

How to Start a Car Rental Services



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How To Start Your Own Car Rental Business

Starting a car rental business can be very profitable. With proper planning, execution and hard work, you can enjoy great success. Below you will learn the keys to launching a successful car rental business.

Importantly, a critical step in starting a car rental business is to complete your business plan. To help you out, you should download [Growthink's Ultimate Car Rental Business Plan Template here](#).

Download our Ultimate Car Rental Business Plan Template here

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Determine Which Type of Car Rental Company To Open

There are a few different types of car rental companies that you can manage. Depending on the market in your area, you might consider standard rentals or even offer classic and exotic cars. Luxury car rentals are also popular in some areas and can be very profitable due to their high rental costs. The most important factor is to determine which type or types of rental will work in your target market.

You should also consider whether you want to own an independent small business or become part of a car rental franchise. Small business owners have more freedom and flexibility in how they run their companies but do not have the support and backing of a larger company to help guide them. Opening a franchise location might be easier if you do not have experience managing car rentals, but you will need to pay an initial franchise fee and meet some other requirements. It is important to review the pros and cons of each option and decide what works for you.

Choose the Name for Your Car Rental Business

The next step to starting a car rental business is to choose your business' name.

This is a very important choice since your company name is your brand and will last for the lifetime of your business. Ideally you choose a name that is meaningful and memorable. Here are some tips for choosing a name for your car rental business:

1. **Make Sure the Name Is Available** – Check your desired name against trademark databases and your state's list of registered business names to see if it's available. Also check to see if a suitable domain name is available.

2. **Keep It Simple** – The best names are usually ones that are easy to remember, pronounce and spell.
3. **Think About Marketing** – Come up with a name that reflects the desired brand and/or focus of your car rental business.

Develop Your Car Rental Business Plan

One of the most important steps in starting a car rental business is to develop your [car rental business plan](#). The process of creating your plan ensures that you fully understand your market and your business strategy. The plan also provides you with a roadmap to follow and if needed, to present to funding sources to raise capital for your business.

To enhance your planning process, incorporating insights from a [sample car rental business plan](#) can be beneficial. This can provide you with a clearer perspective on industry standards and effective strategies, helping to solidify your own business approach.

Your business plan should include the following sections:

1. **Executive Summary** – this section should summarize your entire business plan so readers can quickly understand the key details of your car rental business.
2. **Company Overview** – this section tells the reader about the history of your car rental business and what type of car rental business you operate. For example, are you a standard or exotic car rental business?
3. **Industry Analysis** – here you will document key information about the car rental industry. Conduct market research and document how big the industry is and what trends are affecting it.
4. **Customer Analysis** – in this section, you will document who your ideal or target customers are and their demographics. For example, how old are they? Where do they live? What do they find important when purchasing products or services like the ones you will offer?
5. **Competitive Analysis** – here you will document the key direct and indirect competitors you will face and how you will build competitive advantage.
6. **Marketing Plan** – the marketing efforts you lay out in your marketing plan should address the 4Ps: Product, Price, Promotions and Place.
 - *Product*: Determine and document what products/services you will offer
 - *Prices*: Document the prices of your products/services
 - *Place*: Where will your business be located and how will that location help you increase sales?
 - *Promotions*: What promotional methods will you use to attract customers to your car rental business? For example, you might decide

to use pay-per-click advertising, public relations, search engine optimization and/or social media marketing.

7. **Operations Plan** – here you will determine the key processes you will need to run your day-to-day operations. You will also determine your staffing needs. Finally, in this section of your plan, you will create a projected growth timeline showing the milestones you hope to achieve in the coming years.
8. **Management Team** – this section details the background of your company's management team.
9. **Financial Plan** – finally, the financial plan answers questions including the following:
 - What startup costs will you incur?
 - How will your car rental business make money?
 - What are your projected sales and expenses for the next five years?
 - Do you need to raise funding to launch your business?

Finish Your Business Plan Today!

If you'd like to quickly and easily complete your business plan, [download Growthink's Ultimate Car Rental Business Plan Template](#) and complete your plan and financial model in hours.

Choose the Legal Structure for Your Car Rental Business

Next you need to choose a legal business structure for your car rental business and register it and your business name with the Secretary of State in each state where you operate your business.

Below are the five most common legal structures:

1) Sole Proprietorship

A sole proprietorship is a business entity in which the owner of the car rental business and the business are the same legal person. The owner of a sole proprietorship is responsible for all debts and obligations of the business. There are no formalities required to establish a sole proprietorship, and it is easy to set up and operate. The main advantage of a sole proprietorship is that it is simple and inexpensive to establish. The main disadvantage is that the owner is liable for all debts and obligations of the business.

2) Partnerships

A partnership is a legal structure that is popular among small businesses. It is an agreement between two or more people who want to start a car rental business together. The partners share in the profits and losses of the business.

The advantages of a partnership are that it is easy to set up, and the partners share in the profits and losses of the business. The disadvantages of a partnership are that the partners are jointly liable for the debts of the business, and disagreements between partners can be difficult to resolve.

3) Limited Liability Company (LLC)

A limited liability company, or LLC, is a type of business entity that provides limited liability to its owners. This means that the owners of an LLC are not personally responsible for the debts and liabilities of the business. The advantages of an LLC for a car rental business include flexibility in management, pass-through taxation (avoids double taxation as explained below), and limited personal liability. The disadvantages of an LLC include lack of availability in some states and self-employment taxes.

4) C Corporation

A C Corporation is a legal business entity that is separate from its owners. It has its own tax ID and can have shareholders. The main advantage of a C Corporation for a car rental business is that it offers limited liability to its owners. This means that the owners are not personally responsible for the debts and liabilities of the business. The disadvantage is that C Corporations are subject to double taxation. This means that the corporation pays taxes on its profits, and the shareholders also pay taxes on their dividends.

5) S Corporation

An S Corporation is a type of corporation that provides its owners with limited liability protection and allows them to pass their business income through to their personal income tax returns, thus avoiding double taxation. There are several limitations on S Corporations including the number of shareholders they can have among others.

Once you register your car rental business, your state will send you your official “Articles of Incorporation.” You will need this among other documentation when establishing your banking account (see below). We recommend that you consult an attorney in determining which legal structure is best suited for your company.

Secure Startup Funding for Your Car Rental Business (If Needed)

In developing your car rental business plan, you might have determined that you need to raise funding to launch your business.

If so, the main sources of funding for a car rental business to consider are personal savings, family and friends, credit card financing, bank loans, crowdfunding and angel investors. Angel investors are individuals who provide capital to early-stage

businesses. Angel investors typically will invest in a car rental business that they believe has high potential for growth.

Secure a Location for Your Business

Having the right location can be important for your car rental business, particularly if you need space for many vehicles. You might also want to pursue a location near businesses such as hotels that can draw in potential customers.

To find the right location, consider:

- Driving around to find the right areas while looking for “for lease” signs
- Contacting a commercial real estate agent
- Doing commercial real estate searches online
- Telling others about your needs and seeing if someone in your network has a connection that can help you find the right space

Register Your Car Rental Business with the IRS

Next, you need to register your business with the Internal Revenue Service (IRS) which will result in the IRS issuing you an Employer Identification Number (EIN). Most banks will require you to have an EIN in order to open up an account. In addition, in order to hire employees, you will need an EIN since that is how the IRS tracks your payroll tax payments.

Note that if you are a sole proprietor without employees, you generally do not need to get an EIN. Rather, you would use your social security number (instead of your EIN) as your taxpayer identification number.

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Open a Business Bank Account

It is important to establish a bank account in your car rental business' name. This process is fairly simple and involves the following steps:

1. Identify and contact the bank you want to use
2. Gather and present the required documents (generally include your company's Articles of Incorporation, driver's license or passport, and proof of address)
3. Complete the bank's application form and provide all relevant information needed for business accounts

4. Meet with a banker to discuss your business needs and establish a relationship with them

Get a Business Credit Card

You should get a business credit card for your car rental business to help you separate personal and business expenses.

You can either apply for a business credit card through your bank or apply for one through a credit card company.

When you're applying for a business credit card, you'll need to provide some information about your business. This includes the name of your business, the address of your business, and the type of business you're running. You'll also need to provide some information about yourself, including your name, Social Security number, and date of birth.

Once you've been approved for a business credit card, you'll be able to use it to make purchases for your business. You can also use it to build business credit, which could be very important in securing loans and getting credit lines for your business in the future.

Get the Required Business Licenses and Permits

Every state, county and city has different business license and permit requirements.

Nearly all states, counties and/or cities have license requirements including:

- **General Business License** – getting your Articles of Incorporation as discussed above
- **Certificate of Authority** – allows you to do business outside of your state

Depending on the type of car rental business you launch, you will have to obtain the necessary state, county and/or city licenses.

If you'd like to quickly and easily complete your business plan, [download Growthink's Ultimate Car Rental Business Plan Template](#) and complete your business plan and financial model in hours.

Get Business Insurance for Your Car Rental Business

Business insurance policies that you should consider for your car rental business include:

- **General Liability Insurance** – This covers third-party bodily injury and property damage that occur as a result of your car rental business' operations.

- **Automobile Liability Insurance** – This covers third-party bodily injury and property damage that occur as a result of your business' use of vehicles.
- **Property Damage Insurance** – This covers damage to property that occurs as a result of your car rental business' operations. This may include damage to vehicles, buildings, or other property.
- **Worker's Compensation Insurance** – This covers injuries that employees of your car rental business sustained while on the job. This may include accidents that occur while employees are driving vehicles, lifting heavy objects, or working in other potentially dangerous situations.

Find an insurance agent, tell them about your business and its needs, and they will recommend policies that fit those needs.

Buy or Lease the Right Car Rental Business Equipment

To start a car rental business, you will need computers, phones, and a printer. Depending on the size of your business, you might invest in reception and office furniture. If you plan on performing maintenance such as oil changes and minor body repairs in-house, you will also need to purchase the necessary equipment.

Develop Your Car Rental Business Marketing Materials

Marketing materials will be required to attract and retain customers to your car rental business.

The key marketing materials you will need are as follows:

1. **Website** – Likewise, a professional car rental business website provides potential customers with information about the products and/or services you offer, your company's history, and contact information. You might also offer online bookings. Importantly, remember that the look and feel of your website will affect how customers perceive you.
2. **Social Media Accounts** – Establish social media accounts in your company's name. Accounts on Facebook, Twitter, LinkedIn and/or other social media networks will help customers and others find and interact with your car rental business online.
3. **Logo** – Spend some time developing a good logo for your car rental business. Your logo will be printed on company stationery, business cards, marketing materials and so forth. The right logo can increase customer trust and awareness of your brand.

Purchase and Setup the Software Needed to Run Your Car Rental Business

Car rental companies need software that can do a few different things.

First, you will need booking software that manages customer rentals. Next, your car rental business will require inventory or fleet management software to track and maintain your vehicles. Lastly, the business will need software that can process payments and perform other accounting tasks.

There are a number of car rental software programs that perform all of these duties in one piece of software, which may be a more cost-effective way of getting the software you need. Some popular options include RENTALL and HQ Rental Software. If you plan to use Quickbooks for your business accounting, many car rental programs also integrate with that.

Research the software that best suits your needs, purchase it, and set it up.

Hire Your Car Rental Business Team

When hiring employees for a car rental business, you will need to consider the specific needs of the business. In general, a car rental business will need employees who are knowledgeable about cars and car rental procedures, as well as customer service representatives to assist customers with their rental needs. You might also want to hire some sales employees to generate new business and partnerships with local organizations.

To find good candidates, post ads locally or with online job boards. If you have connections in the car rental industry, you might also ask around to see if anyone is looking for a new opportunity. Once you are ready to interview a candidate, make sure their background matches your needs and that they seem like a good fit for the company culture you want to build.

Open for Business

You are now ready to open your car rental business. If you followed the steps above, you should be in a great position to build a successful business. Below are answers to frequently asked questions that might further help you.

How to Finish Your Car Rental Business Plan in 1 Day!