

# [Contemporary brand management report for easyjet](https://assignbuster.com/contemporary-brand-management-report-for-easyjet/)

Background

Overall, the travel market has performed well since 2001, with revenue growth accelerating from 3% in 2002 to 11% in 2004, with total sales for that year being estimated at US$ 549. 4 billion. However, some sectors performed better than others, and the share of air transport fell gradually between 1999 and 2003, partly as a result of falling fares due to industry liberalisation and the growth of low-cost airlines. However, sales rose strongly in 2004 as the travel industry recovered and economic conditions were stronger. Indeed, over the period from 1999 to 2004, online sales grew by a spectacular 403%, to reach US$85. 2 billion, and the online share of total travel retail sales increased from just 4% in 1999 to almost 16% in 2004. Air transport is by far the largest transportation sector in terms of overall sales, due to its high prices and convenience, with a value share of 58% in 2004. (Global Market Information Database, 2005).

As of 2004, no-frills airlines were continuing to expand, although there were signs of a shake-out in the industry as several smaller businesses went bankrupt in 2004, and intense competition has also brought some major US carriers to the brink of bankruptcy. In 2004, Air France Group became the leading airline in the world in terms of value market share, after the merger of Air France with Dutch national carrier KLM. The combined airline now operates a fleet of 550 aircraft, serving 189 destinations in 84 countries, through more than 1, 800 flights per day. Air France Group had an estimated market share of 6% in 2004, overtaking the previous market leader, Japan Airlines Co Ltd (JAL), and is thus one of the strongest brands in the market, due to its new European identity, and high level of coverage. (Global Market Information Database, 2005).

JAL Group itself was also the result of a merger in 2002 between Japan Airlines and Japan Air System, and its share fell in 2004 to 5%, due to the group’s poor financial performance in that year. Although domestic routes were reported to have performed well in 2004, the slump in the international segment gave rise to a ¥72. 1 billion (US$687 million) operating loss, due to the adverse effects of very low travel confidence in Japan, which prevailed in the first half of fiscal 2004. Nevertheless, JAL continued to increase its leading share in the domestic Japanese market to 43%, well ahead of the number two company, All Nippon Airways, with 34%, due to its strong connections with its country of origin. (Global Market Information Database, 2005).

The largest US carrier, AMR, was virtually on a par with JAL in both 2003 and 2004 in terms of value market share, and also saw its share fall slightly, to 5% in 2004. The American airlines all suffered from the events of 11 September 2001 and from the economic downturn, and have continued to perform badly. UAL Corp saw its global share fall from almost 6% in 2001 to just over 4% in 2004, while the share of Delta Airlines fell to 4% over the same period. United Air Lines was the most severely hit of the “ big three” US airlines after 11 September 2001, and was forced to file for Chapter 11 bankruptcy at the end of 2002. However, after undergoing a drastic restructuring programme, the airline had received the necessary financing to emerge from bankruptcy by the end of 2003. All the US airlines are currently experiencing brand identity crises, as the US continues to associate air travel with the spread of international terrorism.

The European airlines British Airways (BA) and Deutsche Lufthansa have also experienced mixed fortunes. While the share of BA fell steadily over the review period, to 4% in 2004, that of Lufthansa rose, placing it almost equal with BA, and Lufthansa recorded increased sales and achieved profits in the first quarter of 2004, compared to a loss in the same period of the previous year. (Global Market Information Database, 2005)Both these firms are struggling to compete with the strongly growing no frills airlines, potentially indicating that the national brand reinforcement is no longer enough to build a strong brand in the airline industry, and that something more is needed.

Brand Essence

Govers and Schoormans (2005) provide one of the best pieces on the concept of brand management, claiming that, beyond their functional utility and purpose, products and series have a symbolic meaning, and parts of this symbolic meaning are accounted for by concepts like brand personality and product-user image, which describe the symbolic meaning associated with the brand or product class. Plummer (1984) also focused strongly on the personality of brands, claiming that there are, in reality, two different faces of brand personality, and it is necessary to understand both faces in order to better grasp the totality and power of this useful strategic concept. A brand presents itself to the world in many ways, through the product itself, through its packaging, its name and where it is sold. A brand sold in a supermarket or via the internet, is attempting to communicate something, but the world, on the other hand, interprets the brand through many different filters; through experience, through perceptions, misconceptions, the value systems of the individuals out there in the world, and, of course, all the noise in the system. The two faces of brand personality therefore are input, that is, what advertisers want consumers to think and feel, and out-take, what consumers actually do think and feel, and these two perspectives on brand personality can be expressed in two forms. The first can be seen as the brand personality statement; and the other as the brand personality profiles, which are consumer perceptions of the brand. (de Chernatony and McDonald, 2003)

In terms of a brand personality for an airline, this can be vitally important, as few markets are as brutally competitive as the airline market. However, just because the competition is tough, that’s no reason to be tough on customers, like many airlines do, as they are convinced that travellers care mainly about price. As a result, many airlines most notably the major U. S. carriers and budget airlines seem to have made cutting costs the top priority at the expense of their service quality, and have built brand personalities around looking to pinch every penny. However, Prokesch, S. E. (1995) claims that it doesn’t have to be that way, even in a cutthroat, mass-market business such as air travel. He argues that there are plenty of people who will pay a premium for good service, even among those who travel economy, and points at British Airways’ profits as a key indicator because, while the world airline industry has racked up billions of dollars in losses in the last five years, British Airways has remained solidly profitable on the back of outstanding customer service.

EasyJet has taken this lesson to heart, recruiting senior marketers in each of its major European markets in 2004, in order to coincide with its major full-scale brand relaunch that year. The airline, whose previous marketing communications were accused by some of lacking the lustre of its early years, hired dedicated country managers for the UK, France, Germany, Spain and the rest of Europe, who were responsible for putting in place tailored strategies that relate to their market’s perceptions of easyJet. (Rogers, Oct 2004) As a result, the airline managed to develop a fresh corporate identity and brand personality, along with its first sonic logo. It also relaunched its website, substantially increased its European advertising budget to back its first UK TV campaign, and changed typography, by removing the . com from most marketing communication and the cartoon style plane from its ads. The 11m euro (£7. 6m) campaign, which ran across Europe, featured the strapline ‘ Come on, let’s fly’, and was created by Sledge, easyJet’s first UK ad agency, with media through OMD. This campaign was driven by the belief that although the “ original marketing created lots of noise” it failed to “ define the airline’s distinctive attributes.” (Rogers, Oct 2004) As a result, the new campaign was aimed at creating more emotion around the brand, meaning that, although easyJet remained price-driven, it also focused on the all important customer service.

This re launch appears to have pushed easyJet away from its previous position, near the foot of the airline industry brand pyramid. Previously viewed as a last resort for travellers who cared only for costs, with no thought to service or comfort, the company performed well, despite previously being one of the UKs most hated brands. However, with fuel prices rising, and cost cutting initiatives only being able to produce a certain amount of return, the firm has repositioned and re branded itself in order to move of the foot of the brand pyramid, leaving this space to Ryanair, and similar budget carriers, and moved itself into the middle market, with the likes of BMI. Although the carrier is still perceived as a long way below BA and the other premium service carriers, its brand re launch has now enabled it to move into the top five in the list of the UK’s preferred airline brands (Curtis, 2004)

Positioning

Most people have an opinion about easyJet, which is one of its core strengths, built on the back of the budget airline’s initial positioning as a liberator, enabling people to travel more frequently around Europe, with prices more akin to domestic train travel than the traditionally high prices charged by European flag carriers. Also, under the guidance of Stelios Haji-Ioannou it developed as one of the UK’s most distinctive brands, with a trademark anti-establishment attitude. However, the sector has seen growing competition from domestic entrants such as Thomsonfly and Continental start-ups such as Wizz, from Eastern Europe, with higher fuel prices are also hitting profits. As a result, in positioning terms, some feel easyJet has been squeezed between airlines such as British Airways and the ultra low-cost Ryanair. (Rogers, Jul 2004) It is as a result of this that EasyJet hired Sledge as its first ad agency to develop the ‘ Let’s fly’ positioning, and has recently launched a multimillion-pound drive aimed at business travellers. (Marketing (UK), 2005) The airline had previously focused its positioning and marketing efforts on holidaymakers, but is now looking to increase its share of the business market, with print, poster and radio advertisements carrying the strapline ‘ You’re a business. You work it out.’ (Marketing (UK), 2005).

In contrast, it is a different story for one of easyJet’s key competitors: British Airways, for whom it would appear that, no matter how badly the firm performs, the UK public will always remain loyal. BA has a clear lead as Britain’s favourite airline, and is seventh place in the overall best-loved brands table; however this doesn’t tally with the reality of its declining fortunes, mainly at the hands of the budget airlines, which, with easyJet’s recent rise excluded, fail to make it into the top five airlines. This can be seen as a testament to easyJet’s strength, and successful positioning switch, that it has managed to make it into such list, especially when you compare the years of heritage and investment behind the BA brand, with the new re launch of easyJet. Comparing the easyJet brand, and relative success, to that of Ryanair, anlysts have claimed that: “ both easyJet and Ryanair spotted a gap in the market, but there is a difference between a good-value proposition and being cheap. (Curtis, 2004), and this has been cited as the reason Ryanair failed to make the top five.

Celebrity endorsement

The use of celebrities as part of marketing communications strategy is a fairly common practice for major firms in supporting corporate or brand imagery. Firms invest significant monies in juxtaposing brands and organisations with endorser qualities such as attractiveness, likeability, and trustworthiness. They trust that these qualities operate in a transferable way, and, will generate desirable campaign outcomes. But, at times, celebrity qualities may be inappropriate, irrelevant, and undesirable. Several studies have examined consumers’ response to celebrity endorsements in advertising. Findings show that celebrities make advertisements believable (Kamins et al. 1989) and enhance message recall (Friedman and Friedman 1979). Furthermore, celebrities aid in the recognition of brand names (Petty, Cacioppo, and Schumann 1983), create a positive attitude towards the brand (Kamins et al. 1989), and create a distinct personality for the endorsed brand (McCracken 1989). Ultimately, celebrity endorsements are believed to generate a greater likelihood of customers’ choosing the endorsed brand (Heath, McCarthy, and Mothersbaugh 1994) Thus, the use of celebrity endorsements is an advertising strategy that should enhance the marginal value of advertisement expenditures and create brand equity by means of the “ secondary association” of a celebrity with a brand (Keller 1993).

However, celebrity endorsements are expensive for the firm, and depending on the status of the celebrity, remuneration could run into millions for several years. A contract may also include a profit sharing plan, with firms often building special and costly advertising campaigns around celebrities. For example, Coca Cola Co. reportedly spent $25 million in an advertising campaign with Bill Cosby as its spokesperson for Coke (Advertising Age 1986), and IBM spent $40 million in an advertising campaign involving MASH actors (Reuters 1987). Overall, the use of celebrities as spokespersons in advertisements constitutes a significant investment in intangible assets by the sponsoring firm, an investment that management hopes to offset with greater future sales revenues and profits.

A possible choice of celebrity to endorse easyJet would be Michael Moore, the American author and film maker, renowned for his antiestablishment attitude. Although the signing of Moore would undoubtedly be controversial, and possibly difficult to achieve, easyJet’s image has been founded on being controversial and willing to offend people, especially those in positions of authority, in the pursuit of its ultimate goals, and thus Moore’s backing would help support these ideals, and ensure that they remained at the forefront of easyJet’s branding. However, Moore’s anti-Bush and anti-America rhetoric has often caused him to be at odds with a large portion of the population of the United States, and although easyJet doesn’t operate in the US, this is something to consider, as the firm may wish to expand to the US in the future, and may also have a large number of potential passengers amongst Americans living in Europe.

Special Interest: Online Presence

EasyJet is often cited as the firm which pioneered many of the innovations that shaped the market for low-cost air travel, and information technology and an online presence has been at the heart of those developments. For example, EasyJet was the first Great Britain carrier to sell tickets online, in April 1998; however launching that first site was relatively straightforward compared to the headaches that the company faces today when managing and updating a live site that handles millions of customers each year. As such, easyJet’s online presence is of vital importance to the company for its future brand management strategies. (Warren, 2003) Indeed, Campaign (UK) (2003) recently reported that EasyJet has appointed OMD Europe to handle its £3 million online business across European markets including Great Britain, France, Germany, Italy, the Netherlands, Spain and Switzerland.

One excellent example of how easyJet is attempting to widen its brand visibility and appeal through the internet is the recent agreement that easyJet entered into with First Choice Inc., seen as being the final nail in the coffin in both companies tenuous relationship with agents. First Choice Inc.’s vertically integrated online accommodation subsidiary, ‘ Hotelopia’, will provide rooms in 10, 000 hotels across the world through the easyJet web site, with easyJet getting the commission for the booking, although the commercial details of the agreement have not been released. In addition to the financial benefits, this agreement will also enable easyJet to spread its brand image and appeal to a much wider audience, thus increasing the impact of its brand management strategies. (Davern, 2004)

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