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New Idea, Used Cars, Borrowed Money Equal Success

Former Male Nurse Expects \$350,000 This Year From Rental Firm, Network

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Can a 25-year-old nurse with no cash talk two banks into lending money for a totally new company and make the business a success?

In the case of George "J.R." Lovato Jr. and his car and truck rental firm, Rent Rite, the answer is yes — so far. Lovato, with help from his father and friends, has multiplied \$130,000 of somebody else's money into a rental agency and network that may give independent rental companies their first chance to compete with the big national agencies.

Albuquerque already had used-car rental agencies such as Ugly Duckling and Rent-a-Wreck and the Big Four — Hertz, Avis, Budget and Thrifty.

"What this town needs is a good-quality, used-car rental company," Lovato decided, that offered 18- to 24-month-old vehicles.

Ever the student, Lovato researched the idea at the University of New Mexico Robert O. Anderson Schools of Management library, looked at financial statements of rental car companies, did his own marketing studies and talked to his father, George Sr., a former commissioner of the state Motor Vehicle Division and longtime entrepreneur.

He was still incubating the idea during a backgammon game with Greg Barber, an accountant friend, during an Angel Fire getaway weeks later. The two abandoned the game for a brainstorming session that ended with a plan nearly eight hours later, at 4 a.m.

Bankers said they were crazy, Lovato recalled. "We had no cash. We were leveraging the entire deal. It's the most dangerous thing we could do." Lovato

asked each bank for a \$150,000 line of credit. The banks consented to less than half that amount.

The rest of the picture looked grim. Lovato missed the deadline for a Yellow Pages ad by three days, which he figures cost half the next year's prospective clients. The recession had a good grip on the economy, and he was facing the slow season.

Inexperienced in the business, he wasn't even sure how to acquire a fleet of cars. But he was disillusioned with nursing. As a floor nurse at Presbyterian Hospital, he said, "it seemed like it was 10 times harder for a male nurse to get anything done" and, he added, "there was no money in it."

He and friend Terry Stanley decided to go ahead. Rent Rite became a subsidiary of Lovato and Lovato and Associates, of which the senior Lovato is president and J.R. is vice president.

In 1982, Rent Rite started operations with 20 cars. Revenues at the end of the year totaled about \$18,000. The company grossed \$180,000 in 1983. With the first Yellow Pages advertising, revenues leaped to about \$90,000 in the first quarter of 1984, according to Lovato, who expects the year-end total to be upward of \$350,000.

Lovato wrote his own operations manual and worksheet on car-lease costs. Everything he learned is contained in a red notebook Lovato refers to as he talks about the business.

"The biggest disadvantage of an independent is isolation," he said. "Independents rely on the overflow from the Big Four. Maybe 5 percent have done any sales work. They're leaving money on the table."

Recognizing that independent agencies are not

inclined by finances or psychology to franchise, he looked for a way to broker services to other independents. The result was a network, now in its first phase, in which independent rental agencies can subscribe on a per-service basis to a reservations service, fleet sales and service, interoffice controls and marketing. Rent Rite now has affiliate agreements with independents in Albuquerque, Houston, Dallas, Denver, Tucson, Phoenix, Las Vegas and Southern California.

Lovato's Albuquerque fleet has grown from 20 to 60 cars and trucks, 60 percent of which are new, and the agency has its own 800 telephone number for reservations. As of June 1, Rent Rite will participate in American Airlines' Sabre Reservations System, and advertising will appear in flight magazines and travel agents' newsletters. Direct-mail letters have gone out to 6,000 regular customers of the combined affiliates. The agency also plans to offer a credit card for its services.

Because off-airport rental agencies are 15 to 30 percent cheaper than airport agencies, Lovato says, "We can price-war with the best of them." The secret, he said, is to stay relatively small — under 100 vehicles. "You can't run a rental car company efficiently with 200 units."

Lovato credits his father and friend Stanley with good advice, but he returns to the subject of bank support. He thinks his gamble was worth it.

"My cash theory worked," he said. "It's a good thing because if it hadn't, nobody else would be able to use it. The company grew and met its financial commitments."



Journal Photo by Greg Sorber

'J.R.' Lovato and 2 of His Rental Vehicles