

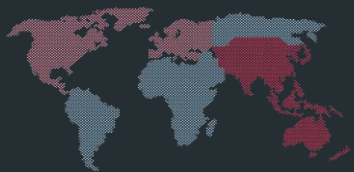


New Zealand Rental Vehicle Market Insights Report

November 2018

1st Edition

Issued 18th December 2018



INTRODUCTION

MarginFuel is pleased to present the 1st edition of “Rental Vehicle Market Insights Report”.

The report summarises the Average Market Rate# (average rate) of the New Zealand Rental Car Market, with a focus on the most popular Vehicle Categories^ from New Zealand’s three major airports*, being Auckland Airport, Christchurch Airport and Queenstown Airport.

The report is split into three sections.

- **Section 1 November 2018 Analysis**; overall the average rate **declined** Year on Year (YoY), **with the rentalcars.com channel selling at the highest average rate.**
- **Section 2 Year to Date (YTD) Analysis from August to November 2018**; during this period **average rates were seasonally stronger** in Christchurch and Queenstown Airports. However, as part of the seasonal curve, rates began to increase from September 2018.
- **Section 3 Forward Market Analysis from December 2018 to May 2019**; average rates are starting to trend upwards from mid/late December 2018 as the summer season demand builds, however, there is a **potential soft spot in demand** for a majority of January 2019 (compared to January 2018).

Please do not hesitate to get in contact to discuss the Report, or your pricing requirements.

Thanks, The MarginFuel Team

Notes:

^ Underlying car type (make & model) data was mapped to commonly used car categories, being SUV, Intermediate, Compact and Economy, using the internationally recognised SIPP code mapping table

* All three (3) airport locations include aggregated data for both domestic and international rental kiosks, however, no delineation has been made between Domestic and International rental vehicle customers

~ Average Rates referenced in the report are quoted in NZD

SECTION 1

NOVEMBER 2018 ANALYSIS

SECTION 1 NOVEMBER 2018 ANALYSIS

Year on Year (YoY[^])
Average Rate
Change Movement

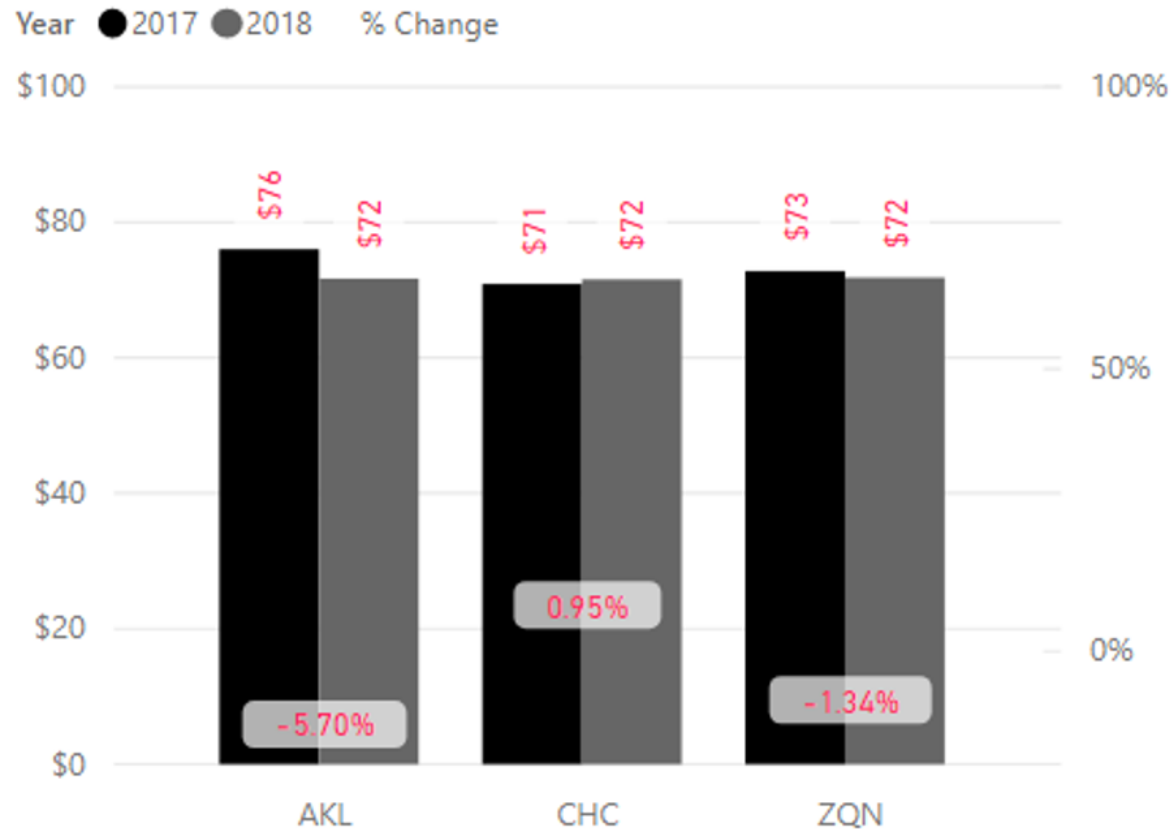


Fig.1

- For all three locations, across all sales channels, there was an overall YoY average rate decrease of **-\$3** or **-4%**
- Auckland Airport (AKL) had the largest YoY average rate **decrease** of **-\$4** or **-6%**
- Christchurch Airport (CHC) had a YoY average rate **increase** of **+\$1** or **+1%**
- Queenstown Airport (ZQN) had slight YoY average rate **decrease** of **-\$1** or **-1%**

SECTION 1 NOVEMBER 2018 ANALYSIS

Channel, Duration and Vehicle Category

The average rate across all sales channels was fairly **stable** (Fig.2) for all three locations.

There were rate differences for the 3-day duration across each of the locations, with the average rate for **Auckland Airport being lower** than both Christchurch and Queenstown Airports (Fig.3).

Average rates for all the vehicle categories (Fig.4) were fairly consistent across all three locations for the larger vehicle categories. Auckland Airport had a higher rate for the larger vehicle categories, being SUV and Intermediate, and Christchurch and Queenstown Airports having **stronger rates for Compact and Economy**.

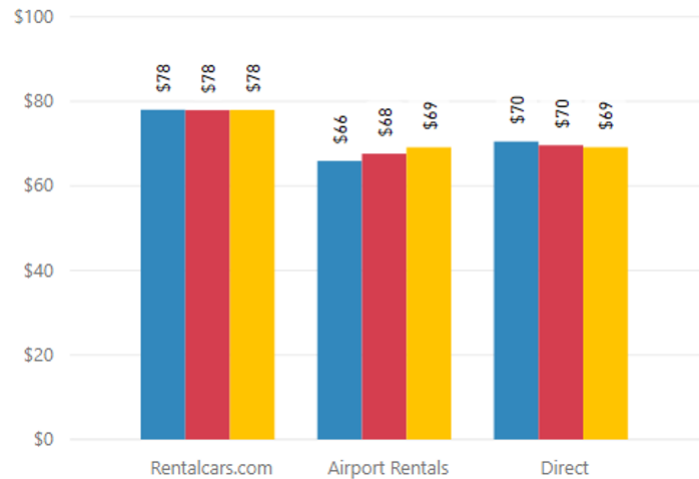


Fig.2

Location ● AKL ● CHC ● ZQN

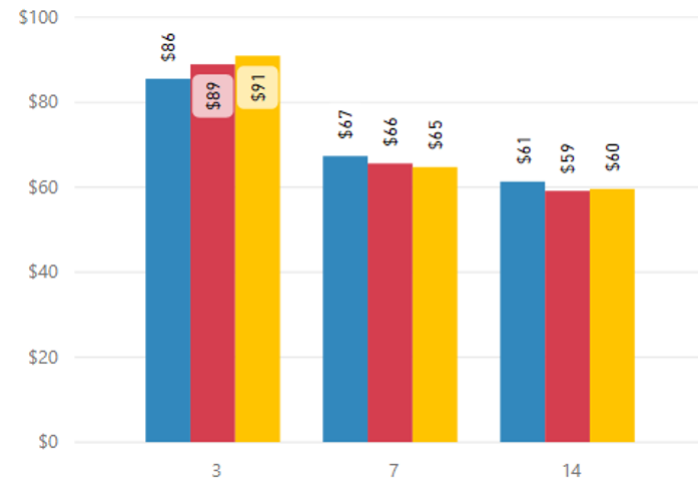


Fig.3

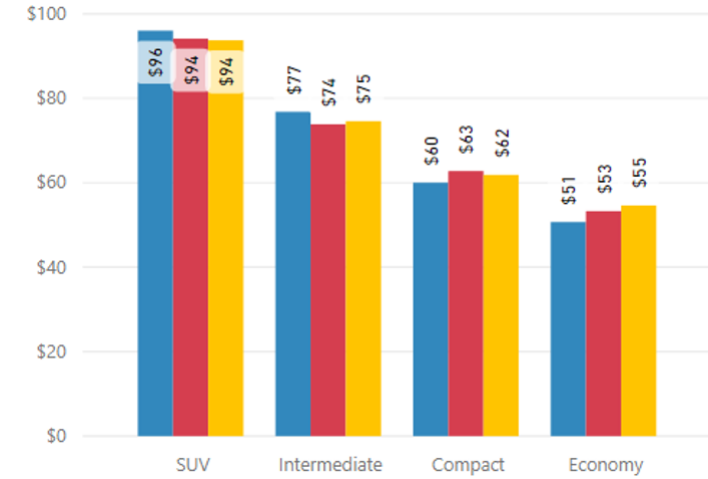


Fig.4

SECTION 1 NOVEMBER 2018 ANALYSIS

Auckland Airport YoY Summary

Auckland Airport, across all sales channels, there was an overall YoY decrease in the average rate of **-\$4** or **-6%**.

Average rates on the direct sales channel was **+3%** YoY, while average rates on both OTA channels were significantly lower, down between **-9%** and **-15%** (Fig. 5), this is due in part to the ever increasing number of operators represented on the OTA channels, coupled with operators setting rates in a more sophisticated way, for example offering less 'Flexi Rates' and more 'Dynamic Rates'.

The **average rate for shorter durations remained stable**, however, the longer durations suffered a decrease of up to **-9%** (Fig. 6).

The change in fleet composition by most operators, being less Compact and more SUV, is reflective in the lower rates for SUV which dropped by **-9%** (Fig. 7). The Economy category also dropped significantly by **-10%**, however, this is likely due to the market getting tighter, along with operators deploying various pricing strategies, one of which selling the Economy at a lower price point to remain competitive and stimulate demand.

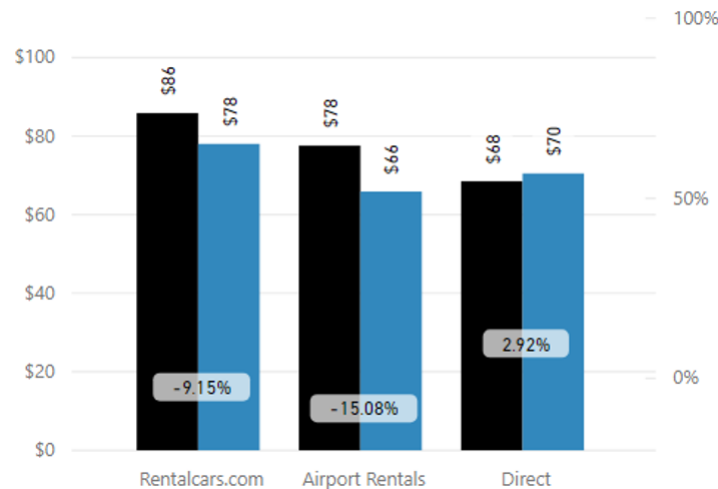


Fig.5

Year ● 2017 ● 2018 % Change

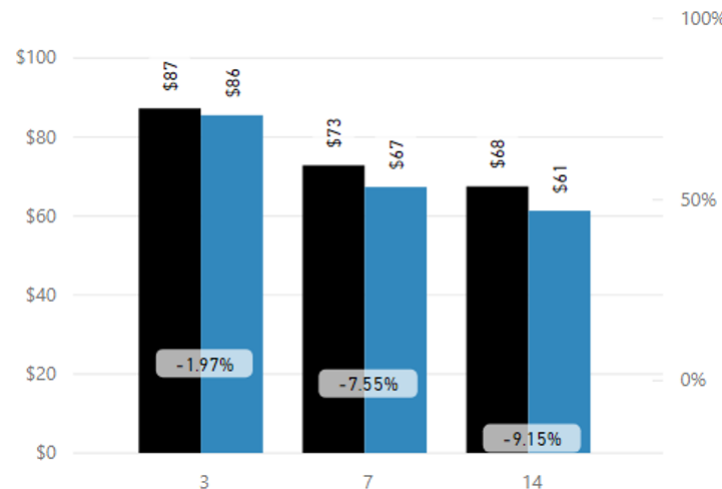


Fig.6

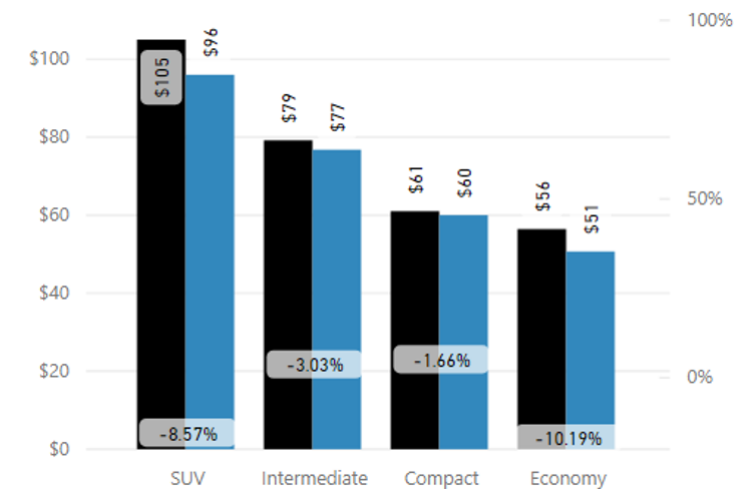


Fig.7

SECTION 1 NOVEMBER 2018 ANALYSIS

Christchurch Airport YoY Summary

Christchurch Airport, across all sales channels, there was an overall YoY increase in the average rate of **+\$1** or **+1%**.

Average rates on the direct sales channels were up **+\$6** or **+8%**, whereas the average rate on both **OTA channels decreased** by up to **-8%** (Fig.8).

The average rate for 3-day duration was up significantly **+10%** (Fig.9), with the **longer day durations lower** by up to **-7%**. Assessing the rate trends across the durations, there is a link with a decrease in the average rate on the rentalcars.com sales channel and the lower average rates for the longer durations, being due in part due to rentalcars.com international customer base which tend to require longer rentals, whereas operators were able to achieve higher average rates via the direct sales channel, for shorter durations by catering to domestic travelers. This trend is also reflective in the vehicle category rates (Fig. 10).

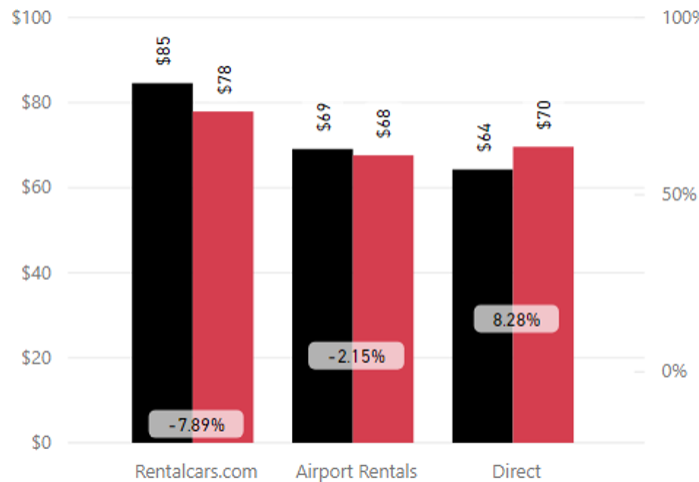


Fig.8

Year ● 2017 ● 2018 % Change

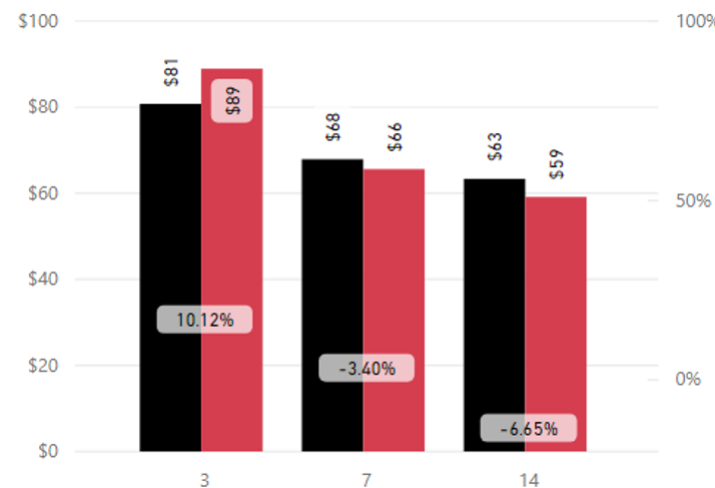


Fig.9

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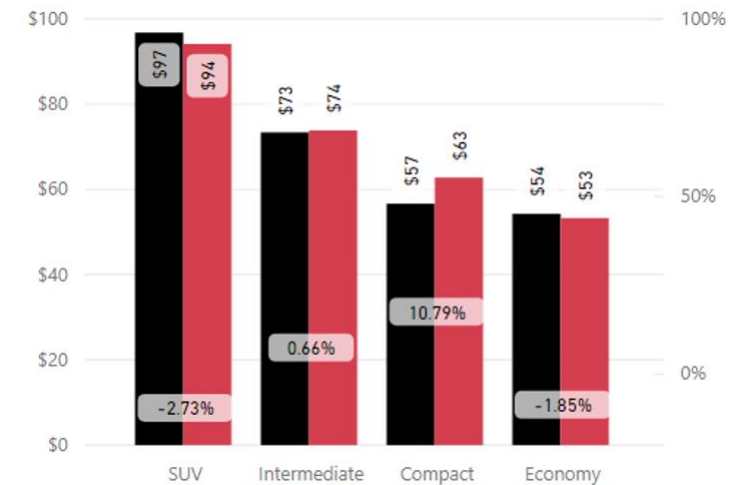


Fig.10

^ YoY is November 2018 versus November 2017

SECTION 1 NOVEMBER 2018 ANALYSIS

Queenstown Airport YoY Summary

Queenstown Airport, across all sales channels, there was a marginal YoY decrease in the average rate of **-\$1** or **-1%**.

Like Christchurch Airport, average rates on the direct sales channels were up **+\$5** or **+9%**, whereas the average rate on both OTA channels decreased by up to **-12%** (Fig.11).

The average rate for 3-day duration was up significantly **+8%** (Fig.12), again, like Christchurch Airport, the **positive rate impact on shorter durations** from the domestic market, and the negative rate impact on the longer durations from the international market.

The average rate across the vehicle categories (Fig. 13) shows the average rate for SUV's decreased by **-4%**, while Compact increased **+2%**.

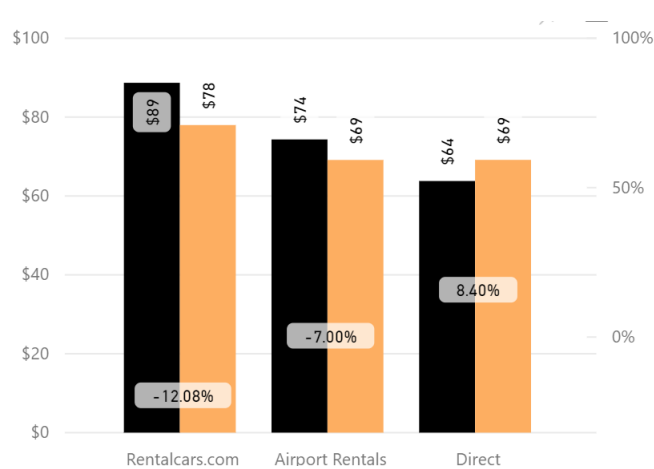


Fig.11

Year ● 2017 ● 2018 % Change

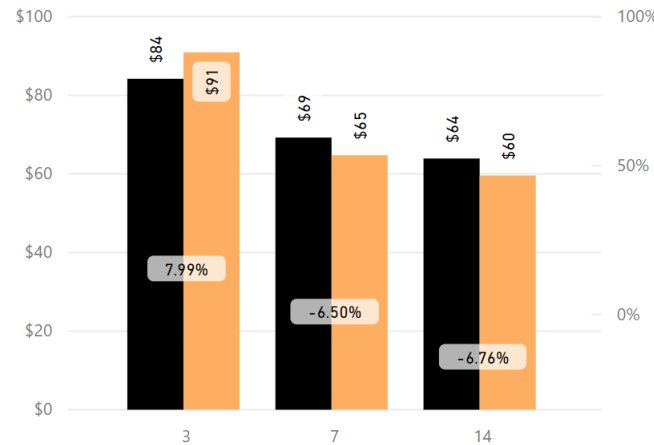


Fig.12

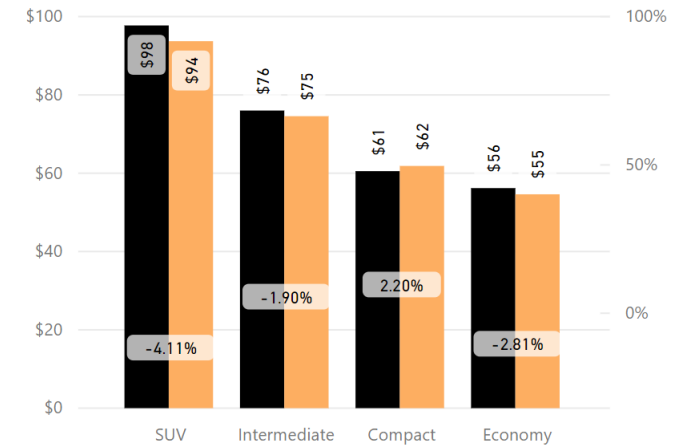


Fig.13

SECTION 2
YEAR TO DATE (YTD) ANALYSIS
FROM AUGUST TO NOVEMBER 2018

SECTION 2 Year to Date (YTD) Analysis

August to November 2018

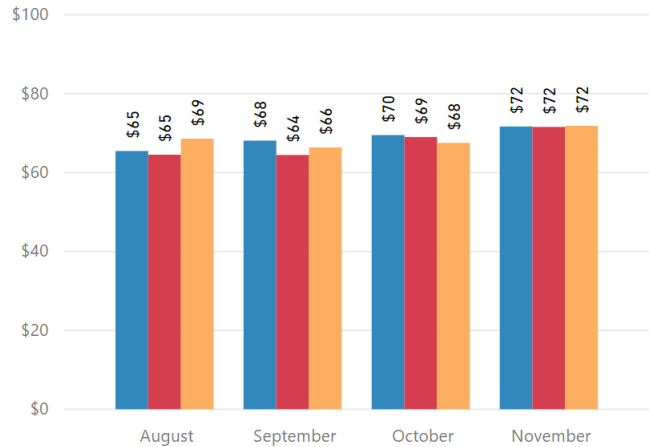


Fig.14
Location ● AKL ● CHC ● ZQN

- As is the typical seasonal trend, Christchurch and Queenstown Airports had **stronger average rates** during the winter period, with the average rate bottoming out in September 2018
- From October 2018 the average rate for all three locations begins to build (Fig. 14)
- Auckland Airport average rates were relatively stable during August and September 2018, however, in November 2018 the average rate was **-6%** lower month on month (Fig. 15)
- Average rates for Christchurch and Queenstown Airports was down by **-7%**, however, the **rates stabilised nicely** from October 2018 (Fig. 16 & Fig.17)

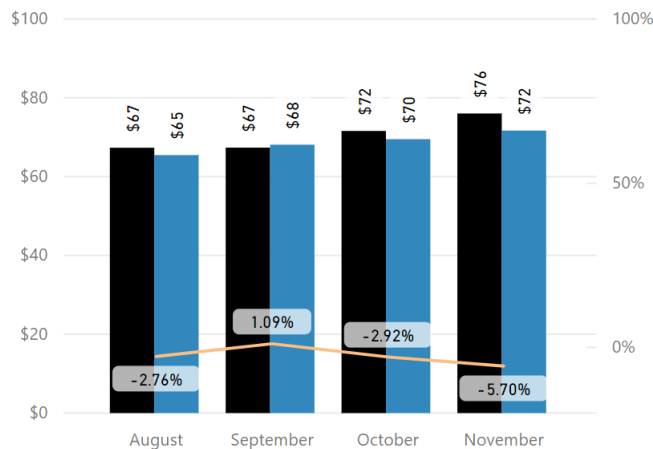


Fig.15

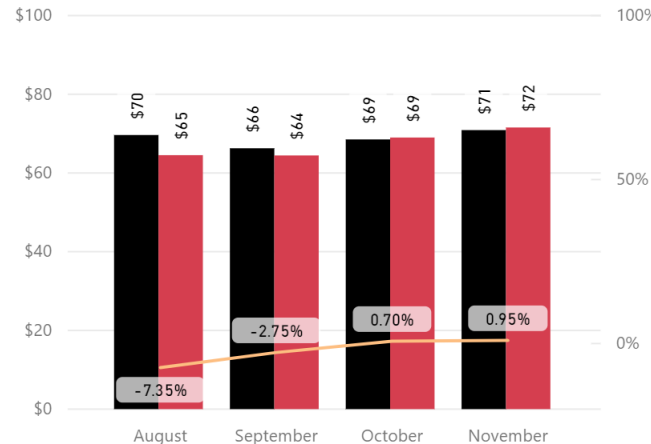


Fig.16

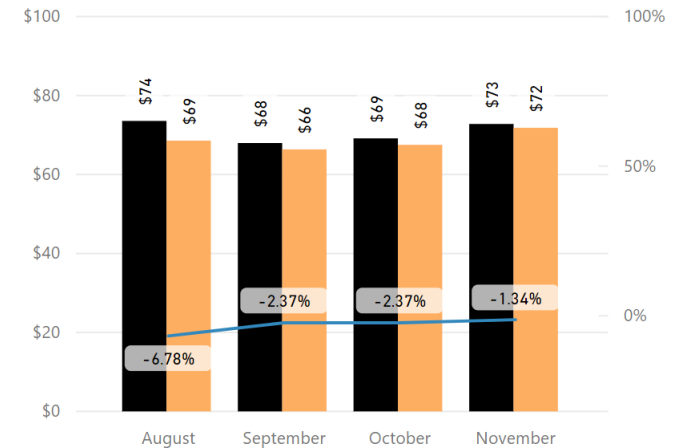


Fig.17

SECTION 3
FORWARD MARKET ANALYSIS
FROM DECEMBER 2018 to MAY 2019

SECTION 3 FORWARD MARKET ANALYSIS

December 2018 to
May 2019

For all three locations, across all sales channels, there is currently an overall YoY increase in the average rate for most months between November 2018 and May 2019, with rates starting to trend upwards from mid/late December 2018 as the summer season demand builds. However, there is a **potential soft spot** in demand for a majority of January 2019 (compared to January 2018).

In general, average rates during Christmas 2018 and Chinese New Year 2019 are **significantly higher** compared to the prior year corresponding periods.

In order to minimise the impact of the potential soft spot during January 2019, operators should be looking ahead and working to overcome the traditional January lull by being aware of the market and stimulating demand by deploying targeted pricing strategies.

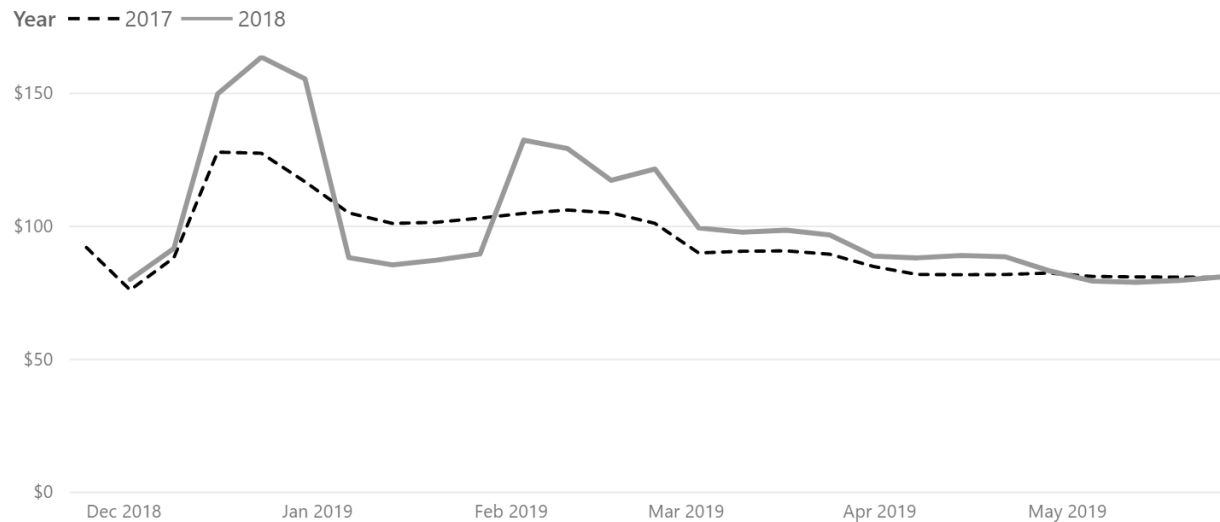


Fig.18

Market Insider Tip:

Make sure your fleet mix is on point.

Review your fleet numbers and don't over-fleet.

With all operators getting more granular, and more sophisticated, the competition will be tough again this year.

Make sure your strategies are focused on increasing Revenue per Unit (RPU), while keeping an eye on volume:price correlation to achieve best revenue outcomes.

SECTION 3 FORWARD MARKET ANALYSIS

Christmas 2018
(24th December 2018
to 2nd January 2019)

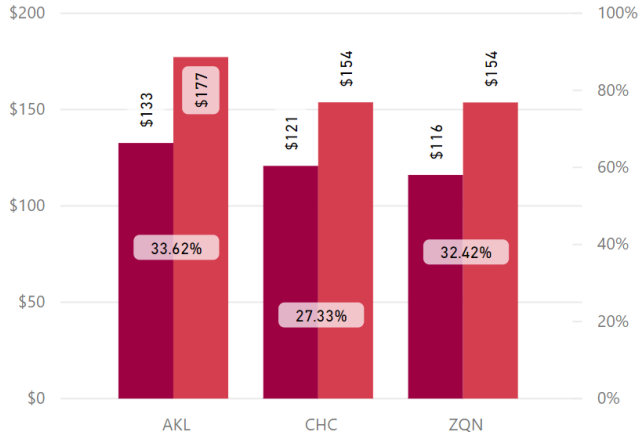


Fig.19

Market Insider Tip:

Manage your channels effectively. As demand builds on direct channels, make the most of the favourable yields.

Your channels need active management, so make sure you are on top of them.

Having fleet in the right place is once again crucial, with Auckland demand being able to swallow most of the demand at higher rates.

- For Christmas 2018, for all three locations, across all sales channels, there is currently an overall YoY average rate increase of **+30%** (Fig. 19)
 - Auckland is showing a YoY average rate increase of **+34%**
- The average rate across all sales channels is strong (Fig. 20)
 - Rentalcars.com **+14%**
 - Airportrentals.com **+45%**
 - Direct **+36%**
- Strong average rates for all durations (Fig. 21), and all vehicle categories (Fig. 22) with the increased average rate differential between SUV, Compact and Economy remaining fairly consistent

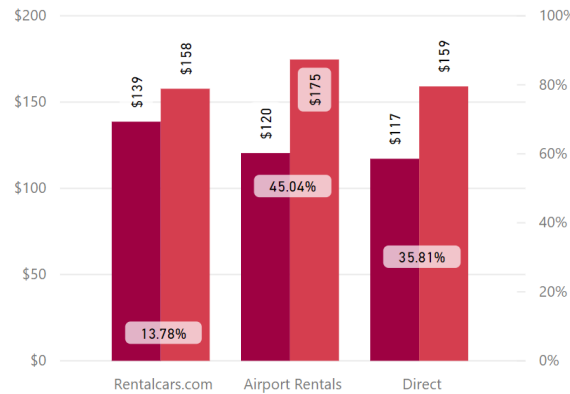


Fig.20

Year ● 2017 ● 2018 % Change

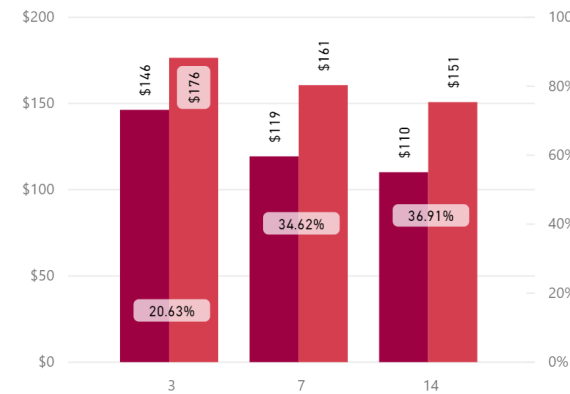


Fig.21

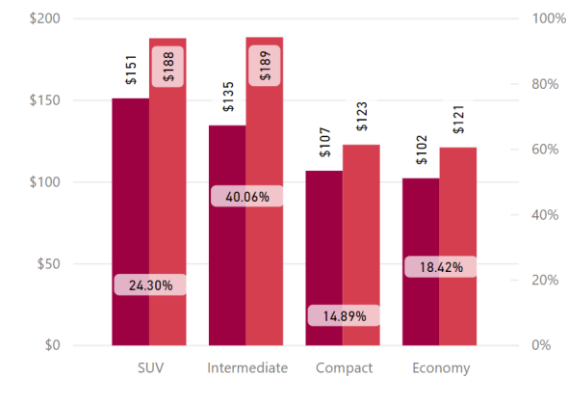


Fig.22

^ Compared to corresponding period from 24th December 2017 to 2nd January 2018

SECTION 3 FORWARD MARKET ANALYSIS

Chinese New Year
2019 (2nd to 17th
February 2019)

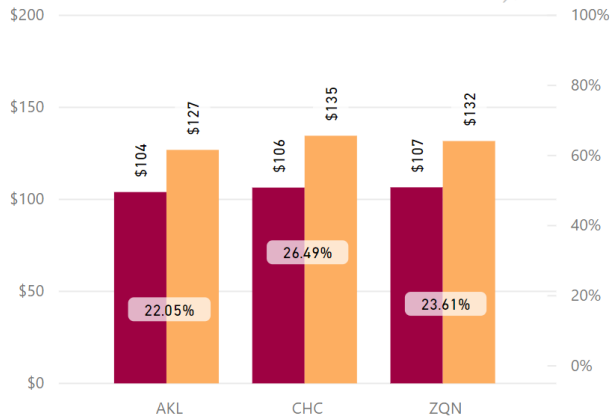


Fig.23

Market Insider Tip:

Chinese New Year will once again have a more pronounced effect in Christchurch, although it seems like Queenstown and Auckland are building along nicely.

Make sure your fleet mix is correct: traditionally SUV's and 4x4's are very popular in Christchurch.

Make sure your rates are right and you've got enough stock to supply demand.

- For Chinese New Year 2019, for all three locations, across all sales channels, there is currently an overall YoY Average Rate increase of **+24%** (Fig. 23)
 - Christchurch Airport is showing a YoY average rate increase of **+26%**
 - Auckland and Queenstown Airports are showing a YoY average rate increases of **+22%** and **+24%** respectively
- The Average Rate across all sales channels is strong; of particular note is the **+27%** increase on the direct sales channel (Fig.24)
- All vehicle categories have a higher average rate of between **+13% to +34%** (Fig. 26)

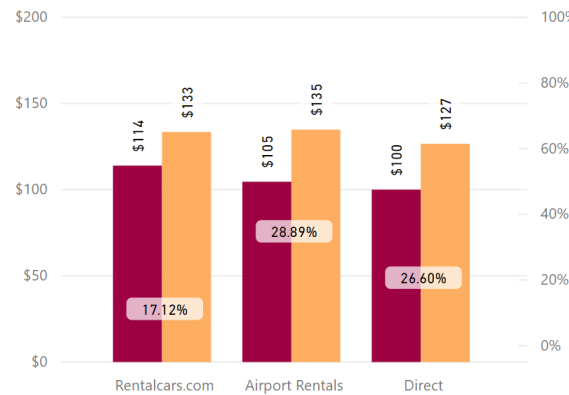


Fig.24

Year ● 2017 ● 2018 Change %

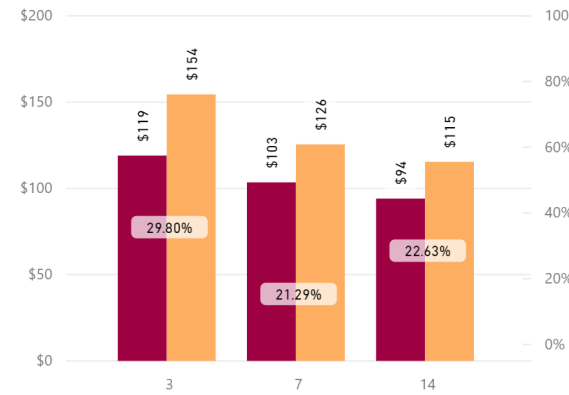


Fig.25

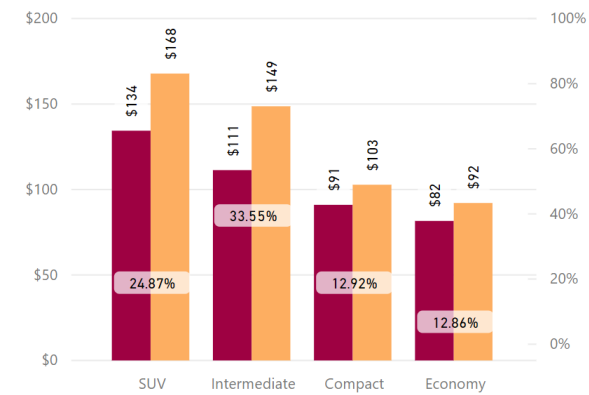


Fig.26

^ Compared to corresponding period from 10th to 25th February 2018

METHODOLOGY & DISCLAIMER

Methodology:

- The data was derived from circa. 3 million datapoints
- The data collected is from 13 individual rental vehicle operators (a mix of independent, franchise, small, medium and large operators)
- The data collected from the 13 rental vehicle operators has been anonymised and aggregated, then displayed to provide a general reflection of the overall market
- The pickup days included in the data are Mondays and Thursdays
- Inconsistent outlying rates were removed

Disclaimer:

- This report is intended as a guide only