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The Great Branding Debate: Is airline branding a waste of money and do airlines really care?

91% of airline executives in a worldwide survey say the power of an airline's brand can attract more customers, but 56% admit funding for branding initiatives is a problem.

Michael O'Leary, the CEO of Ryanair, may have tried to remove luxury and romance from the airline industry with this comment, **"Air transport is just a glorified bus operation."**¹ The cost-cutting behavior of many airline executives tends to support Mr. O'Leary's premise; travelers have witnessed the removal of niceties such as headrest covers, pillows, blankets and even that venerable industry icon - - the peanut packet. But has this activity also removed the essence of what is a brand?

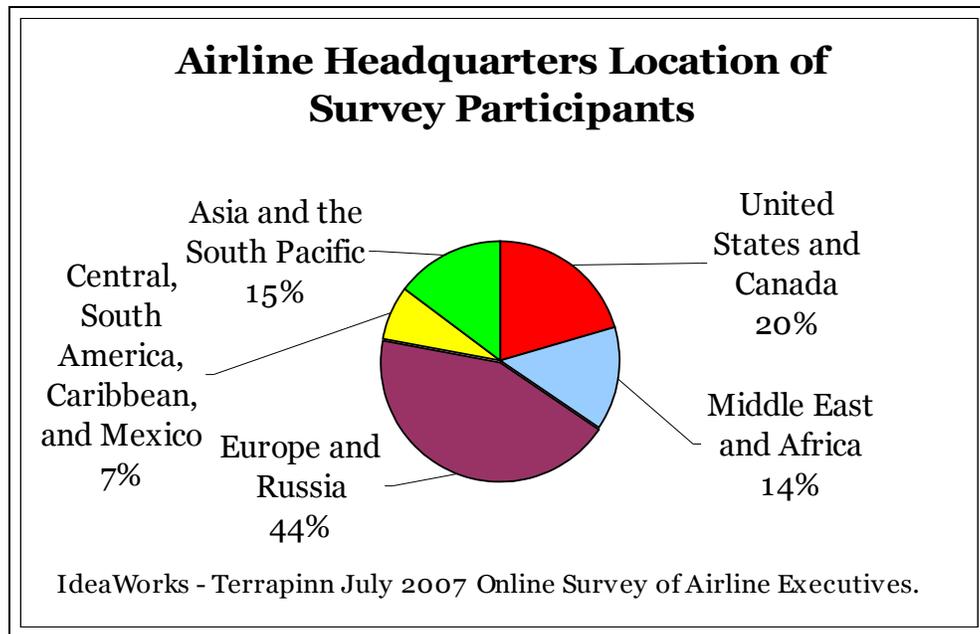
Recent advertising by Southwest Airlines mocks this uncompromising attack on amenities by suggesting other airlines might someday charge for use of a window shade. Of course, the joke doesn't apply to Ryanair - - which long ago stripped their aircraft of window shades in a campaign to reduce weight and save fuel. The "lowest cost wins" mantra (another quote from Mr. O'Leary)² may suggest to some marketers that brand building is a luxury the airline industry can't afford. Have low cost carriers, along with the rest of the airline industry, tossed the idea of brand building onto the scrapheap of history? Or, has the concept of branding evolved with the growth of the low cost carrier sector?

To answer these questions, IdeaWorks, in cooperation with airline conference organizer Terrapinn, recently distributed a survey on the topic of branding to airline executives all over the globe. The survey was distributed online and attracted participation by over 140 airline managers. It was prepared in anticipation of the World Low Cost Airlines Congress to be held in London on September 17-19, 2007.

Representatives from more than 110 airlines will gather in London, making it the largest event designed for the low cost airline sector. Airlines sending representatives range in size from major carriers such as JetBlue, Southwest Airlines, easyJet and Japan Airlines, to smaller carriers such as Air Baltic (Latvia), Nok Air (Thailand), and Sky Express (Crete). Jay Sorensen, president of IdeaWorks, will lead a panel of airline executives in a debate on the topic of branding initiatives. Joining Mr. Sorensen on the panel will be Brett Godfrey (CEO of Virgin Blue), Paul Simmons (Head of Brand Marketing for easyJet), and Andrea Spiegel (VP of Marketing at JetBlue).

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The following pie chart displays the global representation of survey participants. All regions of the world are represented with 80% of respondents outside the United States and Canada. The large concentration of respondents from Europe and Russia is likely attributable to the London location of the conference.



The survey contained five questions on the topic of airline branding, the response rate per survey item ranged from a high of 142 respondents, to a low of 81 respondents.

Brands are created in the consumer's mind

The discussion of branding is best begun with a few definitions of a word that is understood by all, but difficult to describe exactly. Walter Landor, the founder of Landor Associates, once said, "Products are created in the factory, but brands are created in the mind."³ Jack Trout, a leading marketer and originator of the concept of product positioning, defined it this way, "So, dear reader, if you want a simple definition of branding, here it is: It's all about establishing a name for your product and a differentiating idea in the mind of your prospect."⁴

David Ogilvy, the famous advertising copywriter and ad agency founder, defined brand as: "The intangible sum of a product's attributes: its name, packaging, and price, its history, its reputation, and the way it's advertised."⁵ These definitions suggest that brands can be defined by factors other than the inclusion of extra services and amenities.

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Airline branding is alive and well

The public perception of airline quality, and by extension the reputation of airline brands, remains the subject of jokes by comedians, a hot topic in the media, and an easy target for politicians. Given this “excess baggage” it may be surprising that airline executives believe in the power of their brands. The results of the survey generally describe a marketing environment in which brand building is practiced at airlines throughout the world.

The responses to Question 1 indicate 99% of respondents report some level of branding activity occurs at their airline; only 1% indicate branding is not relevant. The responses by 59% of the executives suggest branding has been integrated into the company culture and the services provided to passengers.

Question 1: Which response would best describe the application of brand or product branding at your airline?	
Branding is well defined for the airline, and is a part of the travel experience.	59%
Branding is somewhat defined for the airline and is integrated into some elements of the travel experience.	24%
Branding is a concept that is part of the advertising message, but has not been integrated into the travel experience.	11%
Branding is part of the planning process, and the airline has a branding statement, but it is not communicated to consumers.	5%
Branding is not relevant for the airline, and is a phrase best saved for consultants and academics.	1%

Economics may suggest branding efforts are largely directed to business travelers, who an airline’s most profitable passengers. Surprisingly, 70% of the respondents to Question 2 placed equal importance on “all” passengers. Only 28% said branding was of greatest importance to business travelers.

Question 2: Please describe the importance of a brand to different types of airline customers	
Brand is important to all types of customers.	70%
Brand is of greatest importance for business travelers.	28%
Brand is of greatest importance for leisure travelers.	1%
Brand is not important to any type of customer.	0%

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Contrarian marketers might identify an opportunity from the responses to Question 2. While measurable importance is placed on branding for business travelers, the importance associated with a pure leisure audience is virtually nil. It would appear airlines have created brands that appeal to a broad audience, but also emphasize higher yielding business travelers. It would be ironic if leisure travelers, who represent the bedrock customer group of low cost carriers, have become neglected.

The responses to Question 3 support the concept that branding is beneficial to a broad spectrum of customers . . . and airlines. The overwhelming majority of respondents indicate branding not only offers benefits to their airline, but also to all types of carriers.

Question 3: Does the importance of a brand vary for different types of airlines?	
Branding is an important factor for all airlines, regardless of type.	83%
Branding is most important for full-service or legacy airlines, and offers fewer benefits for other types.	11%
Branding is most important for new airlines or low cost carriers, and offers few benefits for other types.	6%
Branding is not an important factor for any airline.	0%

As in Question 2, not a single respondent rated branding as unimportant from the perspectives of customers and management. This is an important result, as it reveals branding can include the low cost airline sector - - in which price is paramount, and amenities can be non-existent.

Branding has the power to attract passengers

Marketing legends fervently believe in the effectiveness of good branding. But CFOs are quick to ask if branding-related expenditures generate additional revenue. The responses to Question 4 provide a resounding “yes” to this question. 91% of the airline executives surveyed said branding conveys a commercial advantage that delivers additional ticket sales. Nearly half, or 45% of respondents, say branding can prevail even when competitors offer lower fares.

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Question 4: Which response would best describe the importance of the brand of an airline when compared to ticket prices?	
If the ticket price is the same for 2 airlines, the airline with the stronger brand will attract more passengers.	46%
The brand strength of an airline can attract passengers from another airline, even if the ticket is more expensive.	45%
Lowest price always wins regardless of brand strength.	9%

Branding naysayers, or perhaps those who don't consider price leadership to represent a true branding attribute, subscribe to the notion that lowest price always wins. These airline executives are clearly in the minority and only comprise 9% of survey respondents.

Question 5 merges the sometimes separate worlds of marketing and finance. While the overwhelming majority (95% of respondents) indicate branding activities are included in their budget, the majority of these executives say additional funding is unlikely, or express the concern that existing budgets could be cut.

Question 5: Please describe the likelihood of increased funding for branding initiatives at your airline.	
Branding initiatives are an existing part of the marketing budget, but additional funding is not likely.	45%
Branding initiatives are an existing part of the marketing budget, and getting additional funding is likely.	44%
Branding initiatives are always in danger of being cut.	6%
Branding initiatives are not part of the budget, and new expenditures are not likely.	5%

Conclusion and Observations

While practically all respondents expressed support for branding initiatives, the perception of its effectiveness varies among airline executives. The similarity of the responses to Questions 4 and 5 is compelling. The 45% of respondents that indicate "The brand strength of an airline can attract passengers from another airline, even if the ticket is more expensive" likely represent the 44% that said they could get more money in their budget for their branding activities.

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The results from this global survey provide a strong answer to the question posed by the title of this report: “Is airline branding a waste of money?” Branding widely practiced at airlines worldwide and is a valuable tool for attracting more passengers and gaining revenue. Its allure is not without limits, with approximately 45% of respondents saying it can be more powerful than pricing, but a nearly equal group saying it’s only a deciding factor when prices are equal. Amazingly, not a single respondent said, “Branding is not an important factor for any airline.”

Traditional airline branding may have assumed its primary purpose was to romanticize air travel and to extol the virtues of amenities and services. Today, many consumers believe “travel and romance” is nothing more than a quaint artifact from another era - - lowest fare is most important to them. The definition of branding has obviously changed for the majority of airline marketers; the absence of amenities and services can be used as attributes to define a company’s brand. Perhaps Mr. O’Leary’s intent to define his brand as a “glorified bus operation” may be one of the most successful branding statements in the marketplace today.

Sources used in this Industry Analysis: Unless otherwise noted, the survey results described in this analysis were collated from the surveys completed by airline executives. The survey was conducted during July 2007. Multiple surveys (based upon IP address) from any one individual were not accepted.

Disclosure: IdeaWorks makes every effort to ensure the quality of the information in this report. Before relying on the information, readers should obtain any appropriate professional advice relevant to their particular circumstances. IdeaWorks cannot guarantee, and assumes no legal liability or responsibility for the accuracy, currency or completeness of the information.

World Low Cost Airlines Congress: More information is available at this link:
<http://www.terrapinn.com/2007/wlca>

Endnotes:

- 1: Michael O’Leary, Ryanair’s chief executive, quoted in BusinessWeek Online, 12 September 2002.
- 2: Ryanair May 31, 2005 Press Release, “Ryanair Celebrates 20 Years of Operations,” Ryanair.com.
- 3: Tales From The Marketing Wars, 'Branding' Simplified by Jack Trout, Forbes.com, April 19, 2007.
- 4: Tales From The Marketing Wars, 'Branding' Simplified by Jack Trout, Forbes.com, April 19, 2007.
- 5: Ogilvy, D. (1983), Ogilvy on Advertising, John Wiley and Sons, Toronto, 1983.