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DEVELOPING A MARKETING PLAN FOR HERTZ CHINA

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Part I

Introduction

Many multi-national companies have entered the Tier 1 cities (Shanghai, Beijing, Guangzhou) of China. They are expecting reliable and safe standards of ground transportation for their travelers, if possible, similar to their travelers’ home country. In China, multinationals are a big market segment for car rental companies. But more potential lies in the individual customer (Wang, 2011). Hence, to develop premium ground transportation in terms of car rental, it is important to look at both the international and domestic market.

China is also getting more affluent and this has affected the demand for private transportation. An indicator of China’s increasing economic standards is, the increasing number of private cars. China has almost no private cars 15 years ago. But sales have grown so fast since then that the country presently is the biggest market for Volkswagen, Europe's biggest automaker (China Daily, 2010).

The Chinese car rental market grew by 14.2% in 2005 to reach a value of $527.2 million. In 2010, the market is forecast to have a value of $913.8 million, an increase of 73.3% since 2005.

Purpose

The purpose of this professional-paper is to develop a marketing plan for Hertz China. Hertz China is a car rental company which focused on business to business and business to customer market and only short-term rentals, of less than one year’s duration. This marketing plan will thus exclude long-term or leasing arrangements and considers only cars, and excludes commercial vehicles such as vans and trucks.
The marketing plan will focus on analyzing the potential consumers, product mix, price, and local competitors for such a business.

**Statement of Objective**

The main objectives of this marketing plan are a brand equity build-up, leads generation in existing markets for revenue growth and infrastructure established for future expansion. Brand equity build up is more focused on benefits such as lifestyle and business solutions. And it is done through website redesign and reconstruction and public relations like on-line stories (positive vs. negative), online community and offline media interviews. In addition, leads generation in existing markets for revenue growth through advertising, promotion, partnership, events like trade shows.

The target markets are B2B and B2C. For B2B market, it is defined as corporate accounts who cares about branding and service quality, relatively young WOFEs as Hertz is the reliable name for them, well-established, big-scale MNCs, which are non-price-sensitive, big trade show organization companies and also partners in travel and banking sectors. And for the target market of the B2C market, it consists of customers who belong to age 30-39, who cares about branding and service quality, expats communities in Beijing/Shanghai, employees working for our existing B2B customers and outbound (international) travelers.

**Justification**

Car rental industry in China has a big potential to grow as the public awareness is still
rather low and the most important needs of Hertz car rental have not been met yet.

Price, brand and car conditions are the top factors to decide a car rental service. On the other hand, bad car condition, cheap brand, complicated process of reservation and price are also the main barrier factors. Customer perception of Hertz is that Hertz have little public attention. However, Hertz has outbound service specialty. Due to the low number of car rental outlets and the limited car models, not many users chose the brand over its low cost competitors. The strongest local competitor of Hertz is China Auto Rental. It has the lowest price of all the 5 car rental companies, users rating is high and lastly public awareness of this brand.

Having this marketing plan, it is to ensure that marketing activities are in agreement with the corporate strategic plan. It is important that the external and internal factors are aligned to achieve the marketing objectives with rigorous action programs. External changes in the business environment mainly attribute to the low cost local competitors, the general economic condition and the unclear legal regulation of car rental service in China. Internal changes refer to the shift of business mix (B2B or B2C) within Hertz RAC which could affect the strategies setting and decision making.

**Constraints**

Sources of citation such as transportation bureaus or chamber of commerce for industry background and statistics are mostly in Mandarin making it difficult to quote as reliable source of reference. In addition, the development in China is at a very fast
pace. Some phenomenon shown in journal article, which is published a few years ago, may not truly reflect the actual present situation.
Part II

Introduction

As more and more multinational corporations (MNCs) are converging their marketing efforts in a transitional economy of China, they meet vital challenges in understanding its cultural environment and marketing infrastructure. The high proportion of business failure in China and the unique nature of running a business in China as compared to the Western counterparts will be covered on with statistics. Chinese business culture strongly contrasts with its Western counterpart. Western capitalist market cultures characterized by individualism, rationality and secularism meet with collectivism, familism and Confucianism in China.

Why use a marketing plan?

Bracker, Keats, and Pearson (1988) found that approximately 400,000 small businesses fail each year; in 2010 that number was closer to 96,000 business failures in the first quarter (Small Business Association, 2011). Furthermore, 65% of start-up firms close within five years (Bracker & Pearson, 1986). Entrepreneurs must be aware of these risks and do all they can to reduce them so that their business will thrive.

One of the ways that has been shown to help reduce this risk is having a sound
marketing plan and business plan. A marketing plan is a document that supplements a business plan and brings together all the market research so that business owners can work out exactly where the business is going and how it is going to get there. Solid marketing strategy is the foundation of a well-written marketing plan. A marketing plan consists of a list of actions, which essentially provide a clear layout for all marketing activities of the firm for the next year and ensures that marketing activities are in agreement with the corporate strategic plan. It also assists in the budgeting process to match resources with marketing objectives.

The marketing objectives must usually be based on the organization's financial objectives. In the marketing plan, analysis must be done to convert these financial measurements into the related marketing measurements.

Benefits

Having a marketing plan will help business owners to focus on their target market and to find if there are any gaps in the market that will provide new opportunities. A sound marketing plan will also provide business owners with something that enables them to measure how they are progressing. This can then highlight strategies that are working for and those that are not.

Another benefit of a marketing plan is that it provides their outside financiers with confidence that business owners know their market and that they know how to
achieve their objectives. A good marketing plan will deal with the matter of sourcing new leads as well as creating new networking opportunities for the business. The bottom line is that a well-defined and successful marketing plan will define the direction of the business as well as their customers and future plans.

A good marketing plan is a blueprint for the action which a business needs to take in order to achieve certain goals. It will identify the most cost effective ways of performing certain functions and should show the best way to present the business to reach their target audience. It will save the organization money by cutting out unnecessary expenses while at the same time presenting the business owner with new marketing opportunities. It ensures that the marketing activities do fits into the budget and that the marketing drive reaches the target audience. Without a good marketing plan, it is possible that the business is not taking full advantage of all the ways to reach the target audience and this will result in decreased sales.

**Considerations**

A marketing plan must include many considerations not only about the marketing activities and whether marketing activities are in agreement with the corporate strategic plan. It is also about the environment the business exist in and the amount of capital which the business has (Castrogiovanni, 1996). The environmental conditions include uncertainty, which increases the amount of planning and budgeting desired as business owner might want to learn more about the environment and put in more capital to help develop their business (Grinyer et al., 1985). The industry’s maturity is
also a consideration that affects the business plan. Business owners tend to invest more on marketing activities on emerging or fragmented industries to create awareness to mature industries (Porter, 1980). Changes in the environment mean that the forecasts in the marketing plan have to be changed. Along with these, the related plans may well also need to be changed. Continuous monitoring of performance, against predetermined targets, represents a most important aspect of this.

The amount of capital also greatly affects marketing activities. When a business has a strong parent company or a large capital pool, naturally it will have more capital to base its marketing activities on. A business invests capital in their marketing activities, which serves to create awareness and promote the products and service of the business. However excess marketing budget can reduce the likelihood for proper planning and thus decrease the longterm success of a small marketing plan.

It is important to be able to measure the progress of the marketing plan. Both quantities and timescales must be incorporated in the marketing objectives and its corresponding strategies. For example, capture 20 percent by value of the market within two years.

**Issues and Barriers of Foreign Companies**

Several researchers have identified the potential issues and barriers for international franchises that would operate in a foreign country like China. China is an enticing market for foreign franchisors, but its uncertain regulatory environment can
make franchising risky. There were several problems foreign franchise investors need to be careful of when entering the Chinese market: China's weak legal system, unreliable franchising policy, and Intellectual Property risks. (Dahles, 2007)

In addition, the bureaucracy, the lack of transparency, imitation, the uniformity in the legal system, the uncertainty of intellectual property rights, and corruption will most likely challenge both domestic and foreign franchisers. Furthermore, the complicated ethnic groups and long history have been barriers for U.S. franchisors entering the Asian market (Binh & Terry, 2011).

**Structure of a Marketing Plan**

A marketing plan usually consist of a executive summary, corporate connection, environmental analysis and forecasting, segmentation and targeting, next year’s objectives and quotas, action plans of strategies and tactics, resources needed to support the marketing strategies, marketing control, presenting and selling the plan and also preparing for the future.

**Marketing Plan and Car Rental Industry**

China is one of the world’s most important developing countries. While China per-capita income is still quite low, it has risen considerably with rapid economic growth. Between 1980 and 2005, real per capita income more than quadrupled in China. Since 1990, the total number of motor vehicles has roughly increased tenfold

While continued growth in motor vehicle use is inevitable, China are restricting motor vehicle use in congested city centres and increase taxes on car ownership, fees, and charges to reflect the enormous social and environmental costs of motor vehicle use. In recent years the rise of car rental has become an affordable option for many would-be road enthusiasts. Many domestic users turn to car rental as a solution.

In 2009, China, for the first time, exceeded Japan and the US, as the biggest automobile manufacturer and consumer in the world with a yearly growth rate of 48 percent and 46 percent respectively. According to the Transport Administration Bureau under the Ministry of Public Security, the number of people holding driver's licenses in China reached more than 120 million by the end of 2008. With such a huge demand, car rental companies are competing to gain a big slice of this growing market.

The segmentation of the market has also placed a challenge for marketing efforts. At present, the top 10 companies together accounted for a mere 11 percent of the market share in 2011. That segmentation has prevented companies from making use of national networks to provide better services and cut costs. The top player, Shouqi Car Rental Co Ltd, holds only 3 percent of the national market share, while eHi, the second largest domestic player in terms of market share, accounts for just 1 percent (Xiao, 2011).

Due to the nature of this high competition business, importance to prices low due to low profit margin and car rental business being in the early stages of awareness in
China, it becomes very important to have a marketing plan to avoid any failure. One example of a business failure as a result of a poor business plan is Hertz using a joint venture to enter China market in 2002. Hertz entered China in 2002 in a joint venture with local company Shanghai China National Auto Anhua Car Service (SCNAACS). After struggling for three years, the joint venture ended in failure. SCNAACS's debts, including both unpaid road maintenance fee which amounted to nearly 2 million yuan ($301,214) along with outstanding bank loans, led to the joint venture's shutdown (Global Times, 2011). In view of such business failures and the number of low cost competitors, it is important for international companies like Hertz to develop a well-defined marketing plan.
Part 3

Executive Summary

Hertz Global Holdings Inc is an American car rental company with international locations in 145 countries worldwide. The headquarters for Hertz is at Park Ridge, New Jersey, USA. Hertz is the largest worldwide airport general use car rental brand operating from approximately 8,500 locations in approximately 150 countries worldwide. Hertz is the number one airport car rental brand in the U.S. and at 94 major airports in Europe, operating both corporate and licensee locations in cities and airports in North America, Europe, Latin America, Asia, Australia and New Zealand.

The Chinese car rental market is a competitive one and it is rapidly establishing itself as a globally-significant market. There are many competitors and the market has experienced tremendous growth in the last few years, primarily due to a massive increase in the number of business trips made from Japan and the West. The Chinese consumers are gradually getting more affluent too, resulting in an increase in car rental demand in China.

The range of cars offered in Hertz China consists of a wide range. There are economy, intermediate, full size, premium, prestige, luxury, minivan, minibus, electric car and green car. It is also found out that the most important factors on renting a car are price, brand and car conditions (Lin, 2012). On the other hand, bad car condition, cheap brand, complicated renting process and price are the main deterring factors. There are two segments for Hertz China – Business to Customer (B2C) and Business to Business (B2B) markets. For the B2C segment, the target
market will be the expatriate community in metropolitan cities, online targeted community, customers from partnership package contracts/programs and high-income white collar employees working for our B2B customers. This target market usually consists of customers who are aged 30-39 and cares about branding and service quality more than low pricing. For the B2B segment, the target market consists mainly of relatively young Wholly Owned Foreign Enterprise as Hertz is the reliable name for them to get car rental services. Partners in travel and banking sectors, big trade show companies and well-established, big-scale MNCs, which are non-price-sensitive, are also good target markets for the B2B segment.

As a popular international city in China, Shanghai possesses a large number of car rental companies which are committed to providing vehicle rental service. All these car rental companies pose a stiff competition to Hertz as the product mix is very similar and the car rental industry is rather transparent about the product offerings. In addition, Chinese companies have a high tendency to emulate winning formulas and successful products, making it more competitive to run a business in China. The advantage that Hertz has over the other brands is that it has a parent company to provide a large capital support and also it is an established brand that is well-known to many Chinese consumers. As an international brand in a highly competitive business, it is important to market Hertz Rent a Car properly to gain a market share.

**Company Description**
Hertz Global Holdings Inc is an American car rental company with international locations in 145 countries worldwide. Hertz provides all mobility solutions. It has a range of specialty cars, green collection and electric cars and also has equipment rental. Hertz Global Holdings Inc has altogether 5 subsidiaries. They are Hertz Rent a Car, Hertz Local Edition, Hertz Equipment Rental, Hertz Car Sales and Hertz Truck & Van Rental. The headquarters are in Park Ridge, New Jersey, USA. And there are altogether 30,000 employees worldwide (The Hertz Corporation, 2012). Hertz mission statement reflects the three key pillars of their business operating system: Customer Satisfaction, Employee Satisfaction and Asset Management.

Hertz vision is that it will be the global leader in mobility and equipment solutions. And Hertz mission is to be the lowest cost, highest quality and most customer-focused Rental Company in every market they serve, creating value for their shareholders and achieve the vision and mission by focusing on, and balancing – customer satisfaction, employee satisfaction and asset management, with equal emphasis on efficiency and growth. (The Hertz Corporation, 2012).

**Environmental Analysis**

Hertz and all of the other actors operate in a larger macro-environment of forces that shape opportunities and pose threats to the company.

There are competitors like Avis, eHi, China Auto Rental in China. Hertz is the only Wholly Foreign Owned Enterprise in China. And without a Chinese partner, it is actually at a disadvantage when it comes to government relations. The unique feature
of a WFOE is that the involvement of a mainland Chinese investor is not required, unlike most other investment vehicles. WFOEs are limited-liability corporations organized by foreign nationals and capitalized with foreign funds (Feng, 2003). This can give greater control over the business venture in mainland China and avoid a multitude of problematic issues which can potentially result from dealing with a domestic joint venture partner. However, WFOEs often have difficulty building up the necessary personal relationships or ‘guanxi’ that are of great importance in conducting businesses in mainland China. The disadvantages of establishing a WFOE include the inability to engage in certain business activities and limited access to government support.

With many low-cost competitors in the market, Hertz has a disadvantage when it comes to prices for this service. Hertz China positions itself as a lifestyle choice for its customers. The customers mainly consist of corporate customers who come from America or Europe and visit China for business and in the mean time will require a rental car. These corporate customers usually have a corporate account in Europe or America. Hence, it increases the chances of doing business with the existing corporate accounts in China. This is one of the advantages that Hertz has over its competitors in China. For example, Hertz Corporation is the exclusive vendor for Marriott group or Starwood group in Germany or in America. It will be easier for Hertz China to get the business with these hotel chains compared to other competitors.

Another advantage which Hertz has over other competitors will be that, the strong branding of Hertz often forms a good impression in customers’ mind. And this is
especially important for B2B corporate customers who usually have international driving and traffic safety standards. The strong branding of Hertz will give these customers a reassurance and peace of mind that the service that they are receiving is safe and reliable.

The geographical aspect of China also plays a part in the macro-environment. There are a mixture of tier 1, tier 2 and tier 3 cities in China. In tier 1 cities, there are better educated, white-collar and more professional consumers. Barriers of entry in tier 1 cities are lower as the infrastructure and economic situation are conducive to business. Technology is also advanced in tier 1 cities, meaning that it gives Hertz the wireless access to the Internet, the ability to send documents around the globe electronically and relatively inexpensive transportation to other parts of the world. Technology also makes communication easier. Tourists or corporate customers who will require car transport can go on the internet and book the service. They can also make use of smart phones to access the internet and book car rental services. On forums such as Tripadvisors, feedback can be obtained and word-of-mouth is no longer restricted to people we know but can be spread to large numbers of people over the internet. However, in tier 3 cities, it is much more complicated to enter the market. The technology might not be advanced in these cities and there may not be internet. Tourists or corporate customers may have to book through the phone or through the brick and motar shop. This creates inconvenience to the customers and they may forgo the opportunity and look for other forms of transport.

The barriers of entry are also relatively high in the car rental industry in China,
due to the costs of cars, the scarcity of good locations downtown in tier 1 cities to park car and the difficulties to obtain sufficient car license plate. Car license plates have to be issues by the Chinese government. Without a Chinese partner and good relationships with the Chinese government, it is actually difficult to get sufficient car license plates to compete with other competitors.

In addition, increased legislation and regulation from the Chinese government also affect the business. Currently, chauffeur driven airport transfer is somewhat illegal in China. Although illegal, there are no proper enforcement to govern this legislation so many car rental business are still doing airport transfer (Xiao, 2011). As chauffeur drive business in China becomes more prevalent, the government might decide to clamp down more on this legislation. The reason for this is because the government sees the need to protect their taxi business, which is a state-owned business. By letting private-owned car rental companies to take away the taxi business revenue that will be unacceptable. Hence, this is a big threat involved as there is a chance when the Chinese government becomes stricter in enforcing this legislation.

Furthermore, there has been a trend that the government bans certain vehicles on roads of big cities to ease road congestion. For example, cars whose number plates end with 1 or 6 will be taken off roads on Monday, while those ending with 2 or 7 will be banned on Tuesday, 3 or 8 on Wednesday, 4 or 9 on Thursday and 5 or 0 on Friday. The ban does not apply on weekends (Wong, 2007). Government intervention also plays a role in this service. When government officials are travelling on the roads, they have the right to close off the section of road from the public. At other times,
traffic police always have the right to close off a section of the road to redirect traffic from a busy road to a less busy one. There are many unpredictable traffic situations in China, especially in the less developed cities. If hotel users are to travel to their destination on these concerned roads, their service will have to be put on hold.

On the other hand, sometimes the political environment does help with the car rental industry. The number of public-interest groups has increased during the past two decades, as has their clout in the political arena. These groups take on issues of social responsibility such as the anti-drinking movement. This will encourage more corporate customers and tourists to utilize chauffeur driver services.

There are two segments for Hertz China – Business to Customer (B2C) and Business to Business (B2B) market. For the B2C segment, the target market will be the expats communities in metropolitan cities, online targeted community, customers from partnership package contracts/programs and high-income white collar employees working for our B2B customers. For the B2B segment, the target market consists mainly of relatively young Wholly Owned Foreign Enterprise as Hertz is the reliable name for them to get car rental services. Partners in travel and banking sectors, big trade show organization companies and well-established, big-scale MNCs, which are non-price-sensitive, are also good target market for the B2B segment. They are from English speaking countries like America and Europe where Hertz are established in their country and they have a strong assurance and deep positive impression when they see Hertz branding serving them.
Hertz positioning strategy will be to differentiate itself from competitors by its inherent competitive advantages of being an internationally well-known global brand. Hertz has the choice of partnering with many well-known hotel and airlines international brands to create a package. On the other hand, local car rental companies do not have the privilege of doing it. For example, Hertz can do a bundle selling which is a marketing strategy that involves offering several products for sale as one combined product. When doing so, there are economies of scale in production and distribution and marginal costs of bundling are lower. Consumers also appreciate the resulting simplification of the purchase decision and benefit from the joint performance of the combined product. Hertz can partner with international 5 stars hotels like Mariott and local tour agencies like CITS to sell a land tour package. Another advantage of using such a strategy will be that consumers will not be able to compare prices with Hertz competitors. Hertz can also make use of online agency platform to market their products to create a product bundling strategy along with international hotel and airlines. Another competitive advantage which Hertz enjoy as a global brand is that when customers fly on the airlines which Hertz has a partnership with, for example Air China or China Eastern, they could use their mileage points on car rentals and get a discounted rate

Hertz also has a partnership with certain hotels like Marriott and Starwood and other local hotel groups like Landison and JinLin in Shanghai. There is a competitive advantage Hertz has over their competitors as such marketing efforts have been
present for some time and the hotel concierges are usually recommending Hertz service over other brands.

Hertz differentiates itself on the service rendered. Hertz has very effective bilingual airport concierges to pick up customers. This is very important to the target market as the customers come from English speaking countries and their first point of contact of their stay in China will be the airport concierge. Hertz also has call center agents who speak fluent English. When receiving booking or enquiries from hotel customers, these agents can communicate effectively with the customers and even give good recommendations on what car will suit their needs. Most of Hertz drivers could also speak basic English, which is a very big competitive advantage Hertz has over their competitors. During chauffeur drive service, drivers could communicate with the customers and during sightseeing tours, drivers who can speak basic English provide much more convenience. By providing services that benefit the target market, Hertz can achieve differentiation for a period of time. Hertz selects its customer-contact people carefully and trains them well. These personnel must be competent and must possess the required skills and knowledge. They need to be courteous, friendly and respectful. They must also serve customers with consistency and accuracy and make an effort to understand their customers, communicate clearly with them and respond quickly to customer requests and problems. By hiring and retaining effectively bilingual staff than their competitors, Hertz has a strong competitive advantage.
Hertz also has its distinctive yellow color as part of its brand image. The concierges also wear a yellow shirt with grey vest. Drivers also wear a yellow lanyard and a shirt with a yellow Hertz logo. Marketing materials also have mostly the yellow signage. Car rental industries usually have their own distinctive colors to allow customers to differentiate from one another. Avis is red and Europcar is green. Customers may perceive a difference based on company or brand image. Hence, by having a distinctive color, car rental companies work to establish images that differentiate themselves from the competitors.

Figure 1 shows the perceptual mapping to measure a brand’s position. The correlation between service and price is shown. And as price goes up, so does service. It can be shown that Hertz is a little more expensive than Avis and the service is better. From the price level, it is seen that Hertz has the highest price of all. Dianping, 2012)
Opportunities

There is a positive outlook of the global tourism industry. It is a very good opportunity for Hertz to target tourists staying in hotels. Emerging countries are growth drivers for international tourism following more than a year of decline due to the global economic downturn. International tourist arrivals grew by close to 5% during the first months of 2011, consolidating the 7% rebound registered in 2010, according to the April 2011 interim update of the United Nations World Tourism Organization (UNWTO, 2011). In 2010, international tourism receipts reached $919 billion worldwide, up from $851 billion in 2009. Asia is expected to witness strong growth in tourism while Europe and the Americas are likely to recover at a more
moderate pace. This growth in world tourism industry will enhance the airline business. In addition, car rental volumes are closely associated with the travel industry, particularly airline passenger volumes.

Statistics also show that there is a growing demand for rental cars. Many Chinese have driving license but are not wealthy enough to buy a car or due to the strict regulations that the Chinese government has put in place. There are 600,000 private cars and nearly 1.6 million people with driver's licenses in Nanjing (Global Times, 2011). This means that nearly 1 million people have licenses but no cars and they form an enormous potential consumer base for the car rental industry.

A series of policy signals have also provided new opportunities in the car rental market. There are recent changes in cars-related macro policies such as repeated oil price hikes and new rules released by Beijing to limit the issuance of car licenses. These policy changes are resulted from the growing traffic congestion, limited parking space, rising parking fees and the public rental car initiative jointly conducted by Shanghai and Germany in the aftermath of the Shanghai World Expo in 2012. With these policies in place, it makes it harder for Chinese to buy cars and it will be a push factor for them to use public transport and rental cars during special occasions. Another policy which deters foreigners to self drive in China is that, international driving license is not recognized in China. Foreigners have to convert their international driving license to a Chinese one by taking a traffic theory examination. As a result, many foreigners do not self-drive in China and they use chauffeur drive services from a car rental company with a good brand name and well-established
Hertz China is planning to expand its revenue sources through various initiatives. For example, there are plans to promote its car class upgrades and adjust its mix of vehicles to match customer demand. These initiatives for the expansion of its revenue sources would help to generate incremental profits from the company’s customer base, while at the same time enhancing its customers' vehicle rental experience.

**Threats**

There is intense competition in the vehicle rental industry. This is especially so in China where there are many low cost competitors and the new initiatives rolled out to improve service levels may be emulated once the competitors learn of the strategy. Competition in the company's vehicle rental business is based primarily upon price, reliability, vehicle availability, national distribution, usability of booking systems, ease of rental and return, and other elements of customer service. In addition, competition is influenced strongly by advertising, marketing and brand reputation. The car rental division of the company competes primarily with Avis, TopOne, eHi, China Auto Rental. The internet has increased pricing transparency among vehicle rental companies by enabling cost-conscious customers to easily obtain and compare the rates available from various vehicle rental companies. This transparency may increase the prevalence and intensity of price competition in the future. Therefore, intense competition in the vehicle rental industry may lead to reduced rental volumes and downward pricing pressure, which could have an adverse impact on Hertz’s results of operations.
Another threat will be the increasing fuel prices. Fuel prices are set to increase as global demand rises on economic recovery. The price of the oil has been fluctuating in the recent past. According to IATA as seen in figure 2, jet fuel price as of May 2012 is $134 per barrel and in May 2011, jet fuel price is $85 per barrel. There is an increase of more than 50% in the past 1 year for jet fuel price.

![Jet Fuel Price Currency Comparison](image)

**Figure 2: Jet Fuel Price Currency Comparison**

Due to this increase, it is estimated that the global industry’s fuel expenses increased by $61 billion in 2013. The rise in jet fuel price increases the operating costs of the airline companies, which in turn enables them to increase air ticket fares. Significant increases in fuel prices could negatively impact Hertz's car rental business by discouraging consumers from renting cars or disrupting air travel, on which a significant portion of the company's car rental business relies. Therefore, increasing fuel prices could have an adverse effect on Hertz's financial condition and results of operations.

Another threat will be the lack of regulation in the car rental industry. There are
about 300 to 400 car leasing firms with business licenses in Nanjing and numerous others without business licenses (Global Times, 2011). As the ‘Administrative Permission Law’ adopted in 2004 has canceled the administrative approval on the establishment of car rental firms, and car rental enterprises are under registration management, the car rental industry is virtually under no management. With no properly regulation and nearly no threshold for the establishment of car rental firms, it means there are many car rental companies in China and they pose a threat to Hertz Rent A Car.

**Marketing Objectives**

The marketing objectives for Hertz Rent A Car in 2012 will be focusing on: (i) brand equity build-up. This Hertz objective will be measured at the end of 2012, Hertz must achieve a brand awareness of 80% in Shanghai, Beijing, Chengdu, Shenzhen, Tianjing and 50% in other cities, (ii) leads generation in existing markets for revenue growth through advertising, promotion, partnership, events/trade shows/sponsorships and Hertz objective will be to capture 25 percent of the market by value by end of 2012, (iii) partnership network The objective will be measured at the end of 2012 and Hertz must be partners with 10 established online travel agencies and 5 hotel partners, having a joint promotion on Hertz products and services.

**Marketing Strategy**

Brand equity build up will be focused on benefits oriented, i.e. business solutions & life style vs. feature focused. As there is no proper car rental business registration
license in China, there are about at least 300 to 400 car leasing firms with business licenses in each Tier 1 city and numerous others without business licenses (Global Times, 2011). It is important for Hertz to build up brand equity to differentiate from other competitors. And the brand equity build up will focus on lifestyle such as advertisement showing families traveling to luxurious tourism destination and using a rental car for driving around. Advertisements should be showing couples renting a vehicle during the Valentine’s Day to visit nearby islands for enjoyment. Or even the scene where a white-collar worker is renting a Mini Cooper Elite for travelling purposes can be used for marketing purposes. It also involves positioning of many Hertz marketing materials. For example, the online booking website has to be redesigned and reconstructed to be focused on the lifestyle which Hertz users will enjoy and also on the benefits which come along with the Hertz products and services. On the Hertz website, there will be sections where people can leave comments and the positive on-line stories can be singled out to provide a good position for the brand name.

For business to business customers, the brand equity build-up will be focused on Hertz being the total mobility solution provider with internationally No.1 service quality and reliability. When business travelers travel from, for example, USA to China, they can rent a rental car in both USA and China. When corporate customers have events and exhibitions, Hertz will be the go to car Rental Company to provide vehicles of various sizes to cater to the business needs. When business travelers require an airport fast track lane service or a conversion of driving license to Chinese
license, Hertz will provide a one stop solution for the business travelers.

For the marketing objective of leads generation in existing markets for revenue growth, it can be done through advertising, promotion, partnership, events, trade shows and sponsorships. It includes media ads like promotion programs and channel like Airlines, Hotels, Banks, Chambers, Associations, Real estate agencies, Golf clubs, Business centers and Car manufacturers. This creates opportunities for localized membership program and outbound international business. For B2B customers, Hertz will support its sales team by generating and enhancing Hertz brand awareness and reputation. For B2C customers, Hertz can develop 360-degree direct communication campaign and promotions. For specific targets, Hertz can leverage on partnership database and co-creating cross-selling package products. For example, Hertz can partner with online travel agencies like Ctrip, Lv Mama and expand its database when partnering with these companies. When partnering with airlines, Hertz should consider offering cross-selling package products like business class flight tickets, with VIP express lane immigration service and Hertz Mercedes Benz airport transfer pick up.

Hertz being a global brand can also position itself as a corporate social responsible company so as to build up brand equity. Hertz can tie up with local car manufacturers to rent out a green vehicle and then partner with a hotel chain to promote the series of green vehicles. For example, in Hertz US, it was announced that it would be adding electric vehicles to its U.S. rental fleet throughout in 2012 (Lombardi, 2011). Hertz China is also partnering with GE Energy China in 2010 to
build out electric vehicle infrastructure and offer these vehicles in China's Shanghai region. (Bradsher, 2011) But unlike the USA plan, the Hertz plan in China will focus on offering companies and government agencies both the EVs and charging facilities as a bundled option by Hertz and GE Industrial Solutions. It's part of an effort to promote EV adoption in China. Such green initiatives improve the brand equity of Hertz. Having such bundled packages will also increase the sales of the Hertz vehicles as the end benefits which Hertz users enjoyed is doubled when using this green vehicle package. End users get to be environmental friendly and the daily rental rentals are also lower with electric cars. The government offers a national subsidy of 60,000 renminbi, or $9,400, to buyers of each electric car. (Bradsher, 2011), and this translates to the daily rate for renting the electric cars will be reduced due to the subsidies

**Marketing Key Program**

One of the key programs to build up brand equity will be to focus on the shared booking platform for customers, e.g. landing pages on the customers’ end for them to surf before they make a booking on the online booking platform. They will be able to read more about the products and services, policies of booking, and rates. Hertz can also make use of the landing page to obtain feedbacks from the customers who are making repeated bookings. Or even customers who would like to ask questions and click on the frequently asked question tab can benefit from the landing page. This is indeed good for marketing of the Hertz brand as customers can know more about the brand through the website.
Another key marketing program to build up brand equity should be the upgraded brand and service brochures, video, concierge, drivers and outlets’ image. Service staffs like outlet receptionist, concierges and drivers are the faces of the brand. They should all represent the professional image of Hertz, and hence wear clean, smart and well-ironed uniform.

Another key marketing program to build up brand equity will be the well-trained sales force with standardized programs, sales talks and material on brand/products/services. The salespeople will be the ones who meet the corporate customers and introduce the Hertz products and services to the customers after marketing team has designed the marketing program. They will try to close deals with the customers and win more corporate accounts.

As for the marketing program for the fleet in Hertz, there is a full car choice: from 5-seats to 19-seaters mini-buses; from intermediate to luxury brands. In marketing programs to promote for Hertz vehicles, Hertz can advertise on the great car conditions and bilingual drivers. In all marketing materials, Hertz can focus on the excellent car conditions. All cars will be shown as well maintained and clean. On the Hertz website, there can also be videos of Hertz vehicles and how Hertz carries out their daily/weekly/monthly maintenance work. This is to show the corporate customers that Hertz takes pride in keeping their vehicles clean and the drivers are dedicated to this part of their job. The pricing strategy for the business to business customers is prestige pricing. Hertz is a global brand and many corporate customers know Hertz from America or Europe due to prior experience. And Hertz seeks to
market themselves as luxurious and elegant and enter the market with premium pricing to support this position. Lowering the price may not be suitable as it would mean repositioning the business and it will result in a failure to attract the target market.

And the key marketing program to increase brand equity for the business to customer segment, it will be to reconstruct the Hertz China Website to matchup with brand image and enable e-commerce and Customer Relationship Management. And for the public relations and on-line communities, it would be good to leverage global influences to establish a highly positive brand image and highly respectful reputation. For the brand and service brochures, video, concierge, drivers and outlets’ image will be publicized and it will be equipped with an improved brand image. This means that front-line (drivers, concierges and outlet receptionists) staff’s uniform will be re-designed for a more polished look. Hertz signboard will be re-designed and manufactured with better material. An online booking tool will be developed to be more user-friendly after gaining feedbacks from customers.

The key marketing programs for Hertz product and services on business to customer segment will be to focus on strong domestic and outbound products. Hertz has a strong global presence and by focusing on the outbound products, Hertz can build a strong stand in this area. And also, Hertz should market and consider all accessories and extra services to take care of customers. As part of an extension to the service, Hertz could provide one-stop service to its customers. Domestic customers can come to book air-tickets, hotels, travelling and car rental, all at the same time.
There is a wide range of fleet for the customers to choose from, be it modest car type of intermediate category or cars like Audi or Mercedes Benz from the luxury car group. And of course, along with this wide car fleet is the great car condition and bilingual drivers.

Co-operation with partners to market Hertz car rental service is also a winning strategy. It is important to choose the partners wisely. The partners should be of the same prestige status like Hertz that has a global presence. For example, Marriott or Hyatt hotels and other high-end international brands will be suitable.

As seen below, it is the marketing spending and expansion overview. In 2012, the target is to have corporate locations in 10 cities and this is an expansion of 5 new locations. And the fleet size will undergo a 110% increment from 334 vehicles to 700 vehicles. And the number of rental transactions will have a 22% increment. This is only for domestic business to customer (B2C) sales. As for the expenses, the largest increment from 2011 to 2012 is the Hertz marketing department. Money is pumped into marketing efforts to raise awareness of the Hertz brand to the right target market.

<table>
<thead>
<tr>
<th></th>
<th>2011</th>
<th>2012</th>
<th>Index vs previous year (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>City Coverage</td>
<td></td>
<td></td>
<td>100</td>
</tr>
<tr>
<td>Fleet Size (Annual Average)</td>
<td>334</td>
<td>700</td>
<td>110</td>
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<tr>
<td>Transactions</td>
<td>8200</td>
<td>10000</td>
<td>22</td>
</tr>
<tr>
<td>Operational Expenses (’000 USD)</td>
<td>10700</td>
<td>15000</td>
<td>40</td>
</tr>
<tr>
<td>Operation Spending</td>
<td>7830</td>
<td>12000</td>
<td>53</td>
</tr>
<tr>
<td>Sales Spending</td>
<td>620</td>
<td>1000</td>
<td>61</td>
</tr>
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</table>
Table 1: Hertz Marketing Expenditure Overview in 2012.

As shown in the table below, there are some examples trade shows targeted for the B2C and B2B markets. The objectives of these trade shows will be to raise awareness in the specific market.

<table>
<thead>
<tr>
<th>Trade Show</th>
<th>Time</th>
<th>City</th>
<th>Target</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>B2C</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Beijing Expat Show</td>
<td>Mar.</td>
<td>BJ</td>
<td>BJ Expat Communities</td>
</tr>
<tr>
<td>Shanghai Expat Show</td>
<td>Sep.</td>
<td>SH</td>
<td>SH Expat Communities</td>
</tr>
<tr>
<td><strong>B2B &amp; Partnership</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>International Administration</td>
<td>Apr.</td>
<td>SH</td>
<td>B2B Admin/Secretaries</td>
</tr>
<tr>
<td>Professional Summit (IAPS)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Beijing International Travel</td>
<td>Jun.</td>
<td>BJ</td>
<td>Domestic &amp; Outbound Travel Agencies</td>
</tr>
<tr>
<td>Exhibition (BITE)</td>
<td></td>
<td></td>
<td>&amp; Public</td>
</tr>
<tr>
<td>China International Business Travel</td>
<td>Aug.</td>
<td>BJ</td>
<td>Outbound travel agencies &amp; corporate</td>
</tr>
<tr>
<td>Market (CIBTM)</td>
<td></td>
<td></td>
<td>travel managers</td>
</tr>
<tr>
<td>American Express Business Travel</td>
<td>Nov.</td>
<td>SH</td>
<td>Domestic and Inbound corporate travel</td>
</tr>
<tr>
<td>(CBTF)</td>
<td></td>
<td></td>
<td>– travel agencies, Airlines, Hotels &amp;</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>corporate travel managers</td>
</tr>
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</table>

Table 2: Hertz Trade Show Schedule in 2012 (to meet lead generation objective).
The Future

Significant growth is forecast for the one year, with a brand awareness of 80% in Shanghai, Beijing, Chengdu, Shenzhen, Tianjing and 50% in other cities and to capture 25 percent of the market by value by end of 2012 and partners with 10 established online travel agencies and 5 hotel partners, having a joint promotion on Hertz products and services. At the end of 2012, these objectives will have to be quantified and the marketing plan’s success will be determined.
Glossary

Car rental market - the rental of cars to private individuals or corporations, for recreational, business, or accident replacement purposes, from either airport or non-airport locations
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