Rental Car Company Moves Into Top Spot Of Franchise Index

Lori Wright
UNH Media Relations

Follow this and additional works at: https://scholars.unh.edu/news

Recommended Citation
https://scholars.unh.edu/news/877
Rental Car Company Moves Into Top Spot Of Franchise Index

This news article is available at University of New Hampshire Scholars' Repository: https://scholars.unh.edu/news/877
Rental Car Company Moves Into Top Spot Of Franchise Index

Contact:  Lori Wright
603-862-0574
UNH Media Relations

July 19, 2007

EDITORS AND REPORTERS: Senior Research Fellow Hachemi Aliouche and Director Udo Schlentrich of The William Rosenberg International Center of Franchising at the University of New Hampshire are available to discuss the latest Franchise 50 Index™. Aliouche can be reached at 603-862-1884 or hachemi.aliouche@unh.edu. Schlentrich can be reached at 603-862-0137 or udo.schlentrich@unh.edu.

DURHAM, N.H. – Avis Budget Group moved into the top spot of the Rosenberg Franchise 50 Index™, gaining the most during the first quarter of 2007, according to new research released by the William Rosenberg International Center of Franchising at the University of New Hampshire.

The Rosenberg Center Franchise 50 Index™ dropped 1.1 percent in the first quarter of 2007 as 21 of its 50 component companies lost market value. Twenty five of the components gained market value, while four remained essentially flat. Over the same period, the S&P 500 Index increased marginally (+0.2 percent). This quarter saw the worst quarterly economic growth in over four years as real GDP grew by only 0.6 percent, a marked decline from last quarter’s revised 2.5 percent rate of growth.

The Rosenberg Center Franchise 50 Index™ is up 80 percent since January 2000, while the S&P 500 is up 1.9 percent over the same period. The index tracks the market performance of the top 50 U.S. public franchisors.

Avis Budget Group (CAR) led the winners with a 27 percent jump in market value this quarter. Avis Budget Group, formerly known as Cendant Corporation, operates and franchises vehicle rental services worldwide through its Avis, Budget, and Budget Trucks brands.

According to Rosenberg Center Senior Research Fellow Hachemi Aliouche, in January, Goldman Sachs initiated coverage of the company with a bullish “Buy” rating. In February, the company provided a positive outlook for the year, with expected stronger pricing and moderating fleet cost increases for the 2008 model year. Avis Budget Group also benefited from the announcement by Enterprise Rent-a-Car of its planned acquisition of Vanguard Rental Group, the operator of the Alamo and National chains.

“This consolidation of the car rental industry will limit the number of competitors for Avis Budget Group, and may help increase its pricing power and prevent future price wars. Investors pushed Avis Budget Group’s stock price 5.1 percent the day of this announcement,” Aliouche said.
Quick-serve restaurant operator and franchisor Wendy’s International (WEN) lost almost 20 percent of its market value this quarter. In February, Wendy’s reported a 90 percent drop in profits because of lower franchise revenues and losses related to its recently divested chains (Tim Horton’s and Baja Fresh Mexican Grills).

“The company promised major changes, including revitalizing the Wendy’s brand, streamlining and improving operations, and new initiatives such as expansion of the breakfast program and the Frescata sandwich product line. Furthermore, the company announced a 47 percent increase of its annual dividend and bought back a large number of its own shares. However, these announcements and actions by management were not enough to reverse Wendy’s loss of market value by the end of the quarter,” Aliouche said.

For more information on The William Rosenberg International Center of Franchising or the Index, please visit the center’s Web site at http://franchising.unh.edu.