

Venture

FOR ENTREPRENEURIAL BUSINESS OWNERS & INVESTORS

THE
CRUMBLING
OF DAVID'S COOKIES

JUNE 1988 \$3.00

ENTREPRENEURS

Calif. "He has to do a lot of shouting."

As for the two-timer who started all the ruckus, he's history.

—Laurie Kretchmar

In Unity There Are Reservations

George Lovato Jr. looked at the car rental industry and saw 10,000 independent operators trying to compete with a handful of giants.

The little guys had a fifth of a \$7 billion market, Lovato says, but were too fragmented to develop the technological, marketing, financial, and management skills to compete with the likes of Hertz, Avis, and Budget.

So in 1984 Lovato joined with his father, an automobile industry consultant and a former New Mexico commissioner of motor vehicles, to provide the missing parts. The Lovatos and a partner put up \$1 million, raised \$250,000 from an investor group, and formed Rent Rite Reservation Network Inc.

The Albuquerque company lets small

rental car operators compete where it counts most—on the computerized reservation systems travel agents use. Rent Rite is listed right alongside the big boys on 96,000 terminals that subscribe to American Airlines Inc.'s dominant Sabre system, as well as others. Seed money went for computers and network access fees, says Lovato, 31.

The reservation systems charge Rent Rite \$3 to \$4 for each reservation made through their networks. Rent Rite bills members \$7,500 to \$50,000 to sign up, then collects a \$6.50 to \$8 commission per reservation. Ninety car dealers and car rental firms with a total of more than 150 locations and over 5,000 rental cars had signed up by the beginning of 1988, according to Lovato.

Revenues topped \$447,000 in 1987, but start-up costs led to \$468,000 in red ink. In April, 1987, the founders sold 40% of the company in a public offering that netted \$1.5 million. Underwriter Grady & Hatch & Co. Inc., New York, projects Rent Rite will net \$575,000 on \$2.8 million in sales in 1988.

Rental cars are only the beginning. Lovato will soon pitch reservations systems to independent hoteliers and regional air carriers. —Mark Henricks



Lovato (r.) and his father provided the missing parts for car rental operators