is down payment

You get paid to qualify your sales customers:

Many rental customers are also the perfect demographic for a qualified sales customer

Reluctant sales customers are perfect rental customers – you keep them until they are ready to buy

Parts department

How much did renters spend on accessories:

2014: \$300 - \$250,000 (average \$88,000)

2015: \$400 - \$300,000 (average \$114,000)

- Outfitting items: chemicals, TP, hoses, adapters, comfort kits, galley kits, grub kits
- Camp & travel accessories: chairs, carpets, kits, anything you got! etc.

F&I

How many of the USED unit sales (as a result of rentals) also purchased F&I Products?

A: 0 – 50%, (Average 20%)

How Do I Get Started

- Dedicated, trained rental reservations agent.
- “Share” labor from other departments, as needed (prep tech, cleaner/washer, etc)
- Dedicated ‘spot’ on lot (in/out, wash, prep, storage, etc) & office reception area
- Advertising: Add to your website, signage
- Fleet (start small, grow slow, exit quick)
 - Dealership owned
 - Managed

Dealership owned inventory

- Purchase wholesale as a rental dealer;
- Receive coach with 1 year title advance;
- Rent for 2+ years, 20,000 – 30,000 miles total or less, (3-5 yrs average)
- Sell as a current used model close to what you paid for it
- Rent only what you can sell

+

Managed (consigned) fleet

- Hired by private owners to rent their RV;
- Split income
- Split expenses
- Sell when you can

How / why do I get out?

1 dealer in Nebraska quit after 8 years, 15 units,
RM & Tech, good utilization:

Small fleet not cost effective, better ROI in sales;

Cost & hassle of repairs (coaches not built for
rental use & abuse) leads to devaluation

\$500 per weekend not enough profit;

Rental manager quit – final straw!

(note: never went to Rental School or joined
rental 20 group)

Is Renting complicated?

Keep it simple. Start small, grow slow, exit quick

Train employees, standardize fleet, keep up on maintenance /repairs, identify your market, keep inventory fresh, rent only what you can sell

Rental School

Peer mentoring group

What was the main challenge in starting your rental department?

Survey says:

- Share employees with other departments
- Inventory
- Space for storing units
- Insurance, laws
- Marketing
- Nuts & bolts: paperwork, clients, maintenance
- Seasonality

Where's the ROI?

- Towables have greater potential for ROI compared to motorized
- Add-ons (services & accessories)
- Temp housing
- Fly in vacationers
- High end travelers: diesel pushers

ROI considerations

Benefits:

- Rentals
- Other departments income
- Disposition price
- Depreciation (tax)

Expenses/Costs:

- Vehicle
- DMV fees
- Interest
- Devaluation
- Maintenance
- Disposition prep
- Other department's COGS

Other Expenses/Costs

- Financing: rental fleet flooring
- Commercial Rental Insurance: MBA
- Employees:
 - Revenue per FT employee
 - Vehicles per FT employee
- Outfitting
- Start up: software, training, advertising, website

\$63,000	32BH Coachmen Freelanders, 2016 (1)
<u>\$55,000</u>	31H Winnebago Minnie W, 2015 (3) used
\$228,000	Investment
\$116,800	Gross (\$29,200 x 4) May – Oct 15, 2015
- \$3782	Interest, DMV
- \$3650	Insurance \$152/mo each
- \$3000	Expenses \$150/mo ea
- <u>\$2400</u>	Outfitting, \$100 per trip
\$103,968	Net, 6 months peak season, 2015

40% ROI (1st year)

\$60,000

33 ft Class c with bunks, cost

\$36,000

Revenue gross (inc. add-ons)

-\$5000

Depreciation

-\$1720

Interest

-\$3600

Insurance MBA, \$300/mo

-\$1000

Maintenance

-\$2000

Cost per departure, \$100 each

(Does not include benefit to other departments)

Is it worth the effort

- High ROI
- Limited 'professional' competition in most areas
- Simple business model
- Increasing demand
- Supports success of other departments
- Profitable disposition
- Easy entry / easy exit