

Marketing management assignment

[Business](#), [Marketing](#)



1. Executive Summary

This report tends to get an insight into the global marketing strategy of Hertz in the U. S. car rental industry. Though Hertz is the world's largest car rental company and puts much emphasis on customer satisfaction, some customers are not satisfied. This is a lurking hazard as the competition in the U. S. is enormously regarding this segment. The idea of their marketing strategy is to differentiate themselves from the competitors by a high level of customer service, innovation spirit, technological development, and by offering environmentally-friendly electric cars. This marketing strategy affects the enhancement of the brand image which will have a positive impact on the company and its stakeholders.

2. Introduction

Hertz, a U. S. company is the world's largest car rental company with 8500 locations in 150 countries.

Because there is a high amount of competitors within the Car Rental Service industry like Avis Budget or Enterprise Rent-A-Car companies have to distinguish themselves through customer service and prices to win new customers and to retain existing customers. Due to the high intensity in this industry companies have to offer the same prices, features, benefits, and therefore lose potential profits. Another problem Hertz has to face is the rising fuel costs. The main part of Hertz Car Rental revenues is effected by airport locations.

If the airport industry raises the price of their ticket, the number of customers willing to spend money on traveling will decrease. This would hurt profitability. But continuing the marketing strategy by focusing on improving customer satisfaction, employee satisfaction, and asset management and economic growth is achievable. (Hertz Annual Report, 2011)

3. The Current Situation

3.1 SWOT-Analysis

- Strengths

One of Hertz Car Rental's strengths is the global operational structure.

Because of the reason that Hertz has control over two Car Rental Service companies 'Dollar' and 'Thrifty' – Hertz is the world's largest car rental company. This global operational structure sets Hertz apart from its competitors, allows them to create new customer relationships and to increase market share. Moreover, the company stands for a high level of customer relationships and it aims to meet the needs of its customers. "As part of our innovation revolution, we are putting the power of Hertz in the hand of our customers 24/7". (Hertz Annual Report, 2011) The unique services which are provided to customers like the 'Rent it here/Leave it there' (to rent a car for one-way travel), 'Connect by Hertz' (to rent a car for hours), 'Rent2Buy' (to rent a car you wish to purchase in the future) programs also help Hertz to differ from the competitors. Furthermore, the innovation spirit and new technologies set Hertz apart from the competitors. The company introduced free mobile device widgets that allow users to

make reservations, to find Hertz locations, and receive promotions over the smartphone. The steady growth is another strength.

After a steady decline from 2007 to 2009 from \$ 8, 685. 6 million to \$ 7, 101. 5 million as a result of the economic recession Hertz reported for the second quarter of 2012 worldwide revenues of \$ 2. 2 billion, an increase of 7. 4 percent, and achieved several record results. (Hertz Reports Strong Revenue Gains, 2012)

- Weaknesses

Although Hertz puts a lot of emphasis on customer satisfaction, my researches on several experience report pages on the internet have shown that customers complain about not agreed fees after giving back the car. Furthermore, they complain that they had to pay money for damages on the car which they did not cause.

Moreover, the weaknesses of Hertz are also bound to its infrastructure as the worldwide service generates an unpleasant cost structure. Due to this fact, Hertz does not enjoy a good reputation regarding employee payment.

- Opportunities

As we all know the fuel prices are rising steadily. The new fuel price average for 2012 is \$128 per barrel. (IATA Economics, 2012) Due to this fact, Hertz got the idea to originate an environmentally friendly rental program- the ‘ Green-Collection’. Thus Hertz is the only car rental company that offers electric cars on three continents.

With this idea, the company sets apart from competitors and it leads to lower costs in total and resultantly to a higher profit margin. Moreover, the company should invest in the Airline Industry because the main part of their revenue stream is generated from the airport locations. After the recession, there was an increase in consumer spending, especially in traveling.

Therefore Hertz could take advantage of this opportunity. Hertz could also take advantage of the used car market because they sell used vehicles to the automotive dealership when they are no longer eligible for manufacturers.

Hertz was already successful with this idea and was able to sell 88 percent of those cars through auctions.

- Threats

The threats of Hertz are mostly characterized by the rivalry within the Car Rental Service Industry. The struggle for market share especially in the U. S. between Hertz, Avis Budget, and Enterprise Rent-A-Car is enormous. This leads to the fact that companies lower their prices to win and retire customers but this could result in running themselves out of business and lose potential profits. Furthermore, Hertz is dependent on fuel prices as it is explained in 1.

The introduction of increasing fuel prices could press the profit margin down. Another threat for Hertz is that they operate with vehicles from ‘ Toyota’. In the last few years, customers complained about manufacturing defaults resulting in safety risks. Also in the media ‘ Toyota’ does not enjoy a good

reputation regarding safety manufacturing. Hertz rents and sells those cars and if anything happens to the customer Hertz could be held liable. Due to this fact, they would damage their image and lose profits.

3. 2 PESTLE-Analysis Political

The United States is one of the biggest and most influential economies in the world. Nevertheless, the debts of the U. S. increased dramatically over the last ten years up to 103 percent of the gross domestic product today. (Trading Economics, 2012) Because the U. S. is a democratic country and furnishes security political rebellions or even wars are unlikely. According to the result of the presidential election, this year and the future fiscal politics new taxes are possible which could also have an impact on the Car Rental Industry.

- **Economical**

The economical situation in the U. S. intensified over the last years as debts have risen steadily. After Japan (220% of GDP), Greece (143%), Italy (119%) the debt to GDP (gross domestic product) in the U. S. with 103% is also extremely high. (Trading Economics, 2012) (See appendix) The GDP growth rate in the U. S. has expanded 2. 2 percent in the second quarter of 2012 and they expect a growth of 2. 7 percent in 2013. (Trading Economics, 2012) This lies under the average GDP world growth rate of 3. 6 percent in both years. The interest rate in the U. S. is 0. 5 in 2012 which is a consequence of the global economic crisis in 2009. (Trading Economics, 2012) As the following figure shows in the year 2012 8. 16 percent of the population is unemployed. This is the lowest value since 2009. According to the Bureau of

Labor Statistics despite the recovery in the labor market are still 13.1 million unemployed Americans. (Bureau of Labor Statistics, 2012) However, the situation on the market for permanently unemployed people is still unchanged. 5.6 million people, i. e. two of five Americans are unemployed. Rate of unemployment in the U. S. (USA International Monetary Fund, 2012)

- Social

The total U. S. population is constantly growing and came up to 314, 211, 739 million inhabitants in 2012. (United States Census Bureau, 2012)

Furthermore, the U. S. population is affected by the upward tendency of the Hispanic population and the aging population. In 2009 39.6 million persons were 65 and older, representing 12.9 percent of the U. S. population.

(Administration on Aging, 2011) This figure is estimated to grow up to 72.1 million persons by 2030, representing 19 percent of the U. S. population. (ibid.)

- Technological

As the activities of Hertz mainly consist of renting cars Hertz is dependent on the car and aircraft manufacturers for better and more efficient vehicles to reduce fuel prices. Hertz is the only car rental company that offers electric vehicles on three continents. Moreover, the company introduced free mobile device widgets, which allow customers to make reservations, find Hertz locations, and receive promotions over the smartphone. As a result, the bookings from mobile devices grew 300 percent to \$ 32 million in 2011.

(Hertz Annual Report, 2011) Because customer satisfaction is very important, Hertz invest over \$20 million in their Customer Relationship Management

System. (Hertz Annual Report, 2011) “ Hertz has been investing in new technology over the last few years that is purposed to enhance every aspect of rental experience. ” Thus the company launched the ‘ Hertz Neverlost GPS System’ which is the perfect travel companion because it does not only bring you to all important European destinations but also shows you the places of interest. Legal

- Public Liability and Property Damage

Hertz has to face a numerous amount of legal suits filed against them from customers who lay claim to compensation for personal property due to damages during the operations of their vehicles. (Hertz Annual Report, 2011)

- Telephone Consumer

Protection Act Because in Kansas and throughout the U. S., there were sent facsimile messages of advertising materials relating to the availability of property, goods, or services by HERC and who did not provide express permission for sending such faxes there was a class action and the plaintiffs seek an unspecified amount of compensatory damages, attorney’s fees, and costs. Hertz Annual Report, 2011)

- Concession Recovery Fee

On October 13, 2006, Hertz Car Rental had to face a legal suit by Janet Sobel, Daniel Dugan, and Lydia Lee who claimed about the fact that they were misleadingly charged airport recovery fees in addition to their total rental rate charges. The place where the consumers rent their vehicles was

in Nevada, a state where it is unlawful to charge airport concession recovery fees. (Hertz Annual Report, 2011)

- Patent Infringement

On February 19, 2007, Hertz filed a legal suit against Enterprise Holdings, Inc. TSD Rental LLC and The Crawford Group, Inc. because these companies were involved in unfair business practice so that a fair competition was impossible. The case was dismissed in June 2009 after Hertz received a non-monetary settlement from these companies. (Hertz Annual Report, 2009)

Environmental As I already explained Hertz Car Rental has two very strong competitors- Avis Budget Group and Enterprise Holdings, Inc. Avis Budget Group is a company that has control over two subsidiary car rental companies: Avis and Budget.

Whereas Avis is the leading car rental service company that offers luxurious vehicles, Budget offers less expensive products and services. One reason for their success is the high variety which consists of more than 350 000 vehicles. (Avis Budget Group, Inc., 2012) As the following table shows Avis Budget group was able to reach a revenue of \$4, 110 million in the U. S. in 2011. Figure 1: U. S. Car Rental Market (N. a. , 2011) Enterprise Rent-A-Car is the largest car rental company in the United States and has control over three subsidiary car rental service companies: Enterprise Rent-A-Car, National Rent-A-Car, and Alamo Rent-A-Car.

This company is focused on the market of consumers in need of a replacement vehicle resulting from theft, mechanical failure, or an accident.

(Enterprise Holdings, 2012) Enterprise Rent-A-Car was able to reach a revenue of \$11, 100 million in the U. S. in 2011.

3. 3 Differential Advantage- USP (Unique Selling Proposition)

The differential advantage of Hertz lies in its customer service 24 hours 7 days. Its global operational structure set Hertz apart from its competitors. The technological processing, the innovation spirit, and the unique services which are provided to customers make the company unique.

That is why in the year 1987 the slogan “ You don’t just rent a car. You rent a company. ” or the slogan “ We’re Hertz. They’re not. ” shows that this company is unique and different than the other Car Rental Services.

Moreover, Hertz is the number one airport car rental brand in the U. S. and at 119 major airports in Europe. (Hertz Annual Report, 2011)

4. Recommendations

4. 1 Segmentation, Targeting & Positioning

The three-step STP model is used to strategically direct marketing strategy.

(See appendix) The market must be segmented, then groups must be targeted and finally, the products must be positioned.

Segmentation Firstly the different groups in the market have to be identified and profiled by district characteristics regarding demographic, psychographic, and behavioral differences. (Kotler and Keller, 2011)

- Demographic

People who want to rent a car from Hertz have to be 21 years old or older. They need a valid driver's license for at least one year and a middle-class income level. Furthermore, they must have a good credit score.

- Psychographic

In the case of Hertz, they are concentrated on three consumer groups. The first group is the ' Replacement Renters'.

In case of an accident, theft, or mechanical failure they need a replacement vehicle. The second group is the ' Leisure Renters'. These are consumers that rent cars to make their journey more comfortable and independent. These customers rent vehicles for extended amounts of time. The third group is the ' Business Renters', who rent vehicles to travel to and from airport locations. For them, it is more comfortable than to leave their personal car unattended at the airport. Moreover, Hertz divide their offerings into six different categories. Do you want an environmentally friendly car? Choose the ' Green Collection'.

Do you want a car that is fun to drive? Choose ' Fun Collection'. Do you want a comfortable spacious car? Choose ' FamilyCollection'. Thus the offers are clearly arranged and the customers can immediately identify themselves with one of these collections. Targeting The target group of Hertz are customers between 35-50 years. Usually, 70% of these customers are male and 30% female. The customers should have an annual income of \$40, 000 +. The target market should be up-to-date on the latest technology and they should want to travel with services that provide comfort and convenience.

Because especially in America people prefer luxurious and gigantic cars the ‘ Fun Collection’ is the most potential one for the company. Because of the reason that the media massively supports energy conservation, so that these actions will encourage more people in the future to live environmentally conscious, the ‘ Green Collection’ is also a very potential one to bind this consumer emotionally to the company through signaling that Hertz is the only car rental company which offers electric cars. Moreover, Hertz is the number one airport car rental brand in the U. S. Due to the fact the ‘ Business Renters’ who rent vehicles to travel to and from airport locations are very important for the company. Positioning The positioning depends on two dimensions: price and quality. As the competition in the car rental market is extremely high, car rental companies offer nearly the same prices. But the price of renting vehicles depends on how long you will rent the car, whether you want insurance coverage, the mileage during travel, and whether you want special amenities. Of course, the quality depends on the car the customer has chosen.

As we all know a Toyota is not the same as a Ford Mustang. Depending on the car brand the quality and the price will change as you can see in the following perceptual map. Figure 2: Hertz Car Rental Perceptual Map (N. a. , 2010)

4. 2 Marketing Goals and Objectives

The marketing goal is to increase consumer market share and sales by 20 percent at the end of the year 2012. The objectives to achieve that goal

must be SMART (The University of Sunderland, 2008), i. e. Specific
Measurable Aspirational Realistic Time-based

The following objectives will be set: External objectives Increase customer market share and sales by 20 percent Because Hertz's entire new line of vehicles like the electric cars which they offer in the ' Green Collection' promotional expenditures will need to increase by 15 percent to reach the target market. Hertz expects a 20 percent increase in market share and sales for their target group which consists of people between 35 and 50 years.

- Increase customer satisfaction

For Hertz, customer satisfaction is one of their most important aims. Nevertheless, some customers are displeased with Hertz Car Rental.

Due to this fact, Hertz wants to increase customer satisfaction ratings by convincing their customers with new vehicle collections, special amenities, and unique service. Moreover, existing customers must be satisfied because it is more expensive to acquire new customers than retaining existing ones. Therefore the service must be continuously and meet the customer's needs. This aim can be reached by a better CRM. Internal objectives

- Replace existing vehicles by electric cars

Because fuel costs are rising steadily it is a big chance for Hertz to invest in more efficient electric cars.

But the procurement must negotiate the best prices to make the replacement possible.

4. 3 The Marketing Mix

4. 3. 1 Product

Hertz offers a large number of products. In addition to the car rental, the company has also specialized in equipment rental as you can see in the list below. Table 1: Hertz Business Profiles (Hertz Annual Report, 2011)

4. 3. 2 Price

As mentioned in point 4. 1 (' Positioning') the price of renting vehicles depends on the brand the customer has chosen, the renting period, the mileage during travel, whether the customer has special amenities, and the insurance coverage.

4. 3. 3 Place

Hertz Car Rental Service is available in 8500 locations in 150 countries and on the internet.

4. 3. 4 Promotion

In the case of Hertz, the campaign must be promoted in mass-market advertising formats like on television, on the homepage, personalized e-mails, and advertising in travel-related magazines. But the best way of advertising is through recommendations of customers and opinion leaders. People trust these persons most, as the figure below shows. Figure 3: Whom do consumers trust for information? (Ottman, 2011)

Because there is high competition in the car rental market the most important goal of Hertz is to increase customer satisfaction. Thus the best slogan Hertz has ever had was “ We’re Hertz. They’re not. ” because this slogan contains everything that Hertz represents. On the one hand, this slogan represents the current situation on the market where one can find a high competition. On the other hand, this slogan sets apart Hertz from its competitors by stressing the point that Hertz is better than the others with their high level of customer service, quality, innovation spirit, and technological development.

A proper opinion leader could be Sebastian Vettel. He is the youngest world champion in Formula 1. Thus he stands for fast, high-quality vehicles. Furthermore, he has many fans and followers and can influence many people. Ideally, the campaign starts in spring 2013 and ends in autumn 2014 because in summer people are in the mood for nice cars. Especially the ‘ Fun Collection’ which offers luxurious, fast cars like a Ford Mustang will find the customer's approval at this time. Moreover, the summertime is very popular for traveling and people especially families rent a car for this.

Therefore this period is the right time to start the campaign.

4. 4 Implementation and Control

The basic concept of customer satisfaction is already in progress. Hertz invested over \$20 million in their Customer Relationship Management System. Moreover, the aim to consider the environment by offering electric cars worked out. However, the following tasks have to be completed before starting the advertising campaign:

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1. Customer satisfaction survey
2. Sales analysis of the previous fiscal year to calculate the next year
3. Customer tracking software must be developed
4. The advertising media must be selected.

The promotional budget will be calculated as follows:

Customer satisfaction surveys	\$ 500
Customer tracking software	\$ 350,000
Analyzing fees	\$ 1,250,000
Upgrade costs	\$ 20,000
-	= \$ 1,620,500

	(per Hertz Car Rental locatio n)
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To observe the process of the marketing campaign control systems will be set up. This system can be divided into output control, which deals with financial measurements and non-financial behavioral control. Quarterly the process of the marketing campaign should be assessed and compared with the objectives.

If the development differs from the objectives the management can take corrective actions.

5. Conclusion

One problem Hertz has to face is the high amount of competitors but with its high level of customer service and its unique services, its innovative spirit, and the technological development Hertz has managed to become the world's largest car rental company and the number one airport car rental brand in the U. S. Another problem is the rising fuel price but also for this problem Hertz has a solution because they are already offering electric cars and will expand their product range.

Maybe in ten years, we will get electric cars only. Hertz should concentrate on its aim to increase customer satisfaction. Even though Hertz always

stresses the fact to put much emphasis on customer satisfaction, some customers are not satisfied. Hertz should concentrate on satisfying existing customers because it is much cheaper than acquiring new ones. To conclude one can say that although Hertz has to face problems and threats they have always a solution that leads the company to success. With its strong marketing strategy and their self-confidence, they can compete with their competitors or even get ahead of them.

Not for nothing, their slogan was “ We’re Hertz. They’re not. ”

6. Appendix

Figure 1: Top Debt to GDP (Trading Economics, 2012)

Figure 2: GDP Growth Rate (Trading Economics, 2012)

Figure 3: United States GDP (Trading Economics, 2012)

Figure 4: United States Interest Rate (Trading Economics, 2012)

Figure 5: The three-step model (Hollensen, 2010)

Figure 6: Hertz 2011 Highlights (Hertz Annual Report, 2011)

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