Hertz Files For Bankruptcy After 16,000 Employees Were Let Go And CEO Made Over $9 Million

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After 100 years in business, Hertz filed for bankruptcy on Friday, proving to be yet another casualty during Covid-19.

The old-time entity now joins the likes of J.C. Penney, J. Crew, Neiman Marcus, Gold’s Gym, Pier 1 and the McClatchy newspaper chain—companies that have all sought bankruptcy protection in recent weeks. Hertz was just another victim of the pandemic, people will say. It's easy to blame the company’s misfortunes, as well as the other corporate casualties, on the pandemic. The reality is a different story. The failures of Hertz and the others have more to do with their own arrogant inertia and inability to recognize the fast-changing trends and a refusal to adapt their business models accordingly.

Back in the day, Avis was Hertz’s major rival. Avis branded itself as the scrappy underdog and adopted the advertising tagline, “We Try Harder.” It was meant to convey that the folks at Avis will do whatever it takes to make its customers happy. Hertz’s slogan should’ve been “We Didn’t Try Hard Enough.”

The *Wall Street Journal* reported, “Hertz Global Holdings Inc., one of the nation’s largest car-rental companies, filed for bankruptcy protection Friday, saddled with about $19 billion in debt and nearly 700,000 vehicles that have been largely idled because of the coronavirus.” The company has lost money for the past four consecutive years, including $58 million in 2019.

Back in March, responding to the deteriorating economic circumstances, Hertz laid off 12,000 workers and furloughed an additional 4,000 employees—25% of its workforce. Car rental companies are heavily dependent upon travel. People will rent cars for family vacation. A business person flying out to a client will go to a Hertz and rent a car for the duration of their visit. With air travel coming to a near halt, the need for car rentals has plummeted.

It's true that Covid-19 has had an impact on Hertz—as well as an array of other large and small companies—but it was suffering long before we even heard of the coronavirus. Hertz had to contend with tough competition in the car-rental space, in addition to the onslaught from Uber and Lyft. Customers preferred the ease of use with car-sharing apps. There wasn’t a need to take the time to fill out long and one-sided contracts, wait for your car then have to drive it yourself in an unfamiliar location. Compared to this experience, it's much more convenient to open an app, request a ride and get whisked to your location.

Some of Hertz’s problems have been self-inflicted. The company, which was founded in

1918, recently went through a number of restructures and four CEOs have gone through the turnstile. A private equity firm heaped a whole lot of debt on Hertz, which didn't help matters.

Hertz's bankruptcy will have a big impact. It's likely that there will be future layoffs, in addition to the 16,000 employees who have already lost their jobs or have been furloughed. It's reasonable to believe that the hours of the remaining staff will be reduced and furloughed workers won't be asked to return.

Hertz bought and leased cars from General Motors and other carmakers. Now, it won't be, which will hurt the automakers and all of their parts suppliers. Hertz will be forced to sell parts of its fleet of cars. This will put downward pressure on the used-car market. People who have considered selling their cars—to earn money because they may have lost their jobs—will not receive much for it, as there will now be an overabundance of used cars for sale.

An unlikely group has also lost out due to Hertz's bankruptcy filing. Robinhood, the trading app, had about 45,000 day traders holding stock in the company—most of whom presumably lost money while betting on the chance of a resuscitation for the car rental company. Creditors to the company will also lose out under the Chapter 11 restructuring and be forced to accept less repayments.

Former CEO Kathryn Marinello succinctly summed up Hertz's sad state of affairs, "No business is built for zero revenue." In a regulatory filing for the fiscal year of 2019, Marinello walked away with $9,138,362 in total compensation. According to Salary.com, "Of this total, $1,450,000 was received as a salary, $1,405,050 was received as a bonus, $567,663 was received in stock options, $5,635,758 was awarded as stock and $79,891 came from other types of compensation."