Driving Through Crisis: Analyzing Hertz Car Rental's IS Strategy Amidst the COVID-19 Pandemic

IT334 IS Strategy

Dela Cruz, Mackenzie B.
Delgado, Donnell Keith D.
Dhaliwal, Gurpreet G.
Doriquez, Jerry Jr. E.
Dy, Dawn Raine R.
Empasis, Brent Uriel M.
Learning Team 5

Table of Contents

I.   Background Story

Hertz Corporation, established in 1918 by Walter L. Jacobs, initially operated as a car rental agency with a small fleet of Ford Model Ts. Over the years, it expanded its operations globally, becoming one of the leading rental car companies worldwide. With a diverse fleet ranging from economy cars to luxury vehicles, Hertz catered to both leisure and business travelers, offering convenient rental services across various locations.

However, in recent times, the company faced unprecedented challenges due to the COVID-19 pandemic. The outbreak of the virus disrupted travel patterns and significantly impacted the tourism and transportation sectors. With travel restrictions, lockdowns, and health concerns, Hertz experienced a decline in demand for rental cars, leading to financial strain and operational adjustments.

II.   Hertz Car Rental's IS Strategy

- **Information Systems (IS)**
  - Plays a crucial role in Hertz's operations, enabling efficient management of reservations, vehicle inventory, customer data, and financial transactions. Hertz's IS strategy encompasses various components aimed at enhancing operational efficiency, customer service, and decision-making capabilities.
- **Reservation System**:
  - Hertz operates a robust reservation system that allows customers to book vehicles online, through mobile apps, or at physical rental locations. The system integrates with inventory management and pricing algorithms to optimize fleet utilization and revenue generation.
- **Fleet Management System**:
  - Hertz utilizes advanced IS for fleet management, tracking vehicle maintenance schedules, fuel consumption, and location tracking. This system ensures the availability of well-maintained vehicles and facilitates efficient logistics planning.
- **Customer Relationship Management (CRM)**:
  - Hertz maintains a comprehensive CRM system to manage customer profiles, preferences, and feedback. This enables personalized marketing, loyalty programs, and targeted communication to enhance customer satisfaction and retention.

- **Financial Systems:**
  - Hertz employs IS for financial management, including billing, invoicing, and financial reporting. Integration with payment gateways and accounting software streamlines transaction processing and ensures compliance with regulatory requirements.

III.   Challenges Faced

In order for Hertz Car Rental to ensure the safety and wellbeing of their customers and employees, their vehicles are subjected to a comprehensive cleaning and sanitization process.

1. Isolate the car for more than sixty (60) hours as health authorities claim that the virus will die within one to eight (1-8) hours to UV exposure.

2. Keys of the cars are secured and sanitized separately from the car.
3. After more than sixty (60) hours, the car is recovered by the Hertz staff wearing applicable protective equipment.
4. Followed by the recovery, the car undergoes disinfection and is subjected to a secondary clean and sanitization procedure.

However, having to comply with the safety guidelines means that there is an increase in the expenses for Hertz Car Rental. The article "How the pandemic affected the economy, from empty shelves to higher prices," shows that the supply chain problems during the pandemic have increased the costs for businesses due to heightened cleaning protocols and supply shortages.

As a response to the outbreak, Hertz adjusted their cancellations and refund policies to offer flexibility, particularly for pre-paid bookings. They have given customers the option to cancel or adjust their reservation through the website or contacting them through email with no fees incurred.

Additionally, the government had implemented travel bans, stay-at-home orders, and quarantine requirements to decrease the spread of the virus. Thus, this resulted in a decrease in travel demand and a substantial decrease in revenue. The uncertainty surrounding the duration and severity of travel restrictions made it more difficult for Hertz to forecast demand accurately and plan accordingly.

In an article published in May 2020, the rental car industry was in a dire state and Hertz was on the edge of bankruptcy. The company's struggle to make payments to lenders and subsequent layoffs of thousands of employees underscored the severity of the situation. Fast forward to a recent article published in January 2023, there has been a noticeable increase in revenue for Hertz and other rental companies but challenges still persist. Innovative strategies such as selling used cars and expanding to new markets could not compete with the ride-hailing services like Uber or Lyft, which are more affordable than renting a car.

While Hertz car rental has made strides in recovery post-pandemic, its landscape has been forever altered, reflecting a transformed industry that continues to evolve in response to changing consumer needs and behaviors.

IV. **Strategic Response and Adaptations**

A. **Prioritizing Safety and Wellbeing**

Hertz Car Rental ensures that the safety and wellbeing of their customers are treated with utmost importance, hence they actively monitor the COVID-19 situation and keep themselves up to date with the announcements made by the government and health authorities.

B. **Enhanced Cleaning Protocols**

Hertz Car Rental implemented a multi-step cleaning process for their vehicles, ensuring that the vehicles are kept safe and clean for both their customers and employees.

C. **Flexible Cancellation Policies**

Hertz Car Rental adapted their policies regarding cancellations and rebooking for customers affected by COVID-19 in such a way that the

latter will not incur additional charges for prepaid bookings made before a certain date. This ensures that their services do not interfere with their customers' situation as needed.

D. Customer Support for COVID-19 Cases

Customer Support Services are set in place especially for customers who are unable to return a vehicle due to self-isolation or quarantine. They also provide guidance and assistance, as well as the option to extend rental durations and vehicle pickup arrangements.

E. Adherence to Health Guidelines

Hertz Car Rental adheres to measures recommended by health authorities for decontaminating vehicles and ensuring the safety of both customers and employees through, but not limited to, the isolation of vehicles used by customers with COVID-10, and by implementing protocols for vehicle retrieval and sanitation.

F. Business Continuity Planning

Hertz Car Rental has put business continuity plans in action to protect the company's future and ensure that contractual obligations are met through measures such as remote work options, outsourcing business processes, and engagement with their stakeholders.

G. Monitoring and Adaptation

Hertz Car Rental has set into motion their pandemic plan and measures such as social distancing and remote work configurations. Continuous monitoring of the rental patterns allows them to adjust the company's operations to meet customer demand and to ensure the availability of vehicles.

V. Lessons Learned

A. Adaptability is Key

During times of uncertainty like the COVID-19 pandemic, businesses must be agile and adaptable. For Hertz, this meant being flexible with booking policies to accommodate changing travel plans and customer needs. By allowing customers to cancel or reschedule without fees, Hertz demonstrated responsiveness to the evolving situation and prioritized customer satisfaction. This adaptability not only retained customer loyalty but also positioned Hertz as a customer-centric brand that values flexibility and convenience.

B. Communication is Vital

Transparent and timely communication is essential, especially during a crisis. Hertz's clear communication channels, including email updates and website notifications, were instrumental in keeping customers informed about safety measures, cleaning protocols, and policy changes. This proactive communication not only reassured customers but also fostered trust and transparency, crucial elements in maintaining positive customer relationships even during challenging times.

C. **Continuous Improvement**

The COVID-19 pandemic highlighted the importance of continuous improvement in hygiene and safety protocols. Hertz's commitment to regularly updating and refining cleaning protocols based on evolving health guidelines ensured a safe environment for both customers and employees. By staying abreast of the latest recommendations from health authorities and implementing best practices, Hertz demonstrated a proactive approach to maintaining cleanliness and hygiene standards, further enhancing customer confidence.

D. **Business Continuity Planning**

Having robust contingency plans and pandemic management strategies in place is imperative for business resilience. Hertz's ability to swiftly adapt its operations, implement new safety measures, and ensure business continuity despite the challenges posed by COVID-19 reflected effective business continuity planning. By anticipating potential disruptions, identifying critical business functions, and implementing risk mitigation strategies, Hertz minimized the impact of the pandemic on its operations and remained agile in responding to changing circumstances.

VI. Alternative Strategies and Recommendations

In response to the ongoing challenges posed by the COVID-19 pandemic, Hertz recognizes the importance of prioritizing the health and safety of its customers and employees. As part of its commitment to maintaining a safe rental environment, Hertz has implemented various measures to minimize the spread of the virus and ensure a positive rental experience for all stakeholders. While Hertz's response to the COVID-19 crisis appears comprehensive on the surface, there are several areas where additional measures or improvements could be considered.

- **Mobile Sanitization Stations**
  - Deploy mobile sanitization stations at key rental locations, allowing customers and staff to access hand sanitizer, disinfectant wipes, and other hygiene products easily. These stations can serve as a reminder for everyone to practice good hygiene habits while on-site.

- **Health Monitoring for Staff**
  - Implement daily health monitoring protocols for staff members, including temperature checks and symptom screenings before each shift. Employees displaying any signs of illness should be advised to stay home and seek medical attention if necessary to prevent the spread of illness in the workplace.

- **Proactive Communication**
  - Implement a proactive communication strategy to keep customers informed about the latest COVID-19 developments, safety measures, and any changes to rental policies. This could include regular email updates, social media posts, and informative signage at rental locations.

- **Long-Term Sustainability Planning**
  - Develop long-term sustainability plans to ensure that Hertz's COVID-19 response measures remain effective and adaptable in the face of evolving challenges. This includes ongoing investment in staff training, technology upgrades, and proactive risk management strategies to safeguard the health and well-being of customers and employees alike.

VII. Conclusion

Hertz Car Rental's handling of the COVID-19 pandemic challenges showcases a proactive and flexible strategy geared towards protecting the well-being of its customers, staff, and stakeholders. Through prompt implementation of safety measures, transparent communication with clients, and ongoing improvement of operational procedures, Hertz exhibited resilience amidst the unparalleled upheaval.

Despite the initial setbacks and financial strain, Hertz Car Rentals strategic response to the COVID-19 pandemic can be regarded as a success, laying a foundation for future growth and resilience in an uncertain world.

Bibliography

[1] Cavallo, A. & Kryvtsov, O. (2021). How the pandemic has affected the economy, from empty shelves to higher prices. PBS News Hour. https://www.pbs.org/newshour/economy/how-the-pandemic-has-affected-the-economy-from-empty-shelves-to-higher-prices. Accessed April 30, 2024.

[2] (n.a.). (2020). Hertz car rental could go bankrupt from pandemic. AutoIndustriya. https://www.autoindustriya.com/auto-industry-news/hertz-car-rental-could-go-bankrupt-from-pandemic.html. Accessed May 01, 2024.

[3] Christina. (2023). Hertz Quarter Three: Post-Covid Car Rental. GRC Insights. https://insights.grcglobalgroup.com/hertz-quarter-three-post-covid-car-rental/. Accessed May 01, 2024.