Avis Budget’s Road to Customer Value

Technology is disrupting the rental car business. In a post-recession market, intense competition is forcing companies to offer new and better services to customers. The resulting touch-screen kiosks, mobile apps and car-sharing options are recent proof of a global $50 billion industry’s innovation awakening.

For Avis Budget Group, a leading global vehicle rental services company, and the only one operating two truly global brands, a new emphasis on technology, data analytics and marketing could hold the key to achieving significant growth.

A postrecession plan

Back in 2009, nobody was talking about big data. In the midst of the Great Recession, with millions of jobs lost in the United States between Sept. 2008 and Sept. 2009, companies were cutting back significantly on employee expenses such as business travel, and the uncertain economic outlook led many consumers to postpone or cancel their leisure travel plans.

The recession’s toll on travel meant a reduced demand for rental cars at airports, which lowered revenue for rental car companies. But instead of keeping their heads down until the economic storm passed, executives at Parsippany, N.J.-based Avis Budget began formulating a plan to identify new opportunities and grow their business using customer data.

“The recession was the time to revise our strategic thinking, and say, ‘When we come out of this, and we will come out of it, what is the investment that our company should make in order to enhance the post-recession customer’s experience and drive loyalty, revenue and profit for the company,’” says Tom Gartland, president of North America at Avis Budget Group.

“When we first started talking about a customer relationship management (CRM) and loyalty program, the car rental industry was seen by many as a commodity business,” he says. “We had the opportunity to change that paradigm, that by the right customer execution, service excellence and an enhanced loyalty program, we would be seen by our potential clients as different from competitors.”
Success Story: Avis Budget Group

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Data-driven growth

In the information age, data is a valuable asset. Research firm IDC is predicting a big data market that will grow revenue at 31.7% a year until it hits the $23.8 billion mark in 2016. For companies such as Avis Budget, the potential to mine their data — and derive actionable marketing insights — is practically limitless.

CSC defines big data as data that consists of large volumes, high velocity or variety. Avis Budget’s challenge concerned elements of all three components. The company had significant volumes of transaction data that needed to be analyzed for real-time actions (offers, service treatments, etc.) and an accelerating volume of unstructured data coming in from its website, call center, emails and social media channels.

Working with a big data team from CSC, Avis Budget began one of the most important programs in the company’s history.

Their first goal: grow market share. “Avis is the leader in commercial car rental in North America,” Gartland says. “We have the No. 1 position when we talk about car rental for commercial travelers and a 64% share of their wallet. But we still have the opportunity for an additional 36%.”

The same is true of Budget. “Budget is more of a leisure brand, and we have about 45% share of wallet with the normal Budget client,” he says. “How do we capture that incremental 55% share of wallet, so in their decision set they’re always thinking of using the Budget brand? If we could do that, we could add over two billion dollars of incremental revenue to the North American business.”

A customer-centric plan

The result of Avis Budget’s strategic planning during the downturn gave birth to the company’s focus on CRM. A customer value segmentation roadmap would be the starting point. CSC was chosen to help implement a program that would enable Avis Budget to derive new insights from their customer data and take informed channel-specific actions to market programs and services.

“Before we arrived and started to work with Avis, the company was a transaction-based company,” says Alex Black, a senior partner in CSC’s Big Data and Analytics practice. “Avis had a lot of transaction information but none of it was aggregated by customer.”

CSC’s initial work with Avis Budget was to help it define and implement a customer-led, service-driven vision. Both the Avis and Budget brands would benefit from the program.

“What we were focusing on was to start with a customer valuation approach,” says Black. “Let’s build a model, determine who the most valuable customers are and figure out how to concentrate on them by doing some extra special things. That meant a lot of data work, a lot of campaign-management work and a full program that included really transforming the entire organization.”

Better service via data

The car rental business seems pretty straightforward until you pull the skin back. The complexity begins when one considers all of the different touch points and systems. “Ultimately, Avis Budget is trying to create a differentiating experience every time someone rents a car,” Black says. “That’s a challenge, because car rental seems like a commodity to a lot of folks.”

The first step in the CRM program with Avis Budget was developing a customer intelligence roadmap. In six weeks, CSC delivered a three-year plan that outlined what business, technology and organizational projects were needed, broken down by costs, timelines and dependencies.

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“What a value model predicts a customer’s future value,” Black says. “Avis had never done any customer value segmentation before. So this was a great starting point. It made a lot of sense to focus on, first and foremost, your most valuable customers and offer them a way to move the dial on their business.”

After the lifetime value model was developed and approved, implementation began. CSC applied the model to Avis Budget’s 40-million strong customer database. Customers were stack ranked from the top down into value segments.

“Then we really focused on the top-value segments to drive offers and treatments, as a way to engender loyalty,” Black says. “At the same time we were careful not to discriminate against lower-value customers because they might be high potential in the future. All of those nuances got involved in applying the results of the model.”

To validate the modeling, CSC helped Avis Budget develop and run six marketing campaigns powered by IBM Unica’s marketing campaign management tool. Despite the extreme complexity of running multichannel campaigns using a new system, in a short time frame, the effort solidified the power of the customer model, and actually generated additional revenue while the program’s work continued.

A 360-degree view

The more you know about your customers, the better you can serve them. Powered by IBM’s Master Data Management for Customer application, Avis Budget’s customer value scores are part of a 360-degree view of the customer that also includes rental history, service issues, demographics, corporate affiliation and customer feedback.

In order to develop further customer insights, CSC helped Avis Budget develop and launch an advanced analytics team named the Marketing Sciences Organization, including defining key roles and interviewing candidates.

Fully launched six months ahead of schedule, Avis Budget’s new focus on customer value segmentation is gaining steam. The company is experiencing the benefits of big data analytics and a customer database organized by brand, segment and other key factors.

“The first thing our analytics told us was that we weren’t capturing all of the potential rentals from our existing clients,” says Gartland, who is responsible for operations, sales, marketing and customer care for Avis Budget across the United States and Canada. “We were missing something — which was really rich data. And what the data said to us is that there were opportunities to create relationships and provide offers that met client needs.”

The data also told Avis Budget that there was significant opportunity for customer upgrades. The company now has the information to appropriately enrich offers to upgrade, based on customer loyalty or different value propositions. The project has already helped Avis Budget increase incremental revenue by $200 million.

Unstructured social data

A major source of unstructured data for Avis Budget is social media. In fact, that’s a growing trend for most companies. The Nielsen Company found that one in three social media users with a customer service issue prefer to use social media, instead of calling the company’s customer service department.

“Today, any given company can have a customer service problem that can go viral, and then the whole world knows about it within hours or days,” says Gartland. “Companies that fail to immediately address customer service problems, who do not manage these situations as potential customer recovery opportunities, are putting their brands at risk.”
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About Avis Budget Group

Avis Budget Group is a leading rental car supplier that serves the premium commercial and leisure segments of the travel industry. Budget also operates one of the leading truck rental businesses in the United States.

Avis Budget Group and its subsidiaries and licensees provide a range of vehicle rental services through 10,000 rental locations in approximately 175 countries. The company has three operating regions: North America; Europe, Middle East & Africa (EMEA); and Latin America/Asia Pacific.

To manage the company’s presence in the social space, as well as collect valuable data, Avis Budget’s global social media team monitors mentions of the company’s brands across social channels.

“We have a recovery process in place, so if it’s a complaint or a customer service issue, we can recover immediately, or reach out to that customer and solve the problem,” Gartland says.

In addition to improving customer interactions, CSC is helping Avis Budget capture this unstructured data. During the customer value model implementation, CSC led a side project called a “voice-of-the-customer” roadmap. This project identifies the sources of feedback, figures out how that data can be harnessed and then puts it into an environment where it can be analyzed and acted upon.

“We are now able to understand whether it’s a customer offer, whether it’s a customer complaint, or whether it’s an opportunity to recover if there’s a customer service issue,” Gartland says. “We now better understand the lifetime value of the people in our database. And we can change our behavior. Our behavior can match the customer service expectation and the value of that customer for life.”

Learn more at csc.com/big_data.