EXCEEDING CUSTOMER EXPECTATIONS

THE SUMMARY IN BRIEF

Enterprise Rent-A-Car grew from a small leasing operation in Missouri into a private family-owned $9 billion global powerhouse in 50 years. Enterprise founder Jack Taylor and his son Andy Taylor, chairman and chief executive officer, attribute the company’s success primarily to a simple yet hard-to-achieve notion: “Take care of your customers and employees first, and the profits will follow.”

Exceeding Customer Expectations traces the building of Enterprise over the years and provides insight into the time-tested strategies that have propelled Enterprise into the nation’s leading car rental company.

Among these strategies is the company’s belief that winning customer loyalty is like running a marathon, not a 100-yard dash. By mastering this principle, Enterprise has earned an enviable reputation as one of the world’s best companies to work for by empowering its employees, promoting from within and sharing company profits with employees. It has also won countless customer service awards and enjoyed a nearly unbroken streak of record profits.

In this summary, noted business author Kirk Kazanjian shows you how you can apply the principles of “The Enterprise Way” so your company can consistently outperform and outsmart the competition.

In addition, this summary will discuss the following:

✓ The crucial difference between “completely satisfied” and “satisfied” customers.
✓ How to hire smart people and train them from the ground up.
✓ The traits shared by the most successful managers to keep employees over the long haul.
✓ How to develop differentiating features that set you apart from your competition.
✓ The six keys to forming effective business partnerships.
EXCEEDING CUSTOMER EXPECTATIONS
by Kirk Kazanjian

— THE COMPLETE SUMMARY

From the Basement to the Top

Enterprise Rent-A-Car has become a $9 billion global powerhouse, buying more new cars each year than any other company in the world. It’s also the largest seller of used vehicles in the country.

How has Enterprise done it? The company has an unbending determination to keep its customers happy. At the same time, it strives to hire the smartest and most talented people possible. What Enterprise knows is that in order for employees to provide outstanding customer service, they must be both committed to their jobs and properly incentivized. The two are closely connected.

At Enterprise, having “satisfied” customers isn’t enough. When you exceed people’s expectations and bring them to the “completely satisfied” category, they are at least 70 percent more likely to do business with you again.

Does The Enterprise Way work for companies outside of the car rental industry? For an answer, you need to look no further than Enterprise itself. The Taylor family, who own Enterprise, also own and operate other diversified and completely unrelated businesses, all of which have enjoyed similar success by following these same techniques and management principles.

Take Care of Your Customers and Employees, and the Bottom Line Will Follow

“I didn’t start out wanting to get rich,” says Jack Taylor, founder of Enterprise Rent-A-Car. “Making a huge amount of money was just not high on my list. Ensuring that customers were well taken care of and that employees were happy — those were the most important things. I figured if I did those two things well, I’d make money, because I would attract customers willing to pay a fair and decent price for what I was offering.”

Fifty years after Enterprise was founded on these principles, the car rental behemoth has quietly become one of the most highly rated companies in the world based on multiple measures, including customer service, financial stability and growth, employee retention and innovation.

Enterprise doesn’t just want its customers to be satisfied. The only way an employee can be promoted is by making sure customers are totally satisfied and convinced that Enterprise has done everything possible to exceed their expectations. Employee promotions are based on customer satisfaction, which the company continually tracks and monitors.

Although Jack Taylor remains involved in the company, his son Andy has led Enterprise since 1980, first as president and now as chairman and CEO. “The success of Enterprise is not based on technical proficiency or a complicated business model,” Andy Taylor says. “We derive our success from careful adherence to a commonsense approach: We treat our customers well, we give our employees respect and opportunities to grow, and we know that if we stick to these two rules, profits and growth will naturally follow.”

Make Everyone Feel Special

Enterprise’s dedication to making customers feel special is implicit in its famous slogan, “Pick Enterprise. We’ll Pick You Up.” The company will come get you at your house, or just about anywhere else. It’s part of the company’s comprehensive customer service program. Enterprise employees shake your hand and greet you by name, being professional yet friendly. And most Enterprise offices aren’t very opulent, set up with

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convenience in mind. There’s a branch within 15 miles of 90 percent of the U.S. population. Enterprise’s commitment to winning repeat business is largely what differentiates it from the rest of the car rental industry. The company is singularly focused on making sure customers have a good experience and that they’ll come back again.

Over the years, Enterprise has learned that there are six primary reasons people will stop doing business with you. The biggest reason: 68 percent go elsewhere because of the poor way they were treated by employees of the company. Successful retention, therefore, means building personal relationships with customers with the goal of keeping them for life.

Go Beyond the Call

If the employees handling your transaction at Enterprise seem more focused, engaged and, yes, brighter than those you’ve met behind the counter at other car rental companies, that’s because those are the kind of people Enterprise intentionally hires. Enterprise isn’t looking simply to hire counter clerks to check out cars. The company wants each employee to move up the leadership ladder.

Enterprise’s unique structure of giving entrepreneurial freedom and sharing profits with employees has created incredible worker loyalty, fostered innovation and produced impressive results. What the company has learned over the years is that happy employees make for happy customers.

Think Ahead

After five years of selling Cadillacs for Arthur Lindburg in St. Louis, Mo., Jack Taylor was making good money. But as he contemplated his future, he began to recognize the limitations of being a car salesman. One of Lindburg’s friends owned a leasing company and explained how leasing worked to Arthur and Jack.

Jack wondered why someone would buy a car if he or she could lease one instead. He was also intrigued by the potential benefits afforded to the owner of such a business. For starters, leasing companies didn’t have to obtain a franchise from the manufacturer. They could open an office wherever they wanted, without geographic restriction, and had the freedom to lease any kind of car. Leasing was more flexible, enabling you to do a better job of meeting the unique needs of each customer. Jack especially loved that part of the business.

Jack asked Lindburg if he could start a leasing business, and the two worked out a deal and agreed to form a partnership for this new venture. In February 1957, Jack started Executive Leasing, the precursor to what would become Enterprise. The company operated from a basement office carved out of two car service bays in the subterranean service department at Lindburg’s Cadillac dealership.

At the time, few individuals understood the financial benefits of leasing over buying. But Jack knew if he could get the ear of potential customers at a certain income level and educate them about the merits of this alternative to ownership, he had a good chance of making a sale and beating out conventional car dealers. Slowly, the business began to grow.

Surround Yourself with Like-Minded People

Jack looked for energetic, hard-working people to join the company. Most came through word of mouth, referred by mutual friends or relatives.

The men and women who came to work for Enterprise have always been taken care of by the company and given the tools and support necessary to do the same for its customers. In turn, as Jack surmised, the bottom line has more than taken care of itself.

Stand Tall in Tough Times

The real test of what a company is made of, and its commitment to employees and customers, often comes during times of crisis. Enterprise had a chance to demonstrate how it responds in such situations more than once in recent years.


Because of the decentralized nature of its business, combined with relatively low customer interest, Enterprise doesn’t offer one-way or drop-off rental. But as the dimensions of the calamity became apparent, managers independently decided to let stranded customers take the cars wherever they needed to go. Headquarters quickly signed on to the plan. They determined that getting people home was the most important thing. Up to 5,000 cars were displaced as a result. It took months to get them back or sell them. But Enterprise never hesitated, in spite of the cost.

What employees wouldn’t relish being able to help

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people out in such a meaningful way, knowing that they had the authority to make this decision and feeling reassured that the company would back them up because they were doing the right thing? That’s a big part of what taking care of both your employees and your customers is all about.

To Gain a Competitive Edge, Be Different

Enterprise has always tried to be very different from everyone else in the car rental business. While the most obvious difference is Enterprise’s attention to service, the company also sets its products apart in other ways — the location of its branches, the professional appearance and friendly attitude of its employees and, most famously, the door-to-door service touted in its trademarked slogan, “Pick Enterprise. We’ll Pick You Up.”

Behind the scenes, Enterprise is fundamentally dissimilar from its major competitors. Its rental operation began by serving non-airport customers, a completely different segment of the rental market. It has a unique management and organizational structure, along with an unprecedented compensation system. Enterprise is also a privately held, family owned company, which means it isn’t subject to the same pressures for quick returns and pumped up profits that much of its major competition faces.

Be Open to Opportunity

Jack Taylor viewed the car rental business as a cutthroat, crowded industry with a questionable future. To him, leasing initially seemed to be a far more attractive option. But the great thing about opportunity is that, like beauty, it is in the eye of the beholder.

Some of Jack’s early leasing customers would occasionally come in looking for loaners when relatives were visiting from out of town or when the vehicles they leased were in for service. Jack started out by saying, “We don’t rent cars,” but then decided that he had to go into the rental business to meet the needs of his customers.

One day, Doug Brown and Don Ross, two of Jack’s employees, stopped in to talk with the insurance adjuster at the insurance arm of AAA Missouri. Maybe, Brown reasoned, the adjuster would rather offer customers a rental car instead of just handing out money to pay for a rental, especially if the insurance company could better control its expenses. The adjuster agreed to give it a try.

Without realizing it at the time, Brown and Ross had just made their first sale to a vast, untapped pool of potential renters, a market that would eventually drive Enterprise to become the largest car rental company in North America. It’s what is now referred to as the “home-city” market — renting to local residents who need temporary transportation due to an accident, repair, out-of-town guests or the need for a different car to accommodate any variety of needs. And it began a partnership that would fuel unprecedented new opportunities.

The rental operation began to build as the three-man rental team hit the streets to drum up business. Through diligence and determination, they had unwittingly created yet another key differentiator that set the company apart from the competition.

By 1971, Executive had five offices in St. Louis. The company changed its name to Enterprise, one of the ships Jack had served on in the Navy. Despite his initial reluctance, Jack felt that the rental business model was working well. He decided to expand this concept even further. Jack and his team began looking for the next location to move into. They wanted a mid-sized city in the Southeast that showed moderate to strong growth, and settled on Orlando, Fla. The insurance business in Florida was about to undergo a monumental change that would help both drivers and Enterprise: the enactment of “no-fault” insurance.

Pick Customers Up

Jack asked one of his best leasing managers, Bob Bell, to open the Orlando office. Jack then chose Lanny Dacus, who had joined the company less than a year before, as Bell’s assistant. Dacus didn’t like the thought of rental cars sitting idle on weekends because insurance companies — the majority of Enterprise’s customers — were closed then.

He tried to figure out a way to turn the cars into revenue generators during this off-peak time and, in the process, helped begin a new business venture for the company: weekend leisure rentals. Dacus decided to pick up customers who were visiting the area on business, but without cars. He created a package for weekend clientele containing brochures and a map of the area showing various points of interest.

The pick-up service also proved useful as the benefits of no-fault insurance became clear to consumers. For example, small accidents that would have otherwise gone unreported were now being filed. Insurance companies couldn’t keep up with the claims, and body shops were inundated with work.

Given that their customers had no cars, frustrated body shop managers and dealerships started calling Dacus, asking him to please come pick up these people. Dacus was willing to do what it took to get the business, even though providing such transportation wasn’t part (continued on page 5)
of company protocol. Before long, shuttling customers became common. Picking up customers also helped with another problem. If it was at a peak time, Dacus would offer to come pick up customers at their homes or offices — but at a time when things would likely be a bit calmer at the branch. This helped to prevent customer overload and allowed Enterprise to earn a reputation for great customer service around town. It was known as the car rental company that picked up customers. After seeing the overwhelmingly positive results, more and more Enterprise offices began to embrace this pick-up service. They came to realize it was an important differentiator between Enterprise and its competitors. It instantly gave Enterprise an advantage in the marketplace.

Take Advantage of Market Voids

While the Hertzes and Avises of the world were competing near airport runways, Enterprise was growing by leaps and bounds in American driveways. By the early 1980s, the company’s core business of leasing started to share the limelight with the growing rental business. The rental side got so big that what was originally known as Enterprise Leasing (and Executive Leasing before that), officially became Enterprise Rent-A-Car.

Since 1991, Enterprise has opened an additional 5,500 branches and added an average of 38,000 cars each year to its fleet. At the same time, the home-city market has grown from $2 billion to almost $10 billion. It’s only in recent years that the bigger national players have made a serious attempt to open off-airport locations as well.

Enterprise itself began opening airport offices about a decade ago, and today already has about a 7 percent to 8 percent share of the U.S. airport market segment. The airport market has grown to represent 10 percent of the company’s overall revenue.

Today, Enterprise operates several other auto-related businesses — leasing (or fleet services), retail used car sales and commercial truck rentals — all of which are run under the same principles.

Never Settle for ‘Satisfied’

As the business grew, keeping a focus on customer service ahead of profits became more challenging to consistently execute. It required putting a formalized system in place to relentlessly track customer satisfaction and ultimately hold employees accountable for delivering on the promise.

The system Enterprise built to track customer service has grown into one of the most comprehensive and effective programs of its kind in corporate America. Yet, it’s also one of the simplest. The company has dubbed the program ESQ — Enterprise Service Quality index.

Every Enterprise branch is assigned its own ESQ score. These numbers are then averaged to come up with an overall company number. The ESQ score represents the percentage of customers who report being completely satisfied with their rental experience. The number is crucial, because Enterprise uses this measure as a key variable for determining who gets promoted.

When ESQ was first rolled out, many general managers thought their branches would come out at the very top of the charts. But some of the most confident ones learned the truth: They weren’t doing a very good job. By the mid-1990s, Enterprise’s ESQ experiment was in full swing. The more the company learned about its “completely satisfied” customers, the more it recognized their importance.

Through its ESQ surveys, Enterprise has identified six attributes that have the greatest impact on customer satisfaction. They are satisfaction with:

- Personal courtesy

Widespread Myths About What It Takes to Make Customers Happy

Myth #1: Boosting customer satisfaction requires giving away the store.

Enterprise’s research showed that outstanding overall service, not giveaways, led to higher scores.

Myth #2: Good managers already know which areas need improvement.

Enterprise proved by comparing the managers’ intuitive conclusions with actual survey results that there is no substitute for statistically valid measurements. And without these measurements, it’s impossible to manage knowledgeably and effectively.

Myth #3: There’s not much difference between being somewhat satisfied and being completely satisfied.

Enterprise proved by tracking both survey results and subsequent behavior that completely satisfied customers are three times more likely to do business with you again than those who are somewhat satisfied.

Myth #4: Complete satisfaction means perfection.

Perfection is something to strive for, but it’s rarely ever attained. Besides, a customer may have encountered significant problems in the transaction, yet still reported being completely satisfied, provided the problems were taken care of appropriately.
Never Settle for ‘Satisfied’ (continued from page 5)

- Professionalism
- Personal timeliness of service
- Personal treatment as a valued customer
- The mechanical condition of the car
- The timeliness to complete the rental transaction.

Most of these attributes have to do with service rather than with the quality of the product. By concentrating on these attributes, groups can raise their ESQi scores. Negatives in any area are destructive to overall customer satisfaction.

Put Yourself in Your Customer’s Shoes

Among the best ways to understand what customers are thinking, and therefore how you can improve their overall experience, is by putting yourself in their shoes. Workers at all levels are encouraged to constantly look around the office, hear how many times the phone rings before being picked up, look at the expressions on the faces of customers and other teammates to see whether they are smiling or showing signs of frustration, and make sure to properly greet everyone coming through the door.

Enterprise has learned through all of its processes that creating a completely satisfied customer doesn’t just happen by accident. It’s a deliberate process that requires continuous commitment, frequent training, constant monitoring and financial consequences for those who don’t live up to the high standards of service. At the same time, the foundation is built upon those common courtesies we all expect. It really comes down to the golden rule of treating your customers the way you would want to be treated yourself.

Hire and Train Good People from the Ground Up

Enterprise’s growth has given it a voracious appetite for fresh, career oriented people. The company hires thousands of candidates a year for its management program. A majority of hires fall into one of two categories: recent university graduates or people wanting to begin a new career in a structured management training program.

Enterprise has more than 200 recruiters, the majority of whom work within each of the individual operating groups or regions around the world. Enterprise recruiters are a constant presence at college campuses.

The company also finds qualified candidates through its Web site, and has a paid college internship program, taking on about 1,700 juniors and seniors each year as interns and teaching them highly marketable skills relating to every aspect of running a successful business.

What attracts potential candidates to Enterprise? The opportunity to create their own career path, performance-based promotions, autonomy and the potential for substantial earnings.

Promote from Within

Enterprise’s “work your way up” and “promote from within” policy assures that every field employee has been fully immersed in the company’s culture and way of doing business.

In addition to allowing for continuity and rewarding hard work, promoting from within creates a much more stable work environment and fosters teamwork instead of internal jealousies and competition. Employees know that someone from the outside won’t suddenly come in and become their supervisor. Everyone at the top has been exactly where they are, and each employee’s hard work will be rewarded with future promotions.

Treat Everyone Like an Owner

Few do as much as Enterprise to truly allow employees to behave like and be compensated as owners. This feeling of entrepreneurship spurs everyone at the company to perform at their highest potential every day. And while the approach and incentives Enterprise uses might appear on the surface to be more costly than necessary, the company’s innovative pay-for-performance plan is really what has made it so successful for such a long time.

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Employees reaching the assistant manager level begin to receive both a base salary and a cut of the profits from the business. Indeed, Enterprise pays out almost 40 percent of all company profits to employees. While most companies see the payroll as a drag on the bottom line, Enterprise has always thrived on spreading the wealth.

Pay on Company and Individual Performance

Enterprise not only pays its people a percentage of the profits from their individual branches, but as they are promoted to the area, region and, ultimately, the group level, they receive a share of profits from all of the operating units underneath them.

One risk of tying compensation in with the profit-and-loss statement is that it has the potential to encourage short term thinking and cause one to cut corners at the expense of customer service. Enterprise keeps this in check by tying promotions in with delivering good customer service. In fact, the only way to move up at Enterprise is by wowing the company’s customers.

Family Businesses Can Work Well

Enterprise today is owned almost entirely by the Taylor family. The company has become a role model for how to effectively preserve a family owned business. Such businesses generate half of the gross domestic product in the United States, hire 60 percent of American workers and create 78 percent of all new jobs. Yet only one out of every three family businesses survives into the second generation.

Today, a third generation of Taylors is working at Enterprise. Even those family members not working for Enterprise on a day-to-day basis are involved in high-level meetings about its ongoing operation. At the same time, non-family members continue to move up the ranks, with little worry the company will change its generous ownership-centered structure, which rewards them financially for excellent performance. ■

Form Strong Partnerships

Enterprise’s most crucial partnerships are those with the array of insurance providers that send so much business its way. While other car rental companies covet this market and continually try to wrest market share away, Enterprise remains the preeminent leader in the insurance replacement field.

To create greater efficiencies, Enterprise set out to build what has come to be known as ARMS, short for Automated Rental Management System. At its heart, the system was designed to let insurance companies manage the entire rental process with Enterprise electronically.

Future versions would add to this experience by tracking the vehicle repair process. This would create far greater efficiencies throughout the repair, reduce friction and lower the number of bothersome follow-up calls to all parties involved, including the insurance adjuster and repair shops.

In a fairly short time, a significant percentage of all insurance companies signed on with Enterprise to use ARMS. With the rollout of ARMS underway, Enterprise took another step through the creation of preferred provider option agreements, or PPOs. These agreements serve as written understandings of what new additional value-added services Enterprise would bring to the table in exchange for suggesting Enterprise to customers with no other preference.

Continually Striving for Greater Efficiencies

The evolution of the ARMS system continues. Enterprise spends about $10 million annually on system upgrades to ARMS, and some 300 insurance companies now use the system. An affiliated application, ARMS for Dealerships, connects several thousand car dealers around the country to Enterprise, while ARMS Automotive is used by some 7,000 body shops.

Beyond the insurance companies and body shops, Enterprise also has numerous business relationships with the auto manufacturers that supply its vehicles.

What has Enterprise done to create such close and mutually beneficial partnerships over the years? The same things that every business can do to achieve similar results:

1. Begin by identifying the concerns of your customers and potential partners.
2. Once you’ve identified what your partners want, determine the mutual benefits from the relationship.
3. Believe in what you say you are going to do, and go into the relationship with a 100 percent commitment.
4. Don’t go for the last “oink out of the pig,” says Andy Taylor, meaning don’t try to squeeze out every last penny of advantage. “That doesn’t mean we don’t negotiate hard,” says Taylor. “But we try to always work together toward a common goal.”
5. Keep the lines of communication fluid and open.
6. Never rest on your laurels. ■

Use Technology to Enhance the Customer Experience

Enterprise discovered long ago that no matter how good your product or service, without the smart use of technology, you’ll lose out on the opportunity to make it easy and cost effective for customers to do business

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with you. Enterprise’s overriding philosophy is that, above all, technology should be used as a way to drive customer service.

What distinguished Enterprise from others and paved the way for impressive future innovations was the fact that senior management fully supported the company’s various IT initiatives from the start and were involved in all phases of development. Indeed, Enterprise looks at technology as a strategic asset — something that can help strengthen the customer relationship — not just as another cost of doing business.

One major difference between the systems used by Enterprise and its major competitors is that Enterprise writes and develops all of the technology applications used to take care of customer needs in-house. Most other companies rely heavily on outside consultants and independent contractors, many of whom don’t know the car rental business very well. 

Grow Smart

Enterprise’s most financially difficult period came in the early 1970s, just as the company was beginning phase one of its growth spurt. The country was faced with high gas prices, an energy crisis, a glut of unwanted luxury cars and a deep recession that began to drain the company’s cash reserves. As 1974 progressed, business began to improve. Surviving the tough economic times wasn’t easy, though it made some advantages of Enterprise’s business model clear.

Up through the early 1990s, Enterprise funded all of its growth through profits and by taking out loans. As the company grew, it expanded into bank syndication financing. Now much of Enterprise’s growth is funded through private placements.

By 1999, Enterprise was ready to make a formal entry into the airport market. Two to three on-site airport locations were added monthly over the next seven years, a pace that continues today. As other airport car rental companies have seen their market shares shrink, Enterprise’s airport business has taken off.

What’s more, Enterprise has discovered that, while the company is always open to new ideas and approaches, it is essential that any endeavor stick to the company’s central operating principles. 

Live Your Core Values

Enterprise refers to its eight founding values as “the values that define us and drive us.” What are they?

- Our brand is the most valuable thing we own.
- Personal honesty and integrity are the foundation of our success.
- Customer service is our way of life.
- Enterprise is a fun and friendly place, where teamwork rules.
- We work hard and we reward hard work.
- Great things happen when we listen to our customers and to one another.
- We strengthen our communities one neighborhood at a time.
- Our doors are open.

Andy Taylor is convinced that businesses not taking their core values seriously will suffer the consequences. “These values are the reasons why customers should want to do business with you, why talented people would want to build their careers with you and why neighbors are glad to have you in their communities,” he says. 

The Enterprise Business Model

If you were to sum up the primary traits that have made Enterprise so successful over the past five decades, it would come down to the following:

1. Have a strong belief from the very top that taking care of customers and employees is job number one.
2. Empower workers as entrepreneurs and pay them on the bottom line.
3. Hold employees financially accountable for offering excellent customer service.
4. Establish strategic partnerships.
5. Dare to be different.

While all of these traits can be adopted by businesses of all types, it’s important to remember that execution is everything. They must be ingrained into the fabric of your company. It’s a philosophy that Jack Taylor set in motion 50 years ago when he purchased his first seven vehicles, and thus opened the doors to one incredible business. 

Use Technology to Enhance the Customer Experience

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