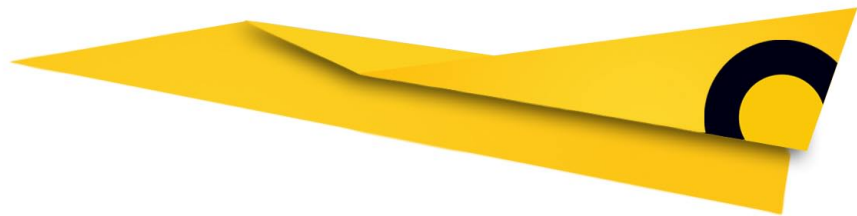


DDB^o



Building Brand Value and Influence in the Airline Industry

In a digital swarm era, the dialogue with customers
is more important than ever

The **Yellow** Papers Series

Introduction

This Yellow Paper has been prepared against the unenviable backdrop of an industry facing continued rapid change and acute financial pressures. The global recession and the weakening demand for air travel in key economies, particularly in the US, make this the most difficult of downturns for the airline industry.

In the year ahead we will see a number of consolidations. Generally the larger, better capitalized airlines will emerge as the dominant global players. Given the extent of the gloom, it is important to keep a sense of perspective. The airline industry has endured turbulent times before – admittedly at a smaller scale than today – and has come through them.

Many airlines have failed in the current economic crisis, some through no fault of their own. All told, at least 30 airlines went bust in 2008. These included some who pursued innovative strategies such as premium business travel. Some have survived despite odds, and a few will surprise by turning an extremely challenging economic situation to their competitive advantage.

Unpredictable challenges and change are the norm in a business that is so sensitive to economic, regulatory, safety, environmental and other external influences beyond management's absolute control. The successful airlines will focus on controllable elements when refining their marketing plans for 2009. Instead of cutting the market research budget, they need to know more than ever how consumers are redefining value and responding to the recession.

Airlines must maintain marketing spending. It is well documented that brands that increase advertising during a recession as competitors are cutting back – can improve market share and return on investment at a lower cost than during good economic times. Uncertain consumers need the reassurance of known airline brands. Airlines are in a battle for market share, and in some cases, survival. The airlines that survive and flourish will be the ones that build a strong brand, improve value, and build influence by engaging communities around their brand.

Airlines are in a battle for market share, and in some cases, survival



Paul S. Ross, Global Brand Director, DDB France

Prior to assuming his current position, Paul was a Regional Consultant to DDB. Previously, as Vice President Managing Director at DDB Saudi Arabia for three years, he successfully led the agency to a series of new business wins including Sama Airlines, which won a GEMAS 2008 (GMR Effectiveness in Marketing Award) for Best New Brand Launch in the Middle East. Paul has extensive global experience with branding issues. He is a graduate of the University of Ottawa, Canada (B.B.A., Business).

The importance of influence

Digital is driving growth in almost every single market, transforming the marketing landscape in the process. Investment in digital media has now definitively moved from “experimental” to “essential.” “This era will leverage social networks and Web 2.0 to move us from brand messages to true brand communities,” says Chuck Brymer in *The Nature of Marketing*. “The value of a strong brand is more important than ever. At the same time, influencing a community creates powerful leverage for strong brands.”

With any product, branding and building influence is a key component for the development of airlines – especially in today’s competitive world with new low-cost carrier entrants. When combined with the pressures of the rising costs of operating an airline and increasingly lower consumer price expectations, the market is ultracompetitive. Airlines are awakening to the need to build their brands to maintain and shape their market position, which can create loyalty beyond price.

In a world where technology enables us to confer with our peers continually, we need to think about how we influence whole communities. Although you cannot lead a community you can influence one. Influence is the power to produce a desired result by indirect means:

We create influence by turning people into media and getting them to spread the word

Behavioral economists identified the phenomenon of the “information cascade” some time ago. It occurs when groups of people follow the decisions of people before them, rather than making their own decisions in isolation. These “influence cascades” when harnessed on behalf of brands, products and services, can be enormously powerful. Creating a flow of influence is critical in a world where peer-to-peer credibility is increasing.

We can show influence to be the most valuable asset in a networked age

A recent DDB Matrix meta-analysis of 880 award-winning case studies from the IPA Effectiveness Awards revealed that the most underused communications model was one that creates campaigns that “get the brand talked about/make it famous.” And yet, campaigns employing this communications model of Talk Value®, rather than persuasion or information, effected business most of all.

In today's environment customers will choose the carrier that provides the best overall value

The key to building influence in the airline industry

Building brand value and influence in the airline industry means constructing communities around the product, the service and the experiences that lead to a strong, trusted relationship. This includes community-centric sports sponsorships, such as Emirates's involvement with the McLaren Formula 1 team, but also includes much more creative, and often less expensive, methods to further shared interests and drive innovation.

In a time of economic uncertainty, airline brands need to connect with both leisure and business travelers. In difficult economic times, people are looking hard for value in everything they purchase. Rick Wilbins, Managing Director, Brand and Advertising, American Airlines, says that part of American's objective is to make sure that the travel experience with American is perceived as an "improving value." That's a challenge, of course, because with rising fuel costs, the airline has to cut some of their services and routes, which puts an extraordinary burden on their people to continue to provide the best possible service.

Idris Jala, the CEO of Malaysia Airlines, led the state-controlled carrier from the brink of bankruptcy to record-breaking profits. Now he wants it to become what he calls a "five-star value carrier," meaning an airline that provides top-quality products and services at the most affordable prices. Malaysia Airlines wants to be the Volkswagen of the airline industry. Jala says "the key is to find the sweet spots." The secret is knowing which costs add value for passengers (additional pampering for premium customers, including lounges) and which do not (distribution expenses paid to ticket resellers).

Airlines must focus on the brand experience, because in today's environment customers will choose the carrier that provides the best overall value. By focusing on the brand experience, not only will airlines retain existing customers, but they will also attract others disgruntled with the competition. And overall, this hedges against the potential of a consumer making a purchase decision on price only.

Influence provides a shared language for all disciplines. Instead of starting with the inputs (i.e., channel or brand or content), it starts with the desired outcome (i.e., influence), and works backward. This is the ultimate form of integration, because it begins from a channel-neutral position.

Four principles of building influence

The challenges of the digital world have demanded a new approach – we call it “Influence” – and it allows us to use a powerful set of strategic tools to determine the most successful focus for our brands in every channel. Strong brands believe in something – and have built brand communities with influence among their members and those members who in turn influence others. We need to leverage these insights by using the principles of conviction, collaboration and creativity.

1

Stand for something

Brands are like people. The most influential people always stand for something. Furthermore, great brands resolve cultural tensions. They speak to an issue that people are passionate about.

This principle is especially important in the increasingly complex airline industry. Branding efforts have intensified amid the influx of new low-cost carriers and premium business airlines now competing with the legacy carriers. The boundaries between the traditional airline categories and the actual brands are becoming blurred. Strong, simple brands that stand for something are a shortcut through the complexity and confusion of the marketplace. When a company owns one precise thought in the consumer’s mind, it sets the tone for everything; there should be no distinction between brand, product, service, and experience.

The excellent example, “Fly Emirates, Keep discovering” sums up Emirates Airlines’s philosophy on travel: Only Emirates lets you discover a more authentic and fulfilling life. Successful

brands connect to the emotions of our time. Unleashing our inner explorer is a fundamental human drive. Emirates connects to the universal emotional pull of a new age of discovery.

Here’s another example. In late 2006, the Kingdom of Saudi Arabia was about to experience a period of intense change in the world of air travel, with the advent of online booking and low-cost carrier alternatives. The new airlines aimed to emulate what budget airlines such as Southwest had been doing in some western markets for the last decade, and what the relatively new operation Air Arabia, the Sharjah-based United Arab Emirates national budget airline, had been doing in the region recently.

In 2007, when we started to work with the new low-cost airline Sama, we felt there was an opportunity to exploit the 60-year legacy carrier Saudi Arabian Airlines’s complacency. The Saudi carrier was for the first time facing a competitive challenge on the ground (and in the minds of consumers) and in the air. Research indicated that consumers were proud of their national carrier but felt some dissatisfaction with the reality of domestic air travel and were

increasingly open to new low-cost carriers like Sama. Our insight told us that the current state of domestic air travel in the kingdom was impersonal and a hassle. And since the tragic events of 9/11, air transport security measures around the world had been stepped up, making it more inconvenient.

From this reality, we developed the “idea” that Sama’s mission would stand for simplicity, enabling customers to complete a journey by air in the most hassle-free way from booking a flight to collecting their baggage upon arrival at destination. Airlines must find ways to make air travel easier, smoother and more human – and this was particularly true in Saudi Arabia. We believed that simplicity, the key to Sama’s low-cost business strategy, was also relevant to brand strategy. Therefore, we launched the brand with the line: “Simply fly.” The campaign was designed to activate new customer groups and stimulate demand as a whole by creating more emotion around the brand; although Sama was price-driven, it was also focused on customer service. Sama strives to provide exceptional customer service to create a top-quality experience at budget-conscious prices.

**Brands are like people.
The most influential people
always stand for something**

2

Do remarkable things

Creating a “no-frills chic” experience has the potential to win over cost-conscious consumers and lure other customers away from the traditional luxury market. “Simply fly” conveyed how effortless airline travel can be and vitalized customers’ emotional connection to Sama while giving a lift to its sales efforts. Strong airline brands create value for shareholders when they build emotional connections and influence with consumers and ensure strategy consciousness across the entire company.

To drive demand for Sama beyond price and build brand equity, we developed and implemented a national advertising campaign that was uniquely ownable. The branding initiative also included outdoor (media locations were selected for their high-impact, high-traffic worth) and press and leveraged other customer touch points such as flysama.com, the airport check-in counter, boarding passes and in-flight materials.

Sama celebrated carry in 500,000 passengers in November 2007 within six months of startup, comfortably exceeding its targets, despite stiff private competition.

Poor customer experience has taken its toll on other airlines’ brands. The acid test is simply to ask what an airline values. If you have to stop and think for more than three seconds to find a single word to describe it, then it’s a commodity. An airline brand is essentially the sum of the experiences that passengers have when they fly with that carrier.

Brands must stand for something and then translate those beliefs into action. But if they are going to be truly influential, they need to do remarkable things, not just ordinary ones. Doing remarkable things is the best way of sustaining the Talk Value® that is so essential to creating influence cascades. We need to always be on the lookout for innovative ways to do things.

With airline consolidation and the proliferation of low-cost carriers continuing, airline brands must try to gain market share by capturing the people’s imagination. This is only possible if it is clear what they stand for.

Silverjet – like L’Avion and PrivatAir – offered “a private jet experience” for an exceptionally low fare. Just as the mid-century psychologist Abraham Maslow predicted, airline business passengers have a hierarchy of needs. First, business travelers are driven by more than price. There are some functional criteria that will always impact the purchase decision, such as flight schedules and check-in times (Silverjet allowed a 30-minute check-in). But with a higher ticket price we start to see value-added options that, if they are what the business traveler wants and needs, stands out in their overall impression of the service of an airline and starts to influence brand loyalty. With Silverjet, the implicit promise was that no other airline would offer passengers as “civilized” a travel

experience. It really was about the experience across all the brand touch points—from the free airport limousine service to the private terminal with dedicated security, the Silver lounge, premium on-board experience with flat-bed seats, quiet zones and womens-only restrooms.

Andrea Spiegel, JetBlue’s VP of Marketing, said this about “Happy Jetting” in an *Advertising Age* article: “This is much more than just an ad campaign; it’s a brand campaign because it speaks to what the core of JetBlue is. It’s executable across every touch point for crew members and customers. [It’s also] the most integrated internally and externally. We’ve brought to life this new world of jetting internally for crew members through training programs, screensavers and posters all over the company.”

JetBlue has developed the passenger experience further by extending its brand into T5, their new terminal at JFK, which opened October 1, 2008, gambling the airport should deliver as much of an experience as the flight. JetBlue has also created a “no-frills chic” experience by sprinkling touches like Italian furniture, indirect lighting and colorful, custom-designed carpeting throughout T5 that has engendered Talk Value® – and it is a good example of experience-based differentiation. Companies can fulfill their potential by optimizing their brand touch points to create emotional brand experiences and build influence.

An airline brand is essentially the sum of the experiences that passengers have when they fly with that carrier

The more advocates, the better. People are the most valuable media

3

Cultivate advocates

Doing something remarkable is important. But it's not enough on its own. Brands need to reach out to their passionate advocates, not just their consumers. Frederick F. Reichheld's "The One Number You Need to Grow" showed that the percentage of customers enthusiastic enough to refer a friend or a colleague correlates directly with differences in growth rates among competitors. The more advocates, the better. People are the most valuable media.

Airlines must successfully identify their most important customers and establish deep relationships with them. Rick Wilbins of American Airlines states that it's vital to start and maintain a dialogue with customers and potential customers. American uses its website with an active opt-in program. They've also introduced AA.com mobile and connectivity on their planes. People who sign up for these options tend to be very interested in what's going on with the airline and the industry. In addition, they're constantly surveying their customers to find out what's meaningful

to them, and what is and isn't working. Every major corporation is doing it these days, but American believes they're doing it more aggressively than most airlines.

Frequent flyer programs will also be used more to provide a source of data for airlines so that they can target individuals with attractive offers, rather than simply incentive programs. For Sama we created an online campaign starting with their own database to drive sales. We opened with a retail seat sale: a "10,000 Seats for Free" campaign in response to competitive pressures (the low-cost carrier competitor as was offering a special SAR 9 fare). The campaign began in February 2007 in Riyadh and was scheduled to run three days. Because of the buzz and success of the campaign, media insertions for the third day were cancelled.

My recent experience with checking in at Qatar Airways at Heathrow was refreshing and underlined the airlines's service culture. As a Privilege Club member I wanted to redeem some Qmiles for a London–Doha business-class flight that same day. I approached

the desk, and asked whether there were still seats on the Doha flight and whether I could redeem points for a seat. There was a soft tapping of keys while, in the background, a colleague made other preparations. The desk person confirmed there was a seat in business class and then called the gate to check availability of business meals. She then called the Privilege Club service line, sent a fax to redeem points, processed payment for change and issued me a ticket – all within 15 minutes. Qatar Airways had performed an heroic act of customer service. Qatar Airways went above and beyond to create a passionate brand advocate and secure my future brand loyalty – as well as fend off Qatari riyals. Most importantly, it was handled with grace and smiles and not a hint of attitude. Qatar Airways is one of the fastest growing airlines in the world and one of only four with a Five Star Skytrax ranking for service excellence.

In a digital swarm era, the dialogue with customers is more important than ever. Influence is one of the most valuable assets a brand can have in a networked world because brands that have influence command attention.

4

Open up

This leads us to the final principle of influence: openness. In today's world, brands must be transparent. People are far more likely to become loyal consumers and advocates of your brand if they get a chance to participate in its progress and have a sense of shared ownership. Influential brands can now use the collective wisdom of their advocates and communities far more easily to help them develop products and services.

British Airways is an interesting example. A colleague managed to check in for a BA flight to London while standing outside a busy bar in Paris, using only an Apple iPhone 3G. Since BA allows access to its excellent online service through the smart use of innovative iPhone/smart phone technology, customers can get real-time arrival and departure times, and book flights or check in online. BA's application has become a valuable source of flight information for nearly 3,000 users around the world per day, according to a Travolution

report. The market for smart phones that send e-mail messages and gain access to the internet may more than double to 288 million units in 2009 according to Gartner, the technology research company. These statistics underline the importance of accessible travel information on the move and the readiness of consumers to utilize the functionality of new technologies. Keeping customers informed may be the premier element of good service.

When target audience members are brand conscious, they actively seek a brand that reflects their values. In today's globalized marketplace, there is growing acceptance that the corporate sector has a role to play in securing a sustainable future. Airlines have, unfortunately, long shied away from their responsibilities to reduce the carbon impact of flights upon the environment, or have been disingenuous in their actions. Consumers reject token claims to environmental responsibility but Silverjet's commitment however, was authentic and credible. Silverjet

(before it went bust earlier this year but not for its brand-building) is another interesting example. Silverjet was the first airline to become carbon neutral. While several airlines and (online) travel agencies offered carbon dioxide offsets as part of their booking process, Silverjet was the first airline to make a carbon offset contribution mandatory. And customers had the opportunity to reinvest the carbon points earned back into a number of climate-friendly projects around the world. Silverjet's sustainable branding initiative reinforced the customer experience by effectively responding to customers who didn't want to leave their values at home every time they flew. There was also a direct financial benefit to Silverjet as the additional tax (on ticket prices) helped cover more of the carbon-remediation costs required by regulators. This added up to a powerful package that stimulated action. It also enhanced Silverjet's image as a socially responsible company within communities that care most about the environment.



The rewards of getting it right

Emirates is an example of a major airline brand that has successfully followed all four principles of building influence – and differentiated itself from the competition. The Emirates experience is beautiful and in touch and empathetic – perfect for uncertain economic times.

Emirates's end line "Keep discovering" sums up its philosophy on travel: Only Emirates lets you discover a more authentic and fulfilling life. Successful brands connect to the emotions of our time. We are in a new age of discovery. Business people are the new explorers and unleashing our inner explorer is a fundamental human drive. Emirates is tapping into this universal emotional bond.

Emirates has effectively used www.emirates.com to drive the brand experience. The customer journey starts with the emotional: recollection,

dreaming, inspiration and planning, and moves into the functional: booking, anticipation, preparation, and experience. The emotional journey inspires and excites, while the functional journey informs and simplifies. Most airlines focus only on the functional and miss out on customers. Emirates's website engages people throughout. Emirates understands every stage of the customer journey. The airline captures the spirit of spontaneous exploration and discovery. Emirates romances the experience, not just the price.

Emirates has also shown category leadership with the new Emirates Terminal 3 at Dubai International Airport, a destination in itself. Emirates has embarked on yet another bold chapter in its dynamic, pioneering history, replicating the comfort and convenience of flying Emirates on the ground. Checking in at Emirates Terminal 3 is meant to be an effortless experience, with less waiting and more

time to relax and explore. Emirates Airlines is one of the world's fastest growing, most innovative airlines.

Etihad Airways, the national airline of the United Arab Emirates, is another airline getting it right. Etihad has developed an excellent corporate recruiting concept. With copy such as "We are inspired by the power of human imagination," it is clear that Etihad extends its "Change the way you see the world" promise to its employees. Etihad also provides entertainment for viewers (visit YouTube and search Etihad Recruiting). For its long-haul premium passengers Etihad has recently introduced food and beverage managers, recruited from some of the world's best hotels and restaurants. Etihad has put them through special training, including sommelier courses, to create a better brand experience. Great airline customer service is made of consistency, empathy, support and style.

Successful brands connect to the emotions of our time

Conclusion

Airlines must not be distracted by economic, regulatory, safety, environmental and other external influences beyond management's control and must maintain a vital emphasis on customer relationships and brand management. Airlines have many consumer touch points and each is an opportunity to reinforce brand value and loyalty. Often these opportunities are squandered with irritating service, petty fuel, baggage or other surcharges that can make all airlines seem a distasteful commodity.

Marketing plays an important role in addressing the issues that have diminished brand perception and in restoring a positive consumer experience. Marketers must understand every stage of the customer journey and ensure that customers are engaged throughout. There is a transformation underway in the business world as social media force companies to reinvent the way they build brands. This has made brands more participatory. The new brand is much more collaborative. Airlines need to build strong brands and influence to compete in a much-changed environment. A new approach to the challenges of the digital world – “Influence” – allows us to determine the most successful strategies for brands in every channel.

**“Influence” allows us
to determine the most
successful strategies
for brands in every
channel**

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DDB Worldwide Communications Group Inc (www.ddb.com) is one of the world's largest and most influential advertising and marketing services network. With more than 200 offices in over 90 countries, DDB provides creative business solutions by its proprietary philosophy and process built upon the goal of influence. DDB and its marketing partners create and deliver unique, enduring, and powerful brand experiences for competitive advantage.

DDB is excited by ideas. We invite you to visit our website to share yours and keep abreast of ours. We believe that creativity is the most powerful force in business and that ideas get sharper with more minds rubbing against them.


 The logo for DDB, consisting of the letters 'DDB' in a bold, dark blue sans-serif font. A small yellow circle is positioned above the final 'B'.