

Tommi Eronen

# **Selection criteria for car rental customers at Helsinki Airport**

Customer survey

Thesis

Fall 2015

School of Business and Culture

Degree Programme in International Business



SEINÄJOEN AMMATTIKORKEAKOULU  
SEINÄJOKI UNIVERSITY OF APPLIED SCIENCES

SEINÄJOKI UNIVERSITY OF APPLIED SCIENCES

## **Thesis abstract**

Faculty: School of Business and Culture

Degree Programme: Bachelor of Business Administration

Specialisation: International Business

Author: Tommi Eronen

Title of thesis: Selection criteria for car rental customers at Helsinki Airport

Supervisor: Cory Isaacs

Year: 2015

Number of pages: 65

Number of appendices: 1

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The goal of this thesis is to find out the criteria on which customers base their decisions when renting a car at Helsinki Airport. Differences in customer segments and profiles are also analyzed. The second goal of the thesis is to discover if the new train connection opened to Helsinki airport in July 2015 will affect the car rental market there.

The theoretical part of the thesis introduces car rental industry in general, the market at Helsinki airport, and marketing factors within this industry. The empirical part includes the results of a face-to-face customer survey. The survey was conducted in the rental car parking hall at Helsinki Airport with randomly selected customers, using quantitative and qualitative methods. The responses were analyzed with the Webropol and the Microsoft Excel software.

The results show that the most important reasons for customers' selection are price-related factors and contracts between their companies and the rental car provider. The single most important factor stated by the respondents was price. The commissioner of this thesis will be able to use the obtained results and information to develop and target their marketing activities more efficiently.

Keywords: car rental, selection criteria, customer survey, Helsinki Airport

SEINÄJOEN AMMATTIKORKEAKOULU

## Opinnäytetyön tiivistelmä

Koulutusyksikkö: Liiketoiminta ja kulttuuri

Tutkinto-ohjelma: Liiketalous

Suuntautumisvaihtoehto: Kansainvälinen kauppa

Tekijä: Tommi Eronen

Työn nimi: Selection criteria for rental car customers at Helsinki airport

Ohjaaja: Cory Isaacs

Vuosi: 2015

Sivumäärä: 65

Liitteiden lukumäärä:1

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Tämän opinnäytetyön tavoitteena on selvittää asiakkaiden kriteerit vuokra-auton valintaan Helsinki-Vantaan lentoasemalla. Myös eri asiakasryhmien välisiä eroja tarkastellaan. Opinnäytetyössä selvitetään myös, vaikuttaako uusi, vuoden 2015 heinäkuussa avautunut junayhteys Helsinki-Vantaan lentoaseman vuokra-automarkkinoihin.

Opinnäytetyön teoreettisessa osassa esitellään vuokra-autoalaa yleisesti ja Helsinki-Vantaan lentoasemalla sekä markkinoinnin osa-alueita tällä alalla. Empiirinen osa sisältää haastattelemalla tehdyn asiakaskyselyn tulokset. Kysely toteutettiin vuokra-autojen pysäköintihallissa Helsinki-Vantaalla satunnaisesti valituille asiakkaille käyttäen kvantitatiivista ja kvalitatiivista tutkimusmenetelmää. Vastaukset analysoitiin Webropol- ja Microsoft Excel -ohjelmilla.

Tulokset osoittavat, että tärkeimmät syyt asiakkaan tekemään valintaan ovat hintaan liittyvät tekijät ja sopimukset asiakkaan edustaman yhtiön ja vuokra-autoyrityksen välillä. Tärkein yksittäinen kriteeri vuokra-auton valinnassa on vastaajien mukaan hinta. Opinnäytetyön toimeksiantaja voi käyttää tuloksia ja tarjottua tietoa markkinointinsa kehittämiseen ja keskittämiseen tehokkaammaksi.

Asiasanat: autonvuokraus, valintakriteerit, asiakaskysely, Helsinki-Vantaan lentoasema

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# 1 INTRODUCTION

When an airplane lands at airport the passengers in it are most likely not in their final destination. They still have distance to travel in order to reach the location where they want to be. Some might have a connecting flight to another country or city, others wish to travel somewhere, where it is not possible by an airplane. At Helsinki Airport there are various different options to choose from. There are taxis, bus stops and since July 2015 a train station. One more option is to rent a car.

This thesis is about car rental customer's selection criteria at Helsinki Airport. The research questions are:

1. Why does one rent a car at Helsinki Airport?
2. What are the selection criteria for rental car customers at Helsinki Airport?
3. Will the new railway connection affect the behavior of rental car customers?

The objective of this thesis is to answer the three research questions, and therefore a customer survey was conducted. Car rental industry is in a transfer stage, where digitalization and internet are changing the traditional concepts, creating new threats and providing new opportunities. Using those opportunities new companies have entered the competition at Helsinki Airport and the new train connection with other new forms of transportation intensifies the competition among industries.

This thesis was commissioned by Interrent Oy, the franchisee of Europcar Finland, which is one of the global car rental brands operating at Helsinki Airport. They needed to have an objective view of the current situation and receive authentic opinions from different kinds of car rental customers.

Firstly in the thesis the car rental industry in general and at Helsinki Airport is briefly reviewed. Secondly in the theoretical part car rental market of Helsinki Airport is analyzed using some of the best known marketing theories and finally, the empirical part presents and analyzes the opinions of randomly chosen rental car customers.

The customer survey was conducted with a face-to-face interview in the parking hall where the rental cars are returned at Helsinki Airport. In total 86 replies were received and researched using quantitative and qualitative research methods.



## **2 CAR RENTAL INDUSTRY**

### **2.1 Industry overview**

One of the first car rental companies is considered to be established by Martin Sixt in Munich, Germany in 1912. Operating a fleet of three cars, his clients were members of the British nobility and rich Americans (Sixt Corporate History, Ref. 16 November 2015). The first rental car location at an airport opened in 1932 by Hertz Drive-Ur-Self System (Hertz History View, [Ref. 16 November 2015]). Car rental industry has been closely in connection with airline and railway transportation since its early years and is considered as a similar part of travel service industry. For a long period of time, the rental car customers were mostly business men at airports and railway stations, but later when families began to have holidays that included an airline trip, two types of travel became distinct, business and leisure. (The Idea Works Company 2011, 2-3).

Although car rental is a part of transportation, it has some specific qualities that airline, bus and railway industries do not have. These qualities have similarities to accommodation providers, as the fee collected from the customer is based on length of the rental and category of the car, but the biggest difference is flexible inventory (Gupta 2013).

### **2.2 Traditional car rental services**

The most of traditional car rental companies' services can be divided into five different segments: short-term rentals, long-term rentals, replacement vehicle services, commercial vehicle rentals and business to business services.

Short-term rentals can be considered as company renting a car for a customer for a short period of time, usually from hours to a few weeks. Usually short-term rentals provide transportation for travelers in temporary need of a car in their travel destination. (Revenue Management in Rental Car Industry 2013).

Different long-term rental products are for example Europcar Minileasing, Avis Flex and Sixt Minileasing. Typically, these offers include a rental car for a period from one month to a year and are offered for companies and individual consumers. (e.g. Europcar Minileasing, [ref. 11 November 2015]; Sixt Minileasing, [ref. 11 November 2015]).

Replacement vehicle services are meant for car owners who have their own car in a workshop for a repair or service. Car rental companies have their own offices inside many large car dealerships and they co-operate closely with insurance companies. (e.g. Avis Sijaisautot, [ref. 11 November 2015]; Hertz sijaisautopalvelu, [ref. 11 November 2015]).

The most of the large rental companies also offer commercial and utility vehicles for rent, but in this field of business there are more companies in competition. Several small companies offer only commercial vehicles. Car rental companies also offer business to business company contracts tailored for the customer company's needs. Company contracts can include for example special prices based on rental volumes in several different countries, faster special services, free deliveries and other special treatment. (e.g. Europcar Yritysassiakkaat, [ref. 11 November 2015])

All of the traditional car rental companies offer different services in addition to the actual usage right of a rental car. These extra services include for example navigation systems, different insurance packages, child seats, ski boxes and deliveries and collections of the cars. (e.g. Europcar Lisäpalvelut, [ref. 11 November 2015]; Hertz Vapaavalintaiset tuotteet, [ref. 11 November 2015]).

### **2.3 Global car rental companies in Finland**

Of the global car rental brands in Finland are present Avis, Budget, Europcar, Hertz and Sixt. From this point forward these companies are referred as traditional car rental companies. In the following these companies are briefly introduced.

Avis and Budget belong to the same mother company Avis Budget Group, which is a publicly listed company in NASDAQ stock exchange. Worldwide they operate in

approximately 175 countries with the following rental car brands: Avis, Budget, Payless, Apex and Maggiore. In Finland, the franchisee of Avis and Budget brands is Helkama Auto Oy. (About Avis Budget Group, [ref. 20 November 2015]; Helkama-Auto Oy, [ref. 20 November 2015]).

Europcar is a part of Europcar Group, publicly listed in Paris stock exchange. Their brands include the main brand Europcar and low-cost operator InterRent. They are present in approximately 140 countries worldwide. The franchisee of Europcar in Finland is Interrent Oy, which is not to be confused with the low-cost brand regardless of the similar name. (Europcar Corporate Profile, [ref. 20. November 2015]; Europcar Yrityt, [ref. 20 November 2015]).

Hertz is the main brand of Hertz Global Holdings, which is a publicly listed company in New York Stock Exchange. Their brands include Hertz, Dollar, Trifty and Firefly and have locations throughout 150 countries. The Finnish franchisee of Hertz is First Rent A Car Finland Oy. (Hertz annual report 2013; Hertz Yhteystiedot Suomessa, [ref. 20 November 2015]).

Sixt SE is the holding company for Sixt car rental. They operate in approximately 100 countries using the one Sixt brand. According to their annual report (2014, 15) their shares can be exchanged in Xetra, Frankfurt am Main, Munich, Stuttgart, Hanover, Düsseldorf, Hamburg and Berlin stock exchanges. In Finland Sixt is operated by franchisee Veho Rent Oy Ab. (The Sixt Brand, [ref. 20 November 2015]; Veho Autotalot, [ref. 20 November 2015]).

The above mentioned companies are also the biggest competitors to one others at Helsinki Airport. The following chapter is focused on car rental markets and characteristics at Helsinki Airport.

### **3 CAR RENTALS AT HELSINKI AIRPORT**

Customers renting a car from Helsinki Airport are in most cases airline passengers landing at this location, who are in need of complimentary transportation to their final destination or destinations. Different customer groups rent cars for different time periods, and they may vary from some hours to several weeks or longer. (Riuttanen, 2015).

#### **3.1 Value of Helsinki airport for car rental companies**

Traditional car rental companies produce the most of their revenue at airport locations. To mention a couple of examples, Avis Budget Group stated in their annual report (2014, 8) that 67 percent of their worldwide revenues came from airport locations in 2014. For Hertz International, including all markets except for the United States the same figure was 56 percent (Hertz annual report 2013, 13). Hereby can be said that majority of car rental business happens at airports.

Finavia reports that there were 15.9 million passengers at Helsinki Airport during the year of 2014. Other airports in Finland had 3.7 million passengers combined, which means that 81.1 percent of aviation traffic in Finland comes from Helsinki Airport. (Finavia annual report 2014, 20).

Based on these figures it can be stated that Helsinki Airport is the single most important car rental location in Finland.

#### **3.2 Customer segments**

As mentioned earlier the most of the customers at Helsinki Airport are airline passengers. They can be divided into two segments, business and leisure. These two segments create different demands for car rental companies. In Table 1 typical differences between business and leisure travel are presented.

Table 1. Leisure and business travel. (Davidson &amp; Cope. 2003, 7).

<b>Comparison of leisure and business travel</b>			
	<b>Leisure travel</b>	<b>Business travel</b>	<b>But ...</b>
<b>Who pays for the trip?</b>	The traveller	The employer	Self-employed pay for themselves
<b>Who or what determines the destination?</b>	The traveller	The organiser of the event or the location of the work to be done	Organisers take participants wishes into account
<b>When do trips take place?</b>	In leisure time  Classic holiday periods and at weekends  Relatively infrequently but (holidays) last longer	In working time  Mainly outside holiday periods, Monday-Friday  Relatively frequently, but for short periods	Many business trips extend into the travellers' evenings and weekends
<b>Planned how far in advance (lead times)</b>	Holidays booked a few months in advance; short breaks booked a few days in advance	Large events organised years in advance	Individual travel can happen at very short notice
<b>Who travels?</b>	Anyone with the money and time to travel	Adults; largely managerial level, or those with technical/specialist skills not available locally	Associations draw their memberships from a wider range of people of different ages and backgrounds
<b>What type of destination?</b>	Mainly coastal, mountain, urban and rural	Largely centred on cities in stable, industrialised destinations	Incentive travel destinations are similar to leisure destinations
<b>What type of travelling companions?</b>	Friends and family	Usually unaccompanied in the case of individual business travel; or with colleagues in the case of business tourism	Family members may be included in incentive trips or in conference attendance

As can be seen on the Table, leisure trips are usually longer in duration, which means longer car rentals for leisure customers than business customers, but they can be seasonal as they are focused on holiday periods. Business travelers rent cars for shorter periods more frequently, usually outside holiday periods and between Monday and Friday. To adjust for different demands car rental companies must be aware of high and low seasons and possible other peaks during a year. In practice this means that in high seasons there should be more available cars for rent than during low seasons. To handle the inventory capacity rental car companies at Helsinki Airport use revenue management, which is discussed later, in chapter 4.1.3 of this thesis.

### **3.3 High and low seasons**

To understand when the high season is at Helsinki Airport it is important to review when do people and potential rental car customers come in Finland. In Figure 1, retrieved from Statistics Finland (2015) arrivals to Finland are presented from previous three years, from September 2012 to August 2015. In the figure can be clearly seen that traveling to Finland has a specific high season in the summertime. During this three-year period July had the most arrivals every year. Next was August and third was June. The low season was focused in Decembers and Januarys.

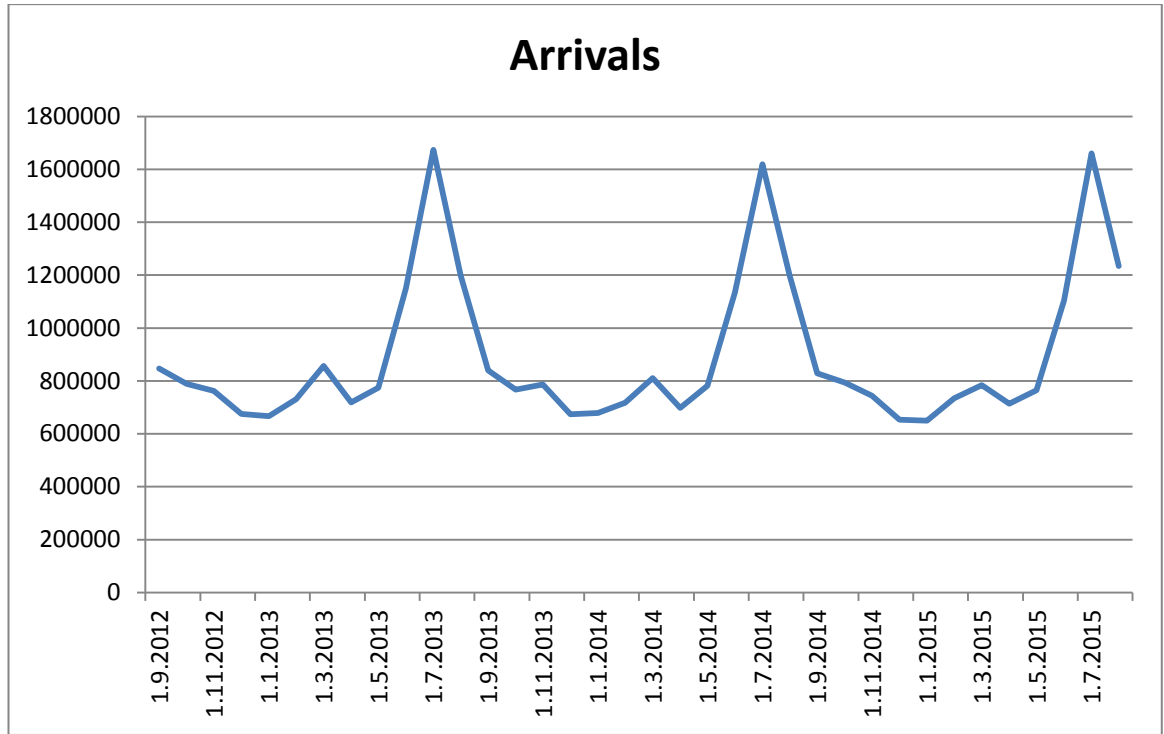


FIGURE 1. Arrivals to Finland. (Statistics Finland, 2015)

There are also clear differences between regions in Finland and for example in 2014 instead of the three summer months the most important tourism months in Lapland were July, March and December (Statistics Finland, 2015). This can be utilized by rental car companies to move their car inventory between locations during a year.

## **4 DIFFERENT MARKETING THEORIES APPLIED TO CAR RENTAL BUSINESS**

In this chapter, the rental car market at Helsinki Airport is reviewed within some of the best known marketing theories, Marketing Mix and Porter's five forces. These basic theories were chosen, as they provide good, simple framework for all the different aspects a customer might base his selection criteria on.

Marketing mix is also known as the 4 P's of marketing. The original model was first introduced by E. Jerome McCarthy in 1964, but widely popularized by Philip Kotler in his first edition of Marketing Management from 1967. Marketing mix includes four controllable variables that a firm can use in order to influence buyer's purchasing decision. These variables are price, place, promotion and product. The following chapters, regarding these variables begin with Kotler's definition and then are reviewed and analyzed for what their purpose is in car rental industry.

Porter's five forces is a theory developed by Michael Porter in his book Competitive Strategy: Techniques for Analyzing industries and Competitors from 1980. Based on this theory, the five forces which drive industry competition are rivalry among competitors, bargaining power of suppliers, bargaining power of buyers, threat of substitution and potential entrants. Together these forces determine the profit potential and intensity of competition within an industry. (Porter 1998, 3-4).

### **4.1 Price**

Kotler and Keller (2012, 25) state that the price section of the marketing mix includes the following aspects: list price, discounts, allowances, payment period and credit terms.

According to Albanese and Boedeker (2002, 162) pricing is one of the most important competitive factors for travel companies and it has significant impact in profitability and customer's purchase decision. Price can be also considered the easiest and quickest variable to change.



### **4.1.1 Definition for price**

When argued what something is worth often two different words are used, price and value. Linn (2010, 5) suggests price and value are the same phenomenon from opposite positions. He states that price is set by the provider based on supply and demand, but value is decided by the market. If the product's price set by the provider meets or exceeds the value that customer expects to gain from the product, a transaction will be performed.

### **4.1.2 Discounts**

Albanese and Boedeker (2002, 175) divides price discounts into loyalty, pre-order and quantity discounts. According to them, loyalty discounts are given when a customer focuses a certain amount of his transactions to a certain company, preorder discounts are given when customer orders the service within a certain time frame and quantity discount is given when a customer makes a lot of purchases at once.

All the traditional car rental brands offer some loyalty program (e.g. Europcar Privilege Loyalty; [ref. 21 November]; Hertz Gold Plus, [ref 21 November]). Quantity based discounts could be considered as contract prices between car rental company and the customer company. Preordering and prepaying are an important factor is important factor in forecasting demand, which is a part of the topic of next chapter, revenue management.

### **4.1.3 Revenue management**

Several different travel industries, most notably aviation, hospitality and rental car industry use revenue management to control and manage their pricing and capacity (Jerez 2008, 1).

General definition for revenue management is a pricing technique that combines strategic, long-term pricing decisions and tactic, short-term pricing decisions and capacity control simultaneously in order to maximize profits (Albanese & Boedeker

2002, 175-177; Albanese 2004, 23-24; Phillips 2005, 120). Albanese (2004, 28) divides revenue management to two main segments, price differentiation and adjusting capacity based on demand, reservation and purchasing behavior of customers.

Differentiation of the price aims to offer the correct price for the correct customer, based on his ability and willingness to pay (Albanese 2004, 53), for example customers with low price sensitivity could choose first class tickets on an airplane, a large suite in a hotel or the most powerful sports car at a car rental office. In the other end are the customers who choose the cheapest option and do not give value for any additional service or higher quality service. One goal of this thesis is to understand these reasons behind the customer's decision and compare different customers to one others. Results are presented later in their own chapter.

Revenue management is similar in car rental as in other industries, except for the fact that the inventory is flexible not fixed. As mentioned in the chapter 3.3, high and low seasons are significant at Helsinki Airport, and therefore adjusting the inventory and managing rates against available fleet are key components to successful revenue management. (Gupta 2013).

Even though the price is one of the key elements in travel services, using price as the only competitive factor rarely produces long-term advantage, as other companies can quickly and easily respond to this (Albanese & Boedeker 2002, 98).

## **4.2 Place**

According to Kotler and Keller (2012, 25) place in the marketing mix considers channels, coverage, assortments, locations, inventory and transport. Other words that could be used for place are availability and distribution. There is a great variance of channels how to rent a car at Helsinki Airport, and they are presented in the following chapters.

#### **4.2.1 Rental offices**

Traditional, international car rental companies have several different offices at main airports, railway stations, city centers and car dealerships. Retrieved 11 November 2015 from rental companies' Finnish corporate websites, Avis, Budget, Europcar, Hertz and Sixt have in total 308 locations in Finland. To these locations, customers can walk in and request a rental car without a reservation or collect their car that was reserved beforehand. Usually the sales of extra services and equipment happen at the rental office during the time of collection, although it is also possible to pay and book them in advance (Riuttanen, 2015).

#### **4.2.2 Reservation and payment channels**

Reservation and payment methods are usually dependent on the customer segment. As mentioned in Chapter 2.1, travel services are commonly divided into business and leisure customers.

In the Figure 2 below the reservation channels of a business customer are presented.

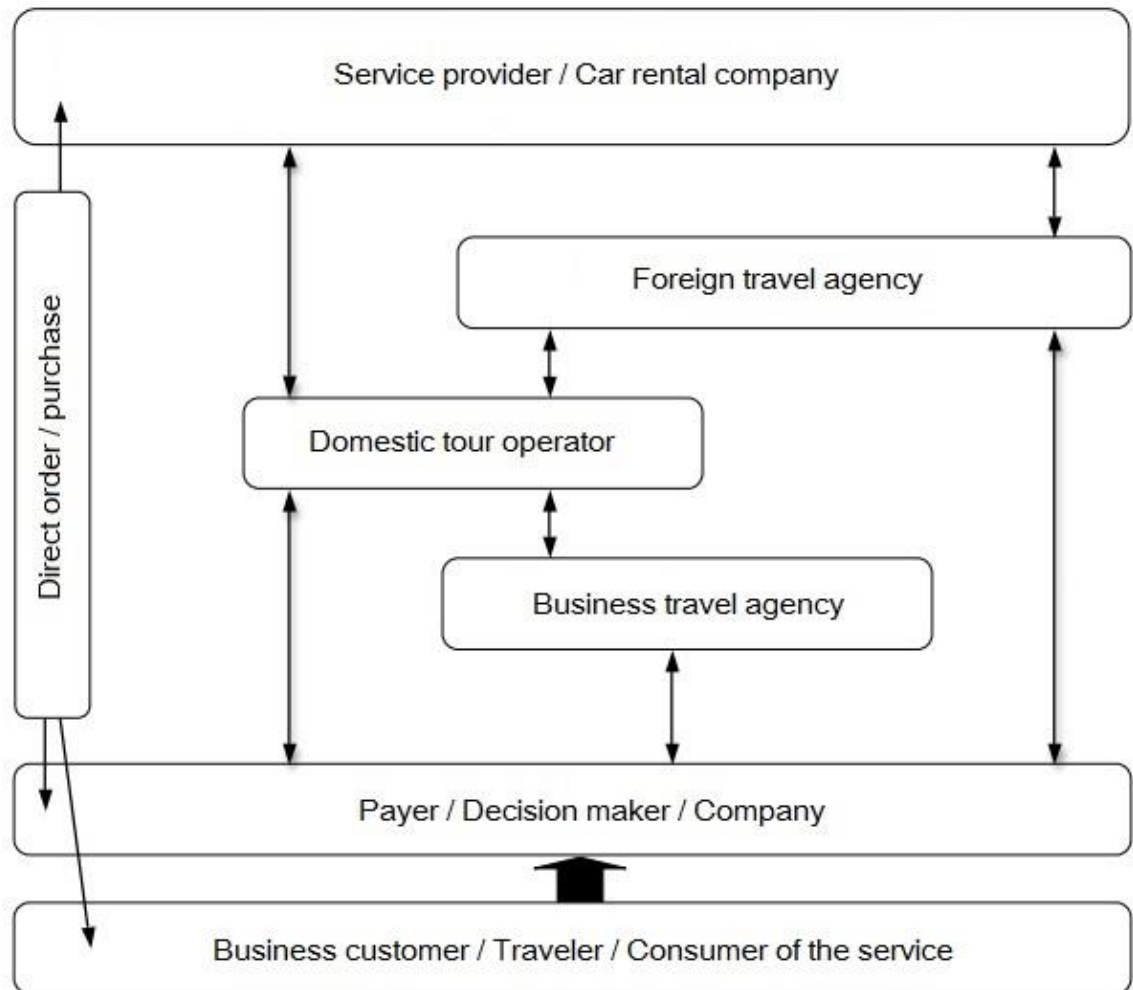


FIGURE 2. Business customer's distribution channels. (Verhelä 2000, 11) (amended).

Even though digitalization has changed the reservation channels in the recent years the main framework can still be considered the same as Verhelä did in 2000. Business customers can still have direct contract prices with the company and the traveler can himself make the order or for example travel assistant of the company. Also travel agents and tour operators are still used but they are more present online than before and some only operate on the internet. Digitalization has reduced the number on local travel agencies and centralized business to large global businesses. (Verhelä 2014, 115, 117-120).

Leisure travelers also have many options to choose from and digitalization affects this segment even more extensively. As in Figure 3 can be seen, the main differ-

ence between business and leisure customer's distribution channel is the fact that in leisure, the customer is the payer, decision maker and the consumer of the service.

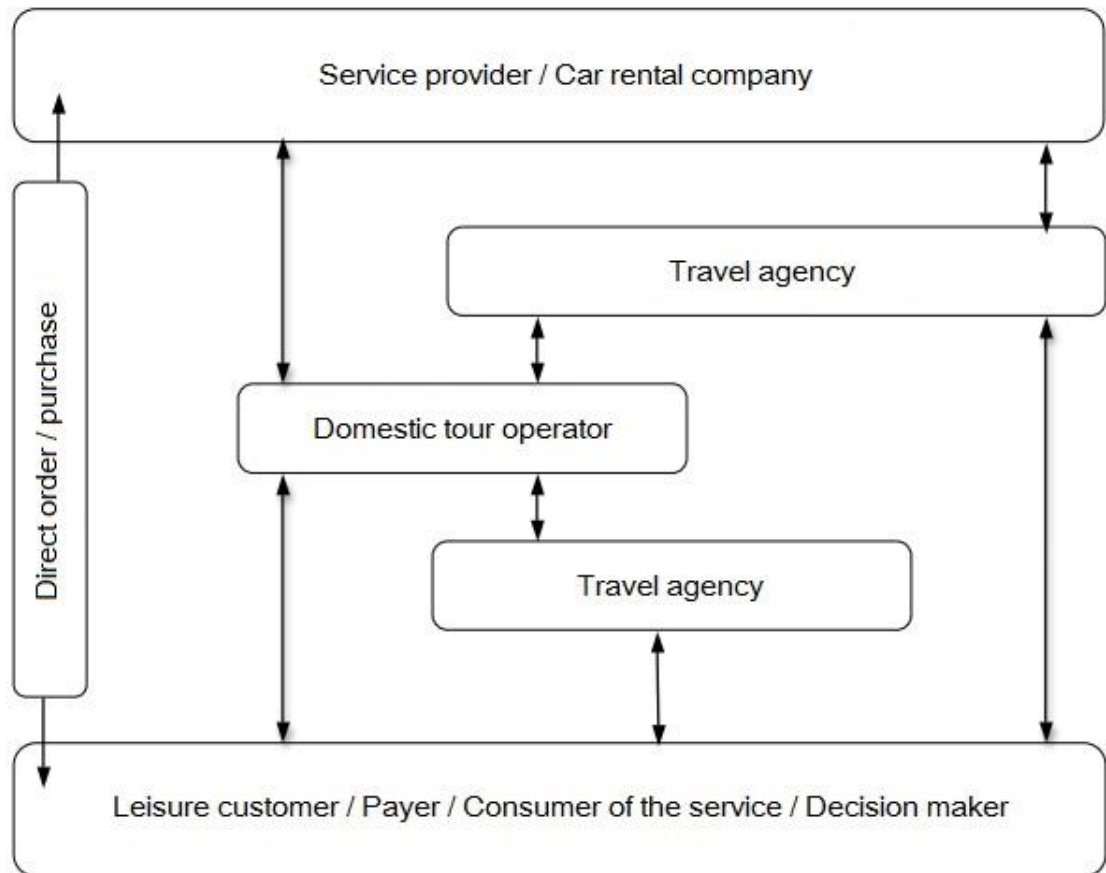


FIGURE 3. Leisure customer's distribution channels. (Verhelä 2000, 11) (amended)

Growth of internet travel agencies and tour operators have increased the possibilities for customers to shop around before making their purchase decision, and shopping around has become common over the years. CarTrawler (2014), one internet broker of rental cars conducted a survey for six different markets around the world and found that 73 percent of leisure customers, who have booked a rental car over the internet always shop around and compare different websites before making their decision. 23 percent do this sometimes and only three percent never. Business customers also have growing habit of shopping around and from 2012 to 2014 customers who always shop around had five-fold increase from nine

percent to 50 percent. 37 percent shop around sometimes and 13 percent never shop around.

At Helsinki Airport internet travel agencies and brokers have challenged car rental companies' business models as some of their regular customers in both segments, business and leisure might have switched from direct orders and purchases to using these internet-based brokers. (Riuttanen 2015).

### **4.2.3 Tour operators and travel agencies**

There are two types of travel agencies, ones who produce their own products like ready vacation packages are known as tour operators. The other travel agencies only sell and distribute other providers' services. Tour operators include for example the following global companies: TUI AG, which operates 220 different brands, has 1800 offices around the world, owns 232 hotels, 138 airplanes, 4 cruise ships and has approximately 30 million customers per year. In Finland TUI operates with the the brand Finnmatkat as a part of TUI Nordic. Second is Thomas Cook Group, which includes 16 different brands, 52 airplanes and approximately 20 million customers per year. In Finland Thomas Cook's brand is Tjäreborg. (Verhelä 2014, 112-113).

In car rental business tour operators tend to have a specific contract with one or more rental companies and they provide their customers vouchers, which to use for renting a car as a part of their travel package. Then the car rental company uses the voucher to invoice the rental amount from the tour operator. (Riuttanen 2015).

Travel agencies include companies like SMT and Carlson Wagonlit Travel and they offer a platform where their customers can book everything related to their travel in one place, from one company. These companies tend to use mostly internet based platforms for their bookings, called global distribution systems or GDS.

#### **4.2.4 Global Distribution System**

Global distribution systems were first launched as reservation tools by airlines, when they wanted to have a common platform to make real-time reservation process and worldwide multi-airline connection flights possible in the 1970's. The largest GDS's are nowadays public companies in stock exchange, but airline companies are still major owners. GDS's are used as a reservation platform for travel agencies, tour operators and individual consumers. (Verhelä 2014, 123-124).

The three largest GDS companies are Amadeus, Travelport and Sabre, with 443,4 million, 350 million and 314 million reservations in 2013, respectively. Market leader Amadeus is used by 446 airlines, 290 hotel chains, 100 railway companies and 34 car rental companies in 219 countries. (Verhelä 2014, 124). These figures provide a good picture on the wideness and distribution of these GDS companies.

#### **4.2.5 Internet brokers and metasearch engines**

As mentioned before in this chapter, internet brokers and online travel agencies have a growing share of all reservations. Excluding tour operators and traditional travel agencies there are three different website types where you can make a reservation for a rental car. The first is the corporate website of a rental company like [www.europcar.fi](http://www.europcar.fi), where the reservation and payment is made directly to the service provider. The second is a car rental distribution website like [rentalcars.com](http://rentalcars.com), which offers rental cars from several different service providers. The third is a metasearch engine, which searches available rental cars from both, car rental company websites and internet broker websites. Example of this kind of a search engine is [Billiger-Mietwagen.de](http://Billiger-Mietwagen.de).

Internet broker companies co-operate with different car rentals, who offer them a price on what to sell their services and then the broker company displays it on their website among other rental companies and take their commission of completed rentals (Riuttanen 2015). Often they also sell their own third party insurance as an extra service, where they commit to pay back possible costs related to damages ([Rentalcars.com](http://Rentalcars.com), [ref. 11 November 2015]). Different internet brokers co-operate

with different car rental companies. For example based on the information retrieved from their websites on November 6th 2015 Rentalcars.com offers rental cars at Helsinki airport from Avis, Budget, Europcar, FiRent, Green Motion, Hertz, Keddy, ScandiaRent, Sixt and Thrifty. Another large broker CarTrawler offers Avis, Budget, Europcar, Green Motion, ScandiaRent and Sixt.

#### **4.2.6 Co-operation with an airline**

Relationships between airlines and car rental companies have increased in value and tightened during the online era. For example it is possible to reserve a rental car at the same time with flight tickets at the airline's website. It is also possible to gain frequent flyer benefits and points from several different car rental companies.

Some airlines have exclusive deals with certain rental companies, for example British Airways and Avis, Air France and Hertz, EasyJet and Europcar. These deals provide ancillary income for the airlines, which can be up to 18 percent of the rental amount. (The Idea Works Company 2011, 7). Other airlines like Finnair and Norwegian have started using car rental broker on their website, in these two cases CarTrawler.

### **4.3 Promotion**

In Kotler & Keller's (2012, 25) four P's promotion stands for sales promotion, advertising, sales force, public relations and direct marketing. For travel service companies Albanese & Boedeker (2002, 180) have divided promotion into four different categories, relationship marketing, media advertising, personal communication and sales promotion. In service industry the meaning of marketing department is not as significant as in consumer goods. Grönroos (2015, 376) suggests that in consumer goods industry marketing department is responsible for 95 percent of the marketing process, but in service industry marketing department is responsible for only 10 percent of the process. Therefore could be said that the quality of service is more important for promotion than marketing department.



As stated in the introduction, this thesis was needed due to changes in the industry caused by digitalization and internet era. Thus from the wide field of promotion two relatively new forms are focused on in the following chapters, social media and Google marketing.

### **4.3.1 Social media**

According to Grönroos (2015, 257) social media term is used for all online media that allows participants to generate and share content with others. He states that most people are connected to some social media, and there are several different options, like social networking such as Facebook and LinkedIn, microblogging such as Twitter, communication applications such as Whatsapp and content sharing, such as YouTube and Instagram and several others. There are also consumer specific social media sites, which are used to rate and review different companies and their services among the users, like Tripadvisor and Yelp (Tresidder & Hirst 2012, 72). Avis Budget Group's chief marketing officer Haas says that social media sites give car rental companies an opportunity to build engagement and loyalty with their customers and provide a platform for real-time feedback and insights on products and services (Stroller 2013).

Due to the pervasiveness of social networks and mass sharing of experiences company activities spread out quickly and possibly to wide audiences. A single consumer can get his voice heard by millions of listeners, no matter if his opinion is positive or negative. Social media is also increasingly skimmed by traditional media to find appealing stories to share in newspapers and on television. Therefore one bad customer experience can affect greatly on company's image and bring bad publicity. (Grönroos 2015, 357 – 358).

The internet brokers, introduced in Chapter 4.2.5, allow user generated content on their websites in the form of user ratings. Users of the website can rate their experience with a certain car rental company for other customers to see. There good service and good customer experiences quite directly transfer to promotion for potential customers. Same can be seen on car rental companies' Facebook pages,

where any Facebook user can rate the company and leave open feedback and it is visible for everyone visiting that page.

In the following the traditional car rental companies' presence in some social media platforms is reviewed. The numbers of likes, followers and subscribers are presented in the Table 2 below.

TABLE 2, Popularity of car rental companies in Social Media platforms. (Retrieved 10 November 2015 from official corporate social media sites)

### Popularity in Social Media platforms (10.11.2015)

	<b>Facebook likes</b>	<b>Twitter followers</b>	<b>YouTube subscribers</b>	<b>Views on YouTube</b>
<b>Avis</b>	135 650	19 422	555	285 318
<b>Budget</b>	93 258	10 030	194	104 057
<b>Europcar</b>	216 625	3 388	348*	1 257 200*
<b>Hertz</b>	244 028	45 007	1 133	644 372
<b>Sixt</b>	388 610	7 566**	1 562	5 455 217

\* Several country specific Youtube channels. Figure from the largest, Europcar UK

\*\* Several country specific Twitter accounts. Figure from the largest, Sixt UK

As can be seen on the table, there are significant differences between these companies. Avis for example uploads to YouTube instructions on how to use their reservation apps and other useful information for their customers as Sixt seems to have a different approach and they upload mostly comedy-themed TV-commercials. The number of views on YouTube shows that the strategy of Sixt attracts more audience, but it is difficult to determine which strategy provides more value to the customer. Europcar UK, which is second on YouTube views has similar TV-commercial videos as Sixt, and one video created with English football club Arsenal has 1 207 761 views, so a single video has created approximately 96 per cent of their views. This is a great example on how one action can have a huge impact in social media.

In Facebook Sixt has also leadership in likes, Avis and Budget being the bottom two. This could partly be seen as a consequence of the fact that Avis and Budget

are the only ones, who have just one global Facebook-page. Europcar, Hertz and Sixt offer their Facebook-pages in different languages and for example in Finnish.

When reviewing Twitter followers Hertz has the most, 45 007, and Europcar has the least, 3 388. According to Grönroos (2015, 366) it is important to encourage and acknowledge customer content creation. This might be the main difference in this case as a quick research on Hertz and Europcar Twitter feeds show a clear difference. Hertz retweets, which means publicly shares people's tweets that concern Hertz, and involves and brings visibility to their customers. At the same time Eurocar only shares their own content and do not interact with their customers publicly. Also the frequency and activity can be seen as a difference maker, since Hertz joined Twitter December 2008 they have shared approximately 1086 tweets per month. Europcar joined in February 2010 and have shared approximately only 39 tweets per month.

#### **4.3.2 Google marketing**

According to research conducted by CarTrawler (2014, 23) in six different markets across the world 46 percent of people who have made a car rental reservation online first searched with Google or other search engine.

There are two ways for a company to handle Google marketing. Search engine optimization, SEO is basically modifying the website easier and simpler for search engines to collect information. For example using certain words in headlines can get consumer's search results for these words show the company's website (Google 2010, 2-3). Other possibility is to buy advertisement space from Google. The buyer can decide some words, for example car rental and when people search for these words the company's advertisement comes on top of regular search results or next to them. Payment for the advertisement is based on clicks, and customer pays Google a certain amount for every click on the advertisement. This advertisement can be used for specific geographic location, and therefore may differ based on where the search engine is used. (Google AdWords, [ref. 10 November 2015]).

To understand the current situation on Google marketing a test was conducted related to searching a rental car in Finland and at Helsinki airport in October 2015. Search terms “Car rental in Finland” and “Car rental at Helsinki airport” were searched in some important target countries, Finland, Germany, Switzerland and the United States.

First tested in Finland, term “Car rental in Finland” gave three advertisements on top of search results, and they were [www.holidayautos.co.uk](http://www.holidayautos.co.uk), which is a internet broker website, second [www.avis.fi](http://www.avis.fi) and third [www.hertz.fi](http://www.hertz.fi). As can be seen from these results brokers and car rental companies both use Google advertising. Search term “Car rental at Helsinki airport” gave top three advertisements from [www.rentalcars.com](http://www.rentalcars.com), [www.priceline.com](http://www.priceline.com) and [www.autoeurope.fi](http://www.autoeurope.fi). All three of them broker websites, so it would seem that in Finland brokers are more eager to promote themselves for customers using Google, than the rental car companies.

Second the same search terms were searched in Germany, and “Car rental in Finland” promoted [www.rentalcars.com](http://www.rentalcars.com), [www.holidayautos.co.uk](http://www.holidayautos.co.uk) and [www.economybookings.com](http://www.economybookings.com). Worth noticing is that none of the rental car companies advertised for this search in Germany, but only brokers. “Car rental at Helsinki airport” provided similar results, only brokers [www.rentalcars.com](http://www.rentalcars.com), [www.autoeurope.de](http://www.autoeurope.de) and [www.billiger-mietwagen.de](http://www.billiger-mietwagen.de).

“Car rental in Finland” search had the same top three results in Switzerland as it did in Germany, but for “Car rental at Helsinki airport” the results were different, and only two advertisements came on top of the search results, [www.rentalcars.com](http://www.rentalcars.com) and [www.economycarrentals.com](http://www.economycarrentals.com). It seems that car rental companies do not use Google advertisement in Central Europe and therefore brokers have high visibility. For example in Switzerland in top 12 search results were only one actual car rental company’s website and the rest were brokers.

Last country, which was researched, was the United States, and again the brokers are strong in the results. “Car rental in Finland” top three is [www.autoeurope.com](http://www.autoeurope.com), [www.rentalcars.com](http://www.rentalcars.com) and [www.economycarrentals.com](http://www.economycarrentals.com) and for “Car rental at Helsinki airport” [www.autoeurope.com](http://www.autoeurope.com) changed to [www.priceline.com](http://www.priceline.com), but other two were the same.

As seen from these results Google marketing in countries, where are a lot of potential rental car customers for the companies operating at Helsinki airport are dominated by internet broker companies. It is important for car rental companies as service providers to be present on these websites and there is also possibility to increase their own Google marketing.

#### **4.4 Product**

The last one of Kotler and Keller's (2012, 25) 4 P's is product. According to them this category includes product variety, quality, design, features, brand name, packaging, sizes, services, warranties and returns. In rental car industry the product is a service providing transportation and mobility for customers. As the product is a service it has some specific qualities as heterogeneity, perishability and intangibility (Page 2003, 254). Handling these factors is one key element in revenue management, as presented in chapter 4.1.3.

##### **4.4.1 Service heterogeneity**

Heterogeneity of a service means that every customer receives and experiences the service differently, everyone in their own way (Albanese 2004, 8). In rental car industry customers can be really different and appreciate different things. For someone rental car is only a transportation method between two places, and for example the qualities of the car do not matter. For some the transportation might be attraction in its own right (Page 2003, 90), and therefore they value the qualities of the car higher. As an example some rental cars might have a lot of extra equipment like media players and integrated navigation systems, but if the customer does not know how to use them, they do not add value for this customer, even though they might do it for someone else. Customer himself can also affect the quality of service by his own behavior and there can also be external factors not reliable on the customer or the service provider (Albanese 2004, 9). For example if a customer has reserved a small city car and then receives a certain car brand, he

might be disappointed in it or pleased with it depending on his own personal beliefs and preferences, regardless to the quality of service.

#### **4.4.2 Rental car as a product**

Rental cars are typically divided in two different ways, by the function and by the size of the car. Europcar Finland divides their car inventory in six different categories, passenger cars, city cars, automatic transmission cars, family cars, special cars and commercial vehicles. Hertz Finland has different categories, which include Green collection, Prestige collection, Family collection, passenger cars, station wagons, SUVs, convertibles, special cars and commercial vehicles. Both these example companies then have different car models in these categories divided by space, for example Mini, Economy, Compact, Intermediate, Standard, Fullsize, Premium and Luxury. Each of these classes has different possibilities in them, like Economy can be a Volkswagen Polo, Toyota Yaris, Opel Corsa or Ford Fiesta. (Europcar Ajoneuvot, [ref. 12 November 2015]; Hertz Ajoneuvo-opas, [ref. 12 November 2015]).

Renting a car is a service and more than just the tangible car. It can be argued when the consumption of the service begins, and when does it end. Tresidder and Hirst (2012, 86) state four different activities for a consumer: selection, acquisition, consumption and dispossession. The service provider can affect all these steps and together they form the service. Rental car industry divided to these four steps could be making the reservation, picking up the car from rental location, driving the car and returning the car. All these steps are important and must be considered to develop the car rental service. Possible ways to consider these steps could be making the car rental company easy to find online and by good positioning of the rental offices in selection phase. Providing good customer service and clear instructions in the acquisition phase. Handing over inspected, clean, working cars and 24 hour phone service in consumption phase and lastly quick and appropriate service in the dispossession phase.

#### 4.4.3 Quality of the service product

Quality of a service is hard to measure as it depends on how the customers perceive it. All customers expect different things and all customers perceive the quality of service in their own way. Level of quality can be considered as gap between expected service and perceived service. Expected service is developed by customer's past experience, personal needs, communications, both word of mouth and by service provider's marketing and price. If the experienced service is above the expected the service quality is perceived as excellent, and in the best case makes customers loyal ambassadors for the service provider. If the experienced service meets expected service the service quality is still perceived as good. But if the experienced service is lower than expected service the service quality is perceived as poor. (Grönroos 2015, 128-130).

One difficulty related to expected service quality concept, and especially regarding previous experience is that if a customer receives great service and makes a repeat purchase, his expectations are higher than at the first time, even if the price is the same. This makes it more difficult for the company to meet or exceed these expectations (Ng 2008, 63). An example from car rental business could be that a company decides to give a customer bigger and better car than reserved for the same price, and then the customer might expect a similar upgrade the next time he rents a car from this company. If the upgrade is not available that time the customer might be disappointed.

To affect the customer's expected service several car rental companies have created different brands for different customer segments. Good example is Avis Budget Group, where their cheaper Budget brand is marketed to less demanding leisure travelers and Avis to demanding leisure and business customers. The strategy seems to be effective as according to Avis Budget Group's annual report (2014, 8) Budget had 73 percent leisure customers and 27 percent business customers as Avis had 47 percent leisure customers and 53 percent business customers.

To affect the customer's experienced service, car rental companies have for example different loyalty programs that offer different advantages for frequent cus-

tomers, like mentioned in Chapter 4.1.2. Advantages can include faster pick up of the car and upgrades from the reserved car class to a bigger, better one.

#### **4.5 Rivalry among existing competitors**

The first force of Porter's (1998, 4) five is rivalry among existing firms. Some of the existing competitors are presented in Chapter 2.3 of this thesis. In addition to the global car rental brands there are several smaller car rental companies operating in this industry. Like discussed in the Chapter 4.2.5, internet brokers and metasearch engines offer far more rental brands than the traditional Avis, Budget, Europcar, Hertz and Sixt.

Different brand does not always represent different company. Avis and Budget belong to the same mother company, so does Hertz and Trifty and Europcar and Keddy. This leaves still three independent Finnish companies FiRent, Polarex Car Rental and Scandia Rent, and two smaller international chains AddCar and Green Motion. In total eight different car fleet operators rent cars at Helsinki Airport.

One of the world's largest vehicle rental companies, Hertz states in their annual report (2013, 18) that the competition within this industry is intense and mostly focuses on price, vehicle availability and quality, service, reliability, rental locations and product innovation. Another global giant, Avis Budget Group (Avis annual report 2014, 19) describes the industry as intense price and service competition among global, local and regional competitors. They state that the competition is based on price, customer service quality, including usability of booking systems and ease of rental and return, vehicle availability, reliability, rental locations, product innovation and distribution.

The customer survey results, presented later in this thesis discovered that a lot of customers think that price is the single most important factor when choosing a rental car. Therefore can be said that price is a vital competitive factor in this industry. This might lead to an intense competitive situation where individual participants attempt to gain market share by implementing below-cost pricing policy in short term (Sixt Annual Report 2014, 72).



#### **4.6 Bargaining power of suppliers**

In car rental business there can be several different suppliers, for example to use in cleaning or moving the car inventory, providing information technology systems or other supporting functions, but as the car itself is the core of the service this chapter is focused on car suppliers.

As an example Europcar franchisee of Finland, Interrent Oy has approximately 2300 cars (Europcar Yritys, [ref. 19 November 2015]). They can be considered as a very high volume customer for a car dealership. 28 different companies import over 99 percent of all new cars to Finland (Autontuojat ry, [ref. 19 November 2015]), and basically they all are possible suppliers for a car rental company. Based on these figures the bargaining power of suppliers can be considered fairly low, and possibly the car importers desire to have rental companies as clients, which can be seen even lowering their bargaining power.

Of the traditional companies in Finland Avis, Budget and Sixt have a franchisee that is also operating in car import business. Avis and Budget franchisee Helkama Auto Oy is the Finnish importer of Skoda brand, (Helkama-Auto Oy, [ref. 19 November 2015]), and therefore it can be seen logical that large portion of Avis and Budget's rental cars are Skodas. Being part of the same company, the bargaining power should be very negotiable and flexible.

Similar to Avis and Budget, also Sixt has a franchisee that is also involved in importing and selling cars in Finland. Veho imports Mercedes-Benz, Citroen and Peugeot brands and is a retailer of them and in addition of Ford, Honda and Skoda (Veho Autotalot, [ref. 19 November 2015]).

#### **4.7 Bargaining power of buyers**

As mentioned in chapter 4.5 the competition in car rental industry is strongly based on price. The reason for this can be that services the rental car companies offer are fairly similar. Every company offers a close to standard core service, usage right of a car for a fee. This increases the bargaining power of the buyers, as they

in most cases can find an alternative supplier (Porter 1998, 25). Good examples of the easiness finding a new alternative are rental offices of Avis, Budget, Europcar, Hertz and Sixt being right next to each other in Helsinki Airport corridor between terminal one and two (Helsinki Airport Services, [19 November 2015]), or the internet brokers, who offer all rental companies as equals on their websites.

In addition to bargaining powers of suppliers and buyers, in the age of internet the bargaining power of intermediaries must be considered. As the results in chapter 6 will present, the reservations through broker websites have a significant share already, and as Riuttanen (2015) stated the share is still growing. If a certain car rental company is missing from some of the largest broker websites, it can lead to great loss of customer volume. In that sense the bargaining power of brokers can be considered high, and gets higher if their share of rentals keeps growing. On the other hand brokers do not have any business without the car rental providers, which can be seen as a lowering factor for their power.

## **4.8 Threat of substitution**

The threat of substitution is the competitors in transportation and mobility. Rental cars have several different meanings of use, and customers can drive different distances based on their need. For longer trips trains, buses and airlines flying domestic flights can be considered as competition, and for shorter distances trains, buses and taxis. Train as a competitor is a timely matter for the rental companies at Helsinki Airport to consider, as a new train connection opened in July 2015. Also there is a fairly new competing industry, car sharing.

### **4.8.1 Taxi, bus and train**

When comparing taxi, bus and train to a rental car there are significant differences. As a taxi takes a customer to a location of his choice the fee is usually based on the length of the journey and for example in Finland a daytime trip is the base price added with approximately 1.55 Euros per kilometer (Taksilaskuri.fi, [ref. 16 November 2015]). For longer distances this is the most expensive option of the

mentioned ones. Jones writes in her article in USA Today (2013) that when the rental car rates rise, travelers take taxis.

In taxi industry the digitalization also has effects and new mobile-application Uber, providing platform for peer to peer taxi service has experienced serious growth in the most recent years. From 2014 to 2015 their worldwide business grew from 2.9 billion dollars to 10.8 billion dollars and is projected to be 26.1 billion in 2016 (Lien 2015). However they have faced difficulties especially in Europe and their service is now prohibited for example in Belgium, and caused wide protests in Poland (Koivisto 2015). Also in France Uber was stated illegal and lead to arrests of the company executives (Tapiola 2015). According to Salumäki (2015) Uber is at the moment legal in Finland only if the driver has a taxi permit, but the overall legality of the service was still under investigation in August 2015.

Busses and trains are part of public transportation, where the departure and arrival destination are determined by the service provider. The prices tend to be fairly low and they are competing especially with one-way car rentals, where customer rents a car in one location and returns it to another.

#### **4.8.2 Car sharing**

Car sharing is a newer model of competition for rental car companies. Car sharing is based on memberships, where members have around the clock access to a network of vehicles through use of internet and wireless technology. Car share operator provides the fuel, insurance, maintenance and parking. (Abrams Carsharing Advisors, [ref. 16 November 2015]).

Car sharing has had tremendous growth, tens of percents per year in many countries. Differences between car sharing and car renting are that shared cars are usually used in every day environment and due to the memberships there is no rental contract for every usage of the car, but a monthly bill. Shared cars tend to have shorter rental periods with minimum rental of one hour compared to rental cars' minimum rental period, which is usually one day. (Voltti 2010, 8).

Traditional car rental companies have also noticed the upcoming trend of car sharing and for example Europcar has a joint venture car sharing company together with Daimler (Europcar Corporate Profile, [ref. 16 November 2015]) and is a majority stake holder in E-Car Club (Ayre 2015), Sixt established DriveNow car share with BMW (DriveNow, [ref. 16 November 2015]), Hertz launched their Hertz24/7 service (Hertz 24/7, [ref. 16 November 2015]) and Avis Budget Group acquired Zipcar, the largest car sharing company in the world (Zipcar, [ref. 16 November 2015]). Car sharing companies present in Finland include for example City Car Club and EkoRent.

#### **4.9 Potential entrants**

Barriers to entry the rental car market can be considered low. Several service stations and similar locations rent cars and vans in small scale gaining ancillary income to their core business. However to make car rental a business profitable on its own or to compete internationally the car inventory should be larger. Cars are considerably expensive goods to purchase and therefore significant investments are needed.

The new distribution channels, like the internet broker websites have made it easier for potential entrants, as they offer all rental companies on the same website. Therefore new companies have in recent years started operating at Helsinki Airport, even if they would not have an office there. Latest participant, Green Motion entered the competition in July 2015 and they operate from Cumulus hotel near by the airport (Auto Rental News 2015).

#### **4.10 Chapter summary**

This chapter introduced the 4P's marketing model and briefly Porter's five forces framework from the car rental industry point of view. Companies must be aware of all different aspects which the customers might base their purchase behavior on.

Price is mentioned several times as one of the most important competitive factors or the most important. Car rental companies can alter their price based on many different factors, and they use revenue management to maximize their profits and control their inventory. The strong power of buyers and intense rivalry among competitors pushes the prices down.

The majority of worldwide car rentals happen at airports and therefore physical presence at these locations and the possibility to deliver cars there can be considered crucial. There are several different reservation channels to book a rental car, most of them online offering more than one rental car provider. These channels lower the barrier for new entrants and increase the power of buyers.

In promotion two elements could be considered the most important ones. Direct selling to companies is one, because a contract between a car rental company and the customer's company is a common reason to choose a certain rental provider. Another is Google and search engine marketing because almost half of the people who book their car online search it first from Google or another search engine.

In car rental industry the product is a service of four steps, selection, acquisition, consumption and dispossession. Different companies' services are similar with each other, which leads to intense competition among rivals, enhances the power of buyers and the meaning of price and place. Quality of the service is one of the key components in marketing and it is important to meet or exceed customer expectations. If the expectations are exceeded the customers more likely will recommend the company to others and come back for the same company. Car rental as a product is vulnerable to substitutes and if the rates go too high customers might choose different forms of transportation.

To measure the importance and effects of all the factors discussed in the theoretical part a customer survey was conducted at Helsinki Airport. In the next chapter the survey is introduced and then followed by the results and conclusions.

## **5 STUDY ON SELECTION CRITERIA FOR CAR RENTAL CUSTOMERS AT HELSINKI AIRPORT**

### **5.1 Implementation**

The research was conducted as a face-to-face survey in Helsinki Airport rental car parking hall. The interview was aimed at randomly chosen people who are returning their rented car to this location.

Survey consists of four parts, Background information, Order process, Experience and Other options. In total there are 15 questions, which of 10 have multiple fixed response options and five are open questions. Of the 10 fixed response option questions, six are semi-structured and have “who, what, why, why not” or optional explanation box option. Questions were formed to be as quick and simple as possible to reply, because people tend to have very limited time to spend at airports. The survey form used can be found in Appendix 1.

Every interviewee was allowed to reply to the survey once.

In total 103 rental car customers were faced by the interviewer and 86 of them agreed to reply to the survey. The response rate of 83,5 percent can be considered high and a result from using this form of face-to-face survey.

Interviews were conducted during the time period between 27 May 2015 and 30 August 2015 in 12 different sessions. The time period was extended to approximately three months in order to gain replies from wide range of different customers. As mentioned in Chapter 1.1 being a part of tourism and travel services car rental industry has high season in the summertime, when people have their vacations. Therefore if the survey would have been conducted only in July and August the share of leisure customers would have been bigger and in contrary survey in May and June would have produced bigger share of business customers' replies.

The expected amount of replies agreed with the commissioner of the thesis and Finavia, the government-owned corporation responsible for operating Helsinki airport, was 50 to 100. Hereby the set goal was met.

## 5.2 Research method

The research method chosen for this research is a combination of quantitative and qualitative methods. Quantitative research aims to answer questions what? Where? How much? How often? and should have large amount of samples. This research method provides information based on figures and amounts (Heikkilä 2014, 15). Qualitative research answers to questions why? How? and What kind of?. Usually qualitative research has limited amount of samples that are carefully chosen. This research method provides understanding of a phenomenon based on so called soft information (Heikkilä 2014, 15). In this research the qualitative method was used on open end questions and to bring variety to some answer options.

According to Creswell (2003, 153) quantitative research method provides a numeric description for collected data, which then can be used to generalize certain characteristics of the researched population. As this thesis' goal is to provide answers regarding all customers who rent cars at Helsinki Airport, using quantitative research method is essential.

## 5.3 Validity and reliability

According to Heikkilä (2014, 27) validity means that research measures the intended factors and has no systematic error. The research's goal was to measure the selection criteria of customers when choosing a rental car at Helsinki Airport among the car rental companies and other forms of transportation. The results provide answers to both of these questions and no systematic error was discovered, the research can be considered valid.

Reliability of a research is the accuracy of the results (Heikkilä 2014, 28). The interview survey was conducted during several different occasions and for customers from different segments and different car rental companies. If the research was conducted again on similar time frame the results would be similar.

High response rate of 83.5 percent supports both, validity and reliability.

## 6 RESULTS OF THE STUDY

In this chapter the results of the research are presented. As customer segments are an important factor for marketing in rental car industry, results are first presented for all respondents and followed by business and leisure segment division. The results are presented in the same order as they were in the survey form used in interviews.

### 6.1 Background information

**Purpose of the trip.** Respondents chose between three possible segments, business, leisure and combined. 47.7 percent were on a business trip, 46.5 were leisure travelers and 5.8 percent had combined their business trip with leisure activities or their leisure trip with business activities.

**Gender.** Majority, 65 of 86 respondents were male, which is approximately 76 percent. When reviewing gender distribution in business segment the male majority increases to 90.2 percent and only 9.8 percent were female. Leisure customers were more evenly distributed, but still majority were male, 60.0 percent.

**Age distribution.** Age of the respondents was asked as an open question to achieve the exact averages, but then put into ten year categories to be presented more clearly. Average age of all respondents was 47.2 years, business customers were slightly younger at 45.9 years and leisure customers' average age was higher at 48.4 years. The youngest respondent was 23 and the oldest 78 years old.

Majority were in two age categories from 41 to 50 and 51 to 60. These two categories included 59.3 percent of all respondents. Although category 31 to 40 had also significant share of 17.4 percent.

As the Figure 4 below states there are large differences between the two customer segments. Leisure customers' age is more evenly distributed and they are present in six different age categories compared to business customers' four. Four of lei-



sure customers' age segments are quite evenly represented at 17.5, 22.5, 25.0 and 17.5 percent, making category 51 to 60 the largest at 25.0 percent.

Business customers' age is greatly focused in one segment making the 41 to 50 year olds a clear majority with 56.1 percent. Second category is 31 to 40 year olds with 24.4 percent.

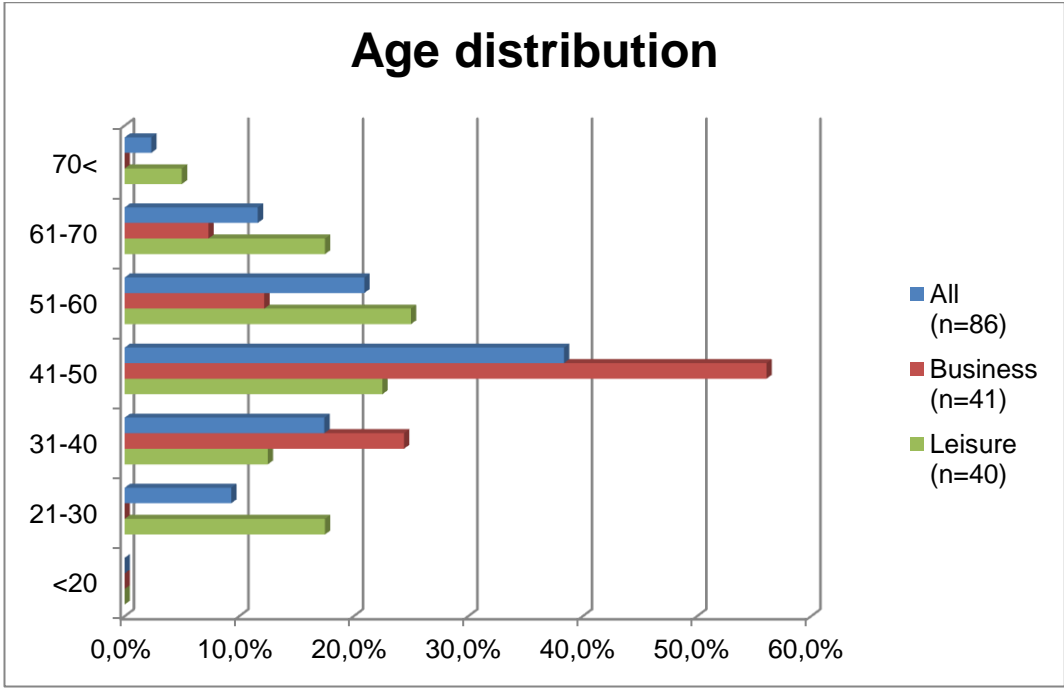


FIGURE 4, Age distribution (n=86).

**Nationality.** The next question of the survey was to gain knowledge on the nationalities of the customers who rent cars at Helsinki airport. In 86 respondents there were 19 different nationalities. Of all respondents the largest customer nationality was Germany with 22.1 percent followed by Switzerland at 11.6 percent and Sweden at 10.5 percent as presented in the Figure 5. In the Figures 5, 6 and 7 below only the nationalities with over 7.0 percent share are marked separately, and the rest will be marked as “Other”. This group was formed by four respondents from Spain and the United States, three respondents from Denmark, Netherlands and Italy, two respondents from Czech Republic, Israel and Australia and one respondent from Lithuania, South Korea, Taiwan, India and Austria.

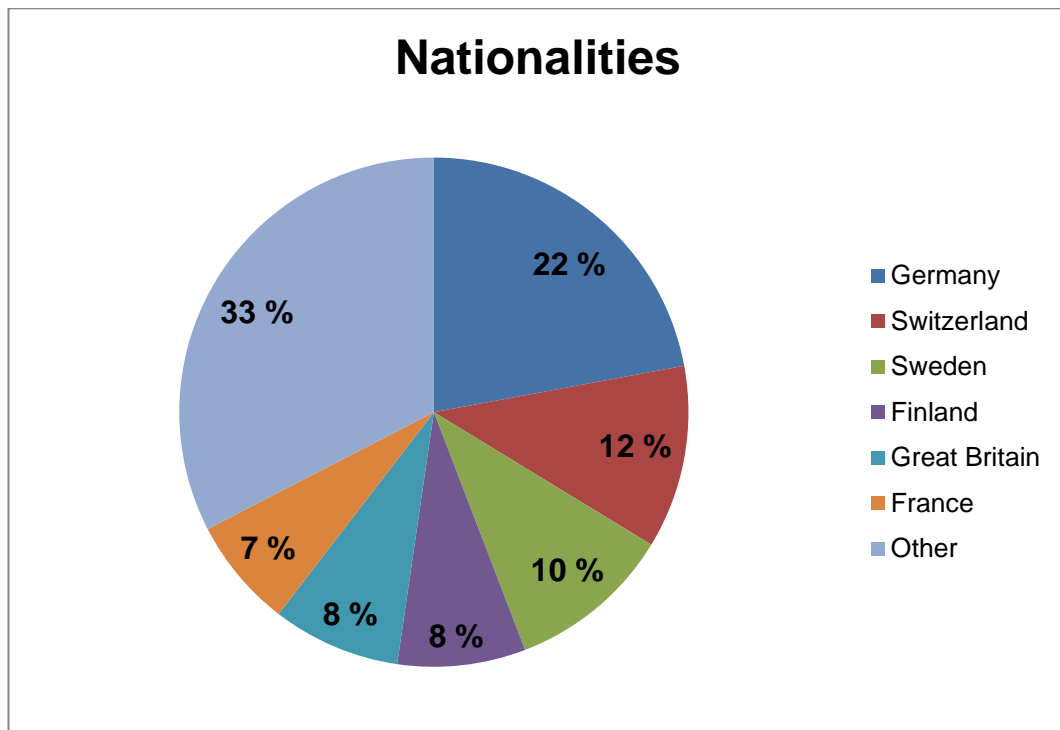


FIGURE 5. Nationalities of all respondents (n=86).

In the Figure 6 is presented that within business customers the two most common nationalities were Sweden and Germany, both 22.0 percent. Next two were Finland and Great Britain with 9.8 percent and then Denmark and France with 7.3 percent. Countries with less than 7 percent shares represented 22 percent of business customers.

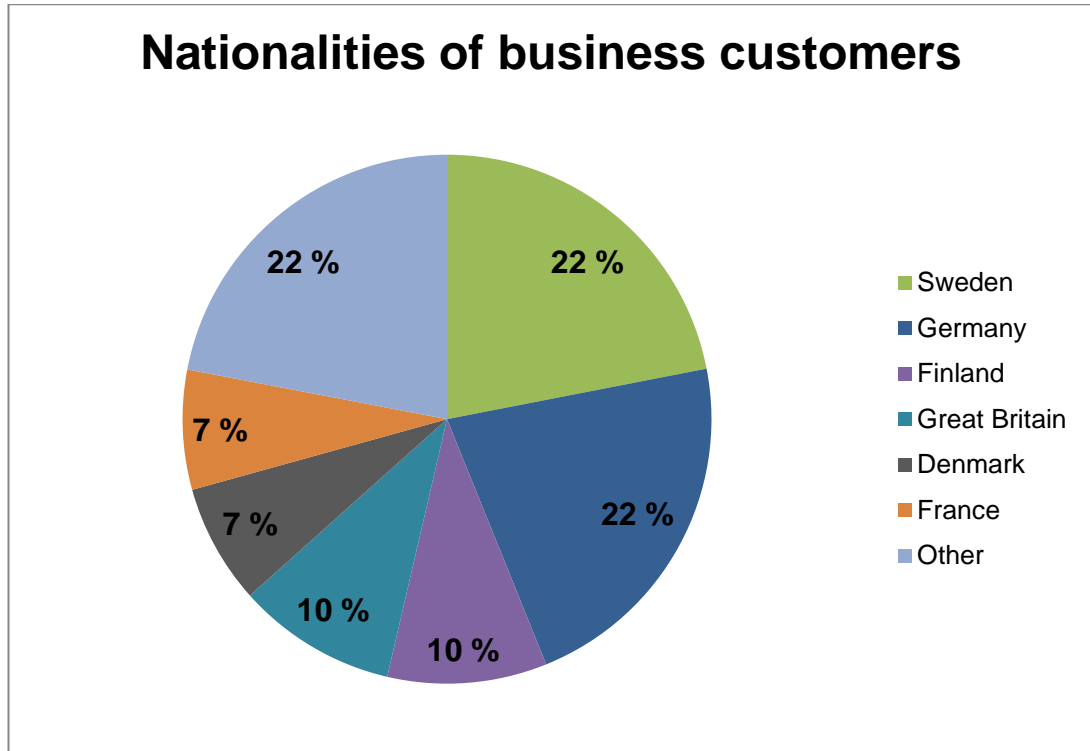


FIGURE 6. Nationalities of business customers (n=41).

Figure 7 shows that Germany was the most common nationality of leisure travelers with a share of 25.0 percent and Switzerland was the second with 22.5 percent. Noteworthy is that in leisure segment a significant amount of respondents were from Switzerland, but none in business segment. Opposite to this is Sweden, which was tied for the biggest share in business segment but has no significant share of leisure travelers. Great Britain and France have solid shares ranging from 7.3 to 9.8 percent in both segments.

Leisure segment has more variance in nationalities and the countries with less than 7.0 percent share represent 37.5 percent of the segment as can be seen in the figure 7.

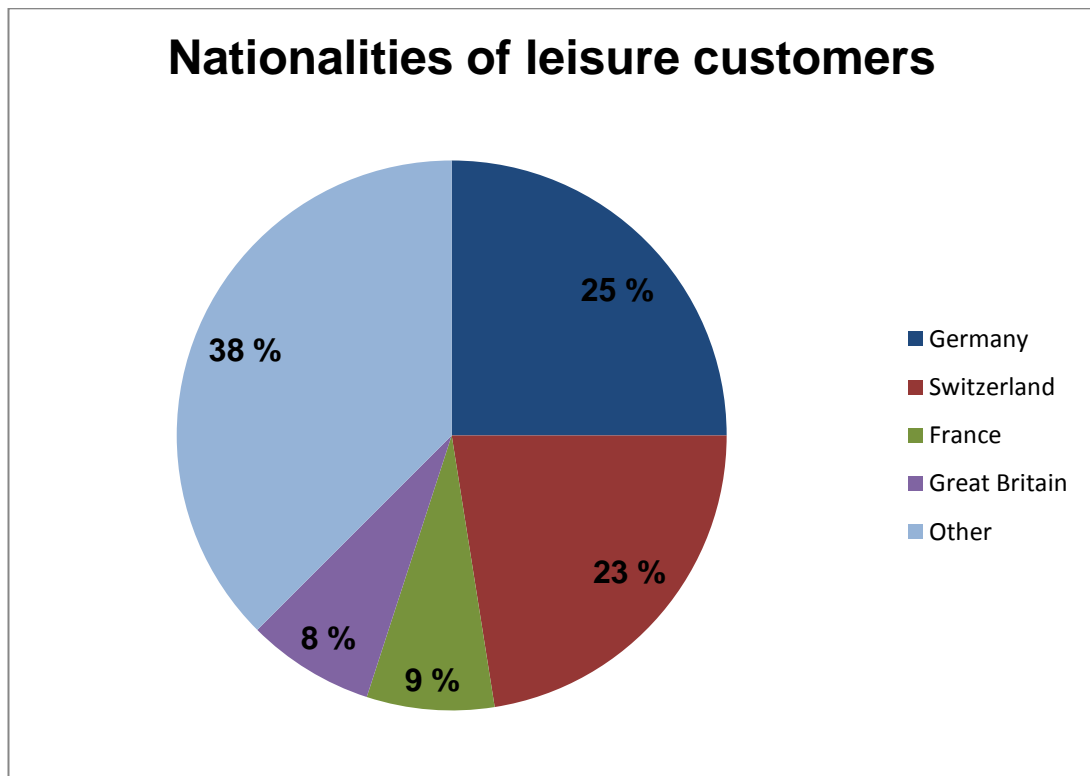


FIGURE 7. Nationalities of leisure customers (n=40).

## 6.2 Order process

The second part of the survey consisted of questions related to the order process and reservation of the rental car. Four different questions were asked to better understand the customer's purchase behavior and decision making.

**Reason for choosing a certain rental company.** Respondents were asked with an open question the reasons behind their decision. They were allowed to point out more than one reason if wanted. Open question was used to achieve all the possible reasons a customer might have behind his decision. Of the total 86 respondents 81 replied to the question and five stated that they had no specific reason. Six respondents stated two different reasons, and therefore the total number of replies was 87.

Many of the replies appeared repeatedly by several respondents. The most common replies could be put in four categories. The first category includes all price related replies, such as "Cheapest price", "Best offer" and "Good price". The second category is a contract between customer's own company and the car rental company. The third category has replies that are related to the actual providing car rental company like previous experiences, the reputation of the rental company and memberships in loyalty programs, for example "Good, reliable reputation", "Familiar company", "Good experience with this company from Germany" and "Gold membership". The last category includes the replies that stated that the car rental company was chosen for them by their travel agent. 14 replies could not be put in any of these four categories. Three respondents chose their car rental company based on the co-operation with their airline. Two respondents stated their decision was based on easily finding the company on the internet. Other replies appeared only once and included for example "Type of the car", "Someone recommended", "Conditions of rental contract" and "Right car at right place".

The Price-related category represented 27.6 percent of 87 replies, Company deal category 25.3 percent, Experience, reputation and membership category 18.4 percent and Travel agent category 12.6 percent. Other reasons together formed 16.1 percent.

In the Figure 8 the customer's reasons are presented in business and leisure segments. For majority of business customers the most common reason was a company deal between their company and the rental company stated by 56.4 per cent. Second reason category was price with 12.8 and third a travel agent with 7.7 percent. In the last category 5.1 percent replied that they chose the company due to having a loyalty program card. None of the business customers stated previous experience or reputation of the rental company as a reason for their selection.

Among leisure travelers the company deal option is not applicable, as their travel was not related to their work. The most common reason in their rental company selection was price with 42.9 percent of the replies. Previous experience or the reputation of the rental company was second with 26.2 percent, and the selection was done by their travel agent for 19.0 percent. 11.9 percent stated some other reasons.

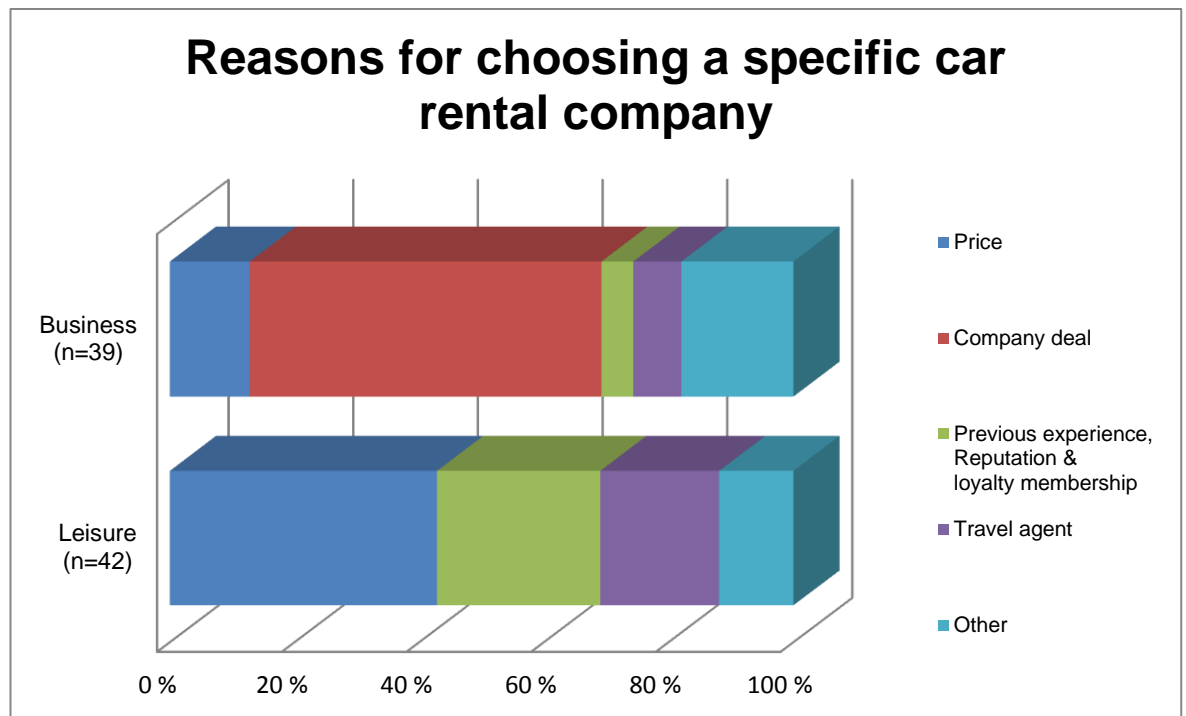


FIGURE 8. Reasons for choosing a specific car rental company (n=87).

**Decision maker.** The next question was to resolve the decision makers of the customers. Respondents were asked who made the order and given four different response options, yourself, your company, travel agency and someone else, who? Of 86 respondents 61.6 percent did their order themselves, for 22.1 percent the order was done by someone in their company, for 15.1 their travel agent and for one customer on a combined leisure and business trip his family member.

The survey results show that in business segment it is more common to have separate consumer and decision maker. 46.3 percent of business customers' reservations were made by someone else in their company and only 39.0 did the reservation themselves. 14.6 percent had their reservation done by a travel agency.

Among leisure travelers it is more common to make the decision personally by the consumer of the service. Vast majority of 82.5 percent did their order themselves and 17.5 percent had it done by their travel agency.

**Preference to a rental car provider.** In order to measure the strengths of car rental company brands the customers were asked if they wanted to have the car from a specific company. The question was aimed especially for respondents who did not make the reservation themselves but was presented for all 86 respondents. Results of this question can also be considered as a guideline reply for the question if rental car provider matter.

Majority, 55.0 percent of leisure customers did not ask for a specific company when making the order. When reviewing the 17.5 percent of leisure customers who had their rental car reserved through a travel agent, none of them had requested for a specific car rental company.

In business segment majority of respondents who did not ask for a specific company was even bigger, 70.7 percent. Business travelers who had their car reserved through someone else in their company or a travel agent were not interested in the car rental provider as the before mentioned majority was as high as 92 percent within this group.

**Use of an internet broker.** Of all respondents 25.6 percent used an internet broker website to book their car. For business customers the usage of internet brokers is not very popular, most likely due to the contracts between their companies and the rental companies. Only 9.8 percent of them made their reservation on a broker website.

Leisure customers use internet brokers significantly more, and 37.5 percent of them had made their booking through one.

The most commonly used broker was rentalcars.com, 37.5 percent. Other brokers had no significant share, only one or two respondents. These brokers mentioned included booking.com, billiger-mietwagen.de, eBookers, Check24, Cheaptickets.com and GoToGate.com.

**The most important factor.** A similar question was asked already earlier in the survey, but now instead of asking respondents' reasons for their rental this time from a specific company. They were asked for their personal opinion on the most important factor in the selection of a rental car. In personal opinions the importance of price was high. As Figure 9 presents, both segments, business and leisure stated price as the most important factor when choosing a rental car. Of all 86 respondents 41.9 percent stated price as the most important factor. In leisure segment this was majority of 52.5 percent and in business 41.9 percent.

Other factors that were considered as the most important by leisure travelers were previous experience, 25.0 percent and recommendation from someone, 15.0 percent. None of leisure travelers felt that the brand of the rental company would have been the most important factor. Three respondents chose something else option. For them the most important factors were price value, location of the rental office and car fleet.

When asked their personal opinion also many business customers turned out to have high price sensitivity, as price was the most important factor for 34.1 percent. Second from the fixed reply options was previous experience and it was chosen as the most important factor by 19.5 percent. 12.2 percent valued recommendation from someone the most important and one respondent stated the brand of the rental company. Variance within business travelers was high and 31.7 percent



chose the something else option. These questions included replies like “co-operation with my company”, “the car make and model”, “Simplicity”, “British airways co-operation” and “Must be an automatic car”.

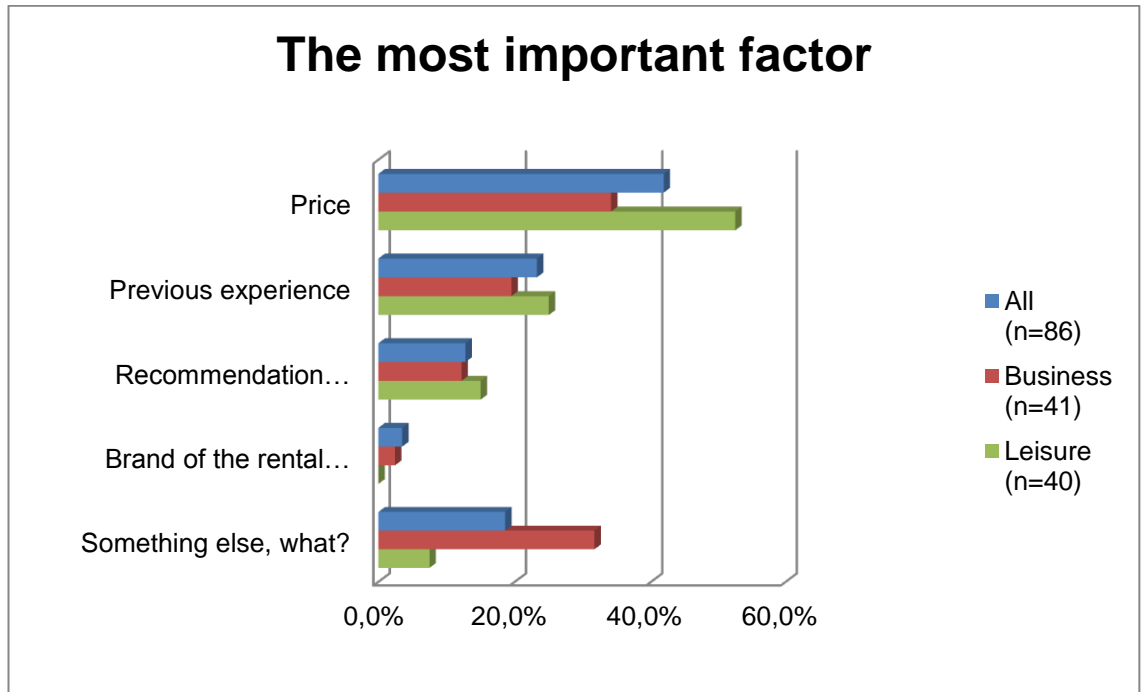


FIGURE 9. The most important factor in selection of a rental car (n=86).

### 6.3 Experience

The next part of the survey was focused on the experience and satisfaction of the customers. Respondents were asked their satisfaction with the rental car, their willingness to recommend the rental company they used, if they could use different company in the future and an open question for any extra services they would like to receive from a car rental company.

**Satisfaction with the car.** Respondents were asked if the car met their expectations. In general customers at Helsinki airport were really pleased with their cars and 96.5 percent of 86 respondents said their car met their expectations.

A slight difference can be seen between business and leisure customers, as in leisure segment all 40 respondents were satisfied with their car, but in business segment 4.9 percent felt that the car did not meet their expectations. When asked the reason why the car did not meet their expectations, two customers stated that the car was not the example car shown on the website and one replied that the car was too small. The two earlier mentioned told that the example car was Volkswagen Golf and they received a Skoda, and they felt that these two cars should not be in the same category.

**Willingness to recommend their car rental company.** The results show again that generally rental car customers at Helsinki airport are fairly satisfied, as 87.2 percent of the respondents were willing to recommend the company that they used.

Like in the previous question, the business customers can be seen as more demanding ones. 82.9 percent of them would recommend the company they used, compared to leisure customers of whom 90.0 percent would recommend their company. Reasons why business customers would not recommend the company they used included “Nothing special”, “Most cars Skodas”, “Not simple”, “Insurance policy” and “terms and conditions unclear”.

Reasons of the two leisure customers who would not recommend their company were “Helpline not responding” and “Poor phone service during rental”.

**Possibility of using different company in the future.** Respondents were asked if they could rent from another company in the future. 84 of 86 respondents replied to this question. The idea of this question was to measure brand loyalty of customers and how likely they would choose the same company again.

Despite the high percentages in satisfaction of the car and willingness to recommend only 14.3 percent of all 86 respondents stated that they would not consider another company in the future. Business customers were more likely to be loyal to the car rental brand and 17.1 percent stated they would definitely stay with the same brand in the future. Of leisure customers only 7.9 percent would not rent from another company in the future, so 92.1 percent were open to choose different company in the future.

All the respondents who told they could rent from another company in the future were asked a reason why. 33 replies were received. Ten of these respondents told that they do not have any personal preference, eight stated that they would follow a cheaper price to another company and four told that their decision depends on the country where they rent a car. Other reasons that occurred once were “Depending on conditions”, “For clearer terms and conditions”, “If car type is more suitable”, “If company contract changes”, “Many good ones to choose from”, “Membership to another company”, “No brand loyalty”, “No other preference, but needs to be a global brand”, “No other preference, but there are a few companies where would not rent”, “Skoda” and “Why not”.

**Ideas for extra services a car rental company could provide.** This question was an open one and every respondent was allowed to give as many replies as wanted. In total 23 replies were received. The most common replies were “Free navigation system” and “Quicker/Faster checkout and service”, both with four replies. Two suggested check in possibility of the car in the parking hall and transfer between terminal and parking hall. All the ideas that occurred once were “Cheaper One-Way”, “Providing parking assistance”, “Fuel fill-up for pump price”, “Make sure to have winter tires in winter”, “Point earnings for regulars”, “More automatic cars”, “Prepaid fuel tank”, “Bottle of water in the car, especially in summer”, “Service book”, “Comfort” and “Less damages in the car”.

## **6.4 Other options**

The last part of the survey regarded the other transportation options at Helsinki airport. In order to study the benefits of using a rental car, respondents were asked an open question on why did they choose a rental car over other options like train, taxi or bus. The other question in this part was related to the new train connection that opened at Helsinki airport in July 2015, and if it would affect their car renting behavior.

**Reason for choosing a rental car over other options.** 79 of 86 respondents replied to this question, providing 95 different replies. Some replies repeated themselves, and therefore a categorization is a good way to present the results. First category includes all replies, which included the word flexibility. Second category is replies mentioning convenience and easiness. Third category was replies that regarded the destination of the trip and fourth is price related category. Fifth category has replies that stated long distance as a reason, sixth is driving experience and seventh is freedom. Last category has all the other replies, which could not be considered in any of the categories.

In Figure 10 these replies are presented in categories. Flexibility was the most common reason with 27.4 percent of the replies, Convenience and easiness second with 17.9 percent. Third were all destination related replies with 12.6 percent and fourth price with 10.5 percent. Last three categories were distance, 9.5 percent, driving experience, 5.3 percent and freedom, 4.2 percent. Un-categorized replies represented 12.6 percent and included replies like “Comfort”, “Free mileage”, “independency”, “No alternative”, “Sort of need”, “Flights work poorly from Helsinki to Turku” and “Difficult to read timetables”.

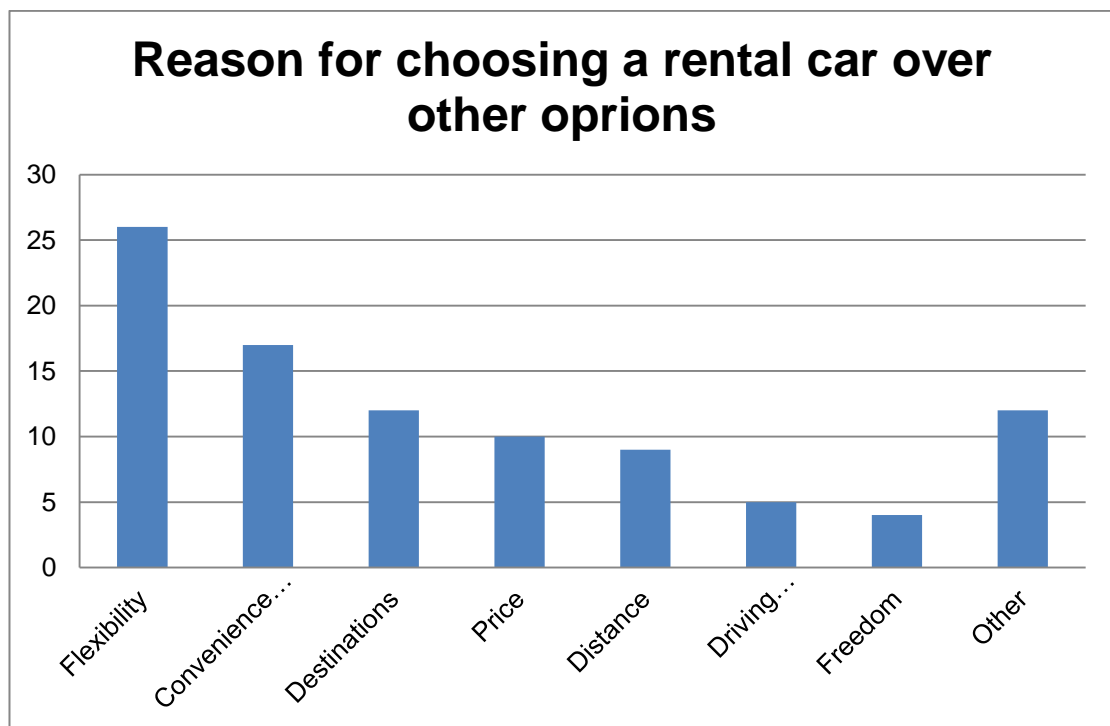


FIGURE 10. Reason for choosing a rental car over other options (n=95).

**Likelihood to take the new train connection during next visit.** The last question of the survey was related to the new train connection opened to Helsinki airport in July 2015. All 86 respondents were asked if they would take a train next time they visit Helsinki airport and 85 of them replied. There were three fixed reply options, Yes, No and Maybe.

Of all respondents 61.2 percent said they would not travel by train next time they visit. 21.2 percent said that they maybe could choose a train and 17.6 percent would take a train. In business segment the respondents were more likely not to take a train, 63.4 percent, 19.5 percent maybe and 17.1 percent would take a train. In leisure segment likely train travelers had bigger share of 20.0 percent, 25.0 percent would maybe take a train and 55.0 percent would not take a train.

## **7 CONCLUSIONS AND SUMMARY**

The results above were divided into four different sections, background information, order process, experience and other options. Background information was used to gain demographic knowledge of the rental car customers and to divide them to typical travel industry segments presented in Chapter 3.2. Order process section was used to solve the reasons behind customer's decisions, their reservation channels and decision makers. Experience section was to measure customer satisfaction and brand loyalty and finally other options section was to discover customer's reasons for choosing a rental car over substitute options. In the following the main results are reviewed and discussed within these sections.

### **7.1 Background information**

The car rental customer base at Helsinki Airport is international with wide range of different nationalities. However some countries are more important target markets with significant shares of customers. The results show that the most important target markets for business segment were Sweden and Germany. These two countries being the top two is logical as according Statistics Finland (Foreign Trade, 2014 2015) they are both within three most important trading countries for Finland.

In leisure segment the results also showed some target markets as more important than others. These results can be used to develop a car rental company's efficient geographical marketing, for example in Google marketing, like as discussed in Chapter 4.3.2. It is important to know the target markets for business and leisure customers separately, so the marketing can be differentiated to different markets.

### **7.2 Order process**

In Chapter 4.1 Albanese and Boedeker (2002, 162) suggested that price is one of the most important competitive factors in travel industry, and the results support that their suggestion is applicable also for Helsinki Airport car rental industry. 41.9

percent of the respondents stated price as the single most important factor when renting a car. The second and third most important factors were previous experience and recommendation from someone. Like discussed in Chapter 4.4.3 these are both result from service quality that meets or exceeds the customer expectations. The brand of the rental company or the car itself were not considered as very important factors by respondents, and generally customers at Helsinki Airport were satisfied with their car. Therefore can be said that price and service quality are the two main factors where customers base their decision when renting a car.

When reviewing the results on why rental car customers at Helsinki Airport have chosen the certain company that they have, the business and leisure segment must be separated since there are remarkable differences. Leisure customers more likely follow the cheapest price and rely on previous experiences but business customers are strongly dependent on contracts between their company and the rental company.

Like presented in Chapter 3.2.2 and showed in Figure 1, in case of business traveling the decision maker and the consumer of the service are not necessarily the same person and the results support this. In business segment it was more common to have the car reservation done by someone else in the company than the driver himself. Therefore sales promotion should be targeted more to the companies than the consumers of the service, in order to reach correct decision makers.

In business segment, the usage of internet brokers is still relatively rare, but in leisure segment the share is already significant, but as Riuttanen (2015) stated it is still growing and affects both customer segments.

### **7.3 Experience**

Even though a rental car service is more than just the car, like presented in Chapter 4.4.2 the car is the core of the product. Almost all the respondents were satisfied with the car, but three were not. Two stated that the car was not the example car presented on the car rental company website and therefore they were not satisfied. This shows the difficulty of handling expected service quality in car rental



industry. All traditional car rental companies offer car categories for rent, but show a specific car model on their websites and broker websites as an example. This can be confusing and even disappointing for customers who are not familiar with the concept, and expect to receive the exact model, which is shown on the websites. The third respondent who was not satisfied with his car is a good example on the customer's own effect on service quality like discussed in Chapter 3.4.1. For example in this case the customer might have booked a car category which was too small for his needs and he should have booked a bigger size class. If he would have done so, the perceived level of quality would have possibly been higher.

Recommendation rate of respondents was relatively high, 87.2 percent and can be considered as a measurement of great customer satisfaction. Grönroos (2015, 128) suggested in Chapter 4.3.3 that usually the customers who like to recommend the company they used, are the ones whose expectations of the service quality were exceeded. However the results show that this existing great customer satisfaction, which makes respondents to recommend their car rental company does not transfer into brand loyalty. Only 14.3 percent stated that they would definitely stay with the same brand in the future.

#### **7.4 Other options**

Customers choose to rent a car due to the flexibility and convenience that a car provides. Driving experience, which is tied with the qualities of the actual car, was only sixth most common reason to rent a car. Therefore can be said that most customers do not rent a car for the car itself, but for other reasons.

Effect of the new train connection from Helsinki Airport to the city center, is noteworthy as 38.8 percent of respondents stated that they would or maybe would take a train next time they visit Helsinki Airport. This increases the threat of substitution for car rental companies and in the worst case could create a risk of losing almost 40 percent of customer volume.

## 7.5 Summary

The purpose of this thesis was to provide an answer to the research questions concerning customer's reasons to rent a car at Helsinki Airport, selection criteria for a rental car at Helsinki Airport and if the new train connection will affect the behavior of car rental customers at Helsinki Airport. An answer to all these questions is presented in the results above.

The results can be used to develop a car rental company's marketing activities and direct those more efficiently in several different fields of marketing.

Most likely a customer will choose to rent a car due to the flexibility and convenience it provides, makes decision on the rental company based on price or a company contract and will not travel by train the next time they are at Helsinki Airport.

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## **APPENDICES**

APPENDIX 1. Customer survey form

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### Selection criteria for car rental customers at Helsinki airport

#### Background information

1. Purpose of the trip:
  - a. Business
  - b. Leisure
  - c. Combined
2. Gender:
  - a. Male
  - b. Female
3. Age:
4. Nationality:

#### Order process

5. Why did you order from this company?
6. Who made the order?
  - a. Yourself
  - b. Your company
  - c. Travel agency
  - d. Someone else, who? \_\_\_\_\_
7. Did you ask for a certain company?
  - a. Yes
  - b. No
8. Did you use a broker? (e.g. rentalcars.com)
  - a. Yes, which broker did you use? \_\_\_\_\_
  - b. No
9. Which of the following would you consider as the most important factor for your choice?
  - a. Price
  - b. Brand of the rental company
  - c. Previous experience
  - d. Recommendation from someone
  - e. Something else, what? \_\_\_\_\_

**Experience**

10. Did the car meet your expectations?
  - a. Yes
  - b. No, Why not? \_\_\_\_\_
11. Would you recommend this company?
  - a. Yes
  - b. No, Why not? \_\_\_\_\_
12. Could you rent from another company in the future?
  - a. Yes, Why? \_\_\_\_\_
  - b. No
13. Could you think of any extra services that a car rental company could provide?

**Other options**

14. Why did you choose a rental car over other options like train, taxi or bus?
  
15. There will be / is a new train connection (starting July 2015) at Helsinki Airport. Would you take a train next time you visit?
  - a. Yes
  - b. No
  - c. Maybe