Marketing managment assignment resubmission

Business, Marketing

Signature: C Negatron Date: 10 June 2014 Question 1 Velvet Sky was a low cost airline that launched in March 2011. The company's corporate philosophy, mandated cost saving through all levels of operations. It was claimed to be the first Broad-based black economic empowerment compliant airline based in Durban. Velvet sky initially enjoyed some success but very quickly ran into financial problems and was subsequently grounded. This essay provides a critical analysis of the impact that the financial problems and the grounding of flights had on the Velvet Sky brand.

Discussion Velvet Sky seemed to be a true underdog story that had many working class South Africans routing for its success. The Velvet Sky brand to resonated with the South African public. Here we had a little airline championing the cause of South Africans and taking on the heavy weights of the Aviation industry by providing flights at lower costs. Within a few months Velvet Sky had made a significant impact on the domestic discount airline market and through support from passengers that had benefited from lower airfares, the company began to grow.

Velvet Sky showed positive brand equity as research shows that the brand appeared on Google's Top AS searches for 2011. However as quickly as the Velvet Sky brand gained popularity it lost it. The Velvet Sky brand was significantly impacted when financial woes and the cancellation of flights began to emerge. Many customers where left stranded when flights where cancelled. This would definitely create a negative impression of the Velvet Sky brand for those customers. Customer would find it difficult to believe in a brand that has let them down previously.

The indication that Velvet Sky was in financial turmoil would further negatively impact its brand. The aviation industry is all about safety and consumers would need to feel the ticket that they have purchased guarantees them safe passage to their destination. In the minds of the public a financially unstable airline could be cutting corners to save costs and hence may not be very safe. Velvet Sky was launched in March 2011 and had less than a year to build its brand equity before it began to have financial problems. This may have not been enough time for customers to identify with the brand and build their brand knowledge.

Brand equity is the added value endowed to products and services. Customer based rand equity can be defined as the differential effect that brand knowledge has on consumer response to the marketing of that brand. In general the more that brand equity and a strong corporate image has been established, the more likely it is that the company can weather a storm. While Velvet Sky brand equity was initially positive I do not believe it had enough time to establish it's corporate image before the crisis occurred. As a result the publics impression of Velvet Sky turned negative in light of its bad publicity.

Conclusion Sky brand. As a result of this negativity around the brand customers would not want o fly on Velvet Sky. This further exacerbates Velvet Sky financial woes. If it cannot undo the damage that has been done to it's brand image then this may lead to its demise. Question Two Introduction Social media has change the dynamics of how companies market themselves and build their brand image. Social media has given consumers more power. Many companies can live or die by social media these days. In response to this question we assess how social media aggravated the Velvet Sky crisis from a marketing perspective.

People use social media as a means of expression. Many customers expressed their linings on social media when their flights where delayed or cancelled. This created a tidal wave of postings on social media sites in a matter of minutes. Eighty-six percent of the online postings of Velvet Sky were negative. Theses comments reached over two million people. This definitely further aggravated the crisis and proved difficult for Velvet Sky to contain. Velvet sky poor handling of the crisis and in responding to the online threat further weakened their Brand.

They were very slow to respond comments posted online and were very reactive instead of being proactive and reaching out to customers first. There was lack of transparency and this created an impression that Velvet Sky was hiding from the public and not being truthful. Although social media exacerbated the crisis even further I believe that Velvet Sky could have used it to it's advantage and quell the situation by being proactive and honest with customers. Social Media has the power to make or break a company's brand. In the case of Velvet Sky, the social media onslaught definitely did more damage to the Brand.

But this is also due to the way Velvet Sky handled the situation. They should have responded quickly used social media to their advantage by responding to customers honestly and sincerely instead of not responding at all. As highlight by Kettle and Keller, 2012: 338: " In terms of swiftness, the longer it takes a firm to respond to a marketing crisis, the more likely it is that consumers can form negative impressions as a result of unfavorable media coverage or word-of-mouth" In this case social media put word- of-mouth into overdrive.

A study conducted in 2012 on customer choice in SAC'S aviation industry by B. Campbell and D. Vicar-Ellis shows that air travel in South Africa grew by about 14% ere year over the three years prior to 2007 and by 70% over the period 2003 to 2007. This was mainly due to the proliferation of low-cost airlines following the deregulation of the industry in the early sass's. Velvet Sky came into the market with lowest price for flights. This had a impact on its competitors. In answering this question we will explain how other low cost airline (competitors) are likely to react to grounding of Velvet Sky.

Velvet Sky entered the aviation market with amazingly low prices and the promises that prices will be almost as low as the cost of a bus ticket. With prices this low they were quickly gaining market share and putting it's competitors namely Kulak and Mango under threat. Mango and Kulak are not authentic Low cost airlines because they are owned by South African Airways and British Airways respectively and are just cheaper. This gives Mango and Kulak a financial cushion in this space. However as a result of Velvet Sky low cost price, air tickets prices began to drop as competitors tried to compete.

However now that Velvet Sky is grounded we can see it's competitors quickly going on a marketing drive to gain the market share left by Velvet Sky. Kulak and Mango could also drive up the cost of flights as there is no longer a low cost airline driving down the price. Question 4 This reports serves to provide recommendations to revivalist the Velvet Sky brand. In order to restore Velvet Sky brand equity we need to either look at restoring lost sources of brand equity or establish new sources of brand equity. In the case of Velvet Sky the brand has been damaged by the negative impact of the financial crisis.

Recommendations Velvet Sky needs to be repositioned as an airline for the working class. It's brand deeds to resonate with the middle and lower class. Velvet Sky needs to expand the depth and breath of its brand awareness to its customers. Improve customer service by having an online application where customers can voice their concerns, make recommendations or comment on the service received. Train staff in conflict management to handle difficult customers. Keep open and constant communication with customers via news, website and staff. Undertaken. Refund and compensate customers that were inconvenienced.

Address the negative image created by getting public relations professionals to help. Implement brand crisis management, brand revitalization and brand reinforcement strategies. Recommend creating a loyalty programmer to attract and retain customers. Simplify the online booking process for customers. Make it simple for customers to view flight schedules, book and pay for flights online. Velvet sky can look into extending its current product line by looking into providing VII luxury flights. It can also look at partnering with other companies to provided added services like car rental and hotel accommodation.

Brand audits need to done regularly to ensure here no gaps in brand management. Velvet Sky needs to be seen once again as a brand for the people. Therefore careful attention to our customers and how we respond to them needs to be our main objective. Question 5 Many companies move from market strength to vulnerability or even " death" because they do not conduct regular brand audits. No awareness of market trends and the competitive landscape are also factors that could lead to market weakness and stagnation. Note: Did not have time to include Bibliography. Happy to provide one if requested. Apologies for the inconvenience.