Brands management is receiving increasing attention in Airline Marketing today. There is optimism that by adopting branding concepts developed in other industries, carriers will be able to both add value to their product (and thereby reverse or at least slow the long-term decline in average yields), and secure better control of their distribution channels. The author’s experience is, though, that the subject is one where there is a great deal of misunderstanding in the industry. This chapter’s aim is therefore to clarify the issues, and to set out the ways in which airlines can make the best use of branding techniques.

8:1 “Brands” and “Commodities”

8:1:1 What is a “Brand”? 

In terms of understanding the concept of a brand, it is best to think in terms of a spectrum. At one end of the spectrum, there are products which customers perceive as pure “commodities”. At the other, there are situations where they recognise the existence of powerful brands.

A “Commodity” can be defined as any situation where customers do not perceive significant differences in the products of competing suppliers. Such situations are common. As has already been noted, in the UK at least, the petrol (gasoline) market is a good example. Few drivers have strong preferences as to the type of petrol they put in their car. Instead, they take into account a range of factors when deciding which filling station to use, none of which are related to the qualities or lack of them in the different types of petrol on offer. Many people will pull into the next garage they see after deciding they need to fill up. Others will choose the garage where the petrol is cheapest. Some – especially those with company cars where the petrol is being paid for by their employer – will select the garage with the best loyalty scheme where payments for petrol can be translated into gifts through an awards programme.
Commodity situations are fundamentally unhealthy from a marketing viewpoint. Because buyers have no strong preferences, they can be attracted only by price discounts or incentives. Commodity markets are thus ones characterised by intense competition and often, low profit margins.

The aviation industry has at least one classic commodity market – the aeroplane seat included in packaged holiday arrangements. This is especially the case in Europe, where the industry is dominated by charter airlines, few, if any, of which have a significant brand presence. Most people when booking their holiday specify the destination they would like to visit. If a brand is quoted, it is normally the brand of the tour operator organising their holiday. It is almost never that of the airline that will fly them there.

It is possible for producers in commodity markets to make satisfactory profits, but those that do are almost always those that are vertically integrated with their distribution channels, either owning or being owned by the firms that make up these channels. This is certainly the case in the petrol market, where, as we have discussed, the firms refining the petrol from crude oil generally also own or franchise a network of filling stations. They are able to earn significant profits from such outlets. A concern for them, though, is the increasing proportion of petrol being sold through supermarket filling stations, with now about a third of the UK market in the hands of these outlets. They have no formal links with the refiners of petrol, but have substantial and increasing bargaining power with them. As a consequence the refiners are finding it much more difficult to achieve acceptable profits in the supermarket-controlled sector.

If commodity situations bring significant problems, it is clearly better in many cases for firms to achieve “Brand” rather than “Commodity” status. A Brand is defined as any situation where customers do perceive significant differences in the products of competing suppliers. The reasons why they do are of vital importance in understanding the concept of Brands Management.

For many products, some of the reasons for their brand status can be found in so-called Tangible brand differentiators. These are features of a product that can actually be experienced through the senses of taste, appearance, smell etc. For example, someone might have a preference for a particular type of soup because it is thicker than other brands, or for a make of car because they believe it has a superior air conditioning system.

Tangible brand differentiators are important for almost all brands. Indeed, those that lack them, or possess them to an insufficient degree, often have to face problems of counterfeiting. (This is because it is all too easy to reproduce the product and sell counterfeit items in competition with
genuine ones). It is rarely possible, though, to build powerful brands on the basis of Tangible differentiators alone. The reason is that a Tangible brand differentiator may produce only a transient marketing advantage, because it can often be matched or over-ridden very easily by the firm’s competitors. The manufacturer of thicker soup may obtain some short-term growth in its sales, if consumers prefer thick soup to thin. The very fact that they do will force rival firms to thicken up their own soups, something they will be able to do very easily by a slight adjustment to the recipes they use.

The airline industry certainly has its share of easily-matched Tangible brand values. This is especially so in such areas as seating comfort and catering standards. Recent years have seen a steady stream of airlines re-launching their Business Class products. The cornerstones of such re-launches are normally better seats with a greater seat pitch and improved catering. Providing the airline’s investment is large enough, a short-term improvement in market share can often be obtained. The fact that it can, though, forces other airlines to respond with their own product up-grades which normally surpass, rather than just match, the standards achieved by the innovating carrier. The end result is higher costs for all the competitors, without a significant long-term change in market shares.

The fact that Tangible brand values can often be easily matched means that powerful brands cannot be based solely on them. Brand power is normally dependent on Psychological brand values, which cannot be quickly matched by rivals. If they are to be matched, this can only be done after the expenditure of a great deal of time, money and effort.

With Psychological brand values, very common and very powerful ones relate to the pride, status and aspirations of those that use a particular brand. In many markets, BMW or Mercedes cars have exactly this appeal. The BMW driver does, of course, benefit from Tangible brand values relating to such things as engineering excellence and interior comfort, and would no doubt point to such factors as the dominant ones in their decision to buy the car. They may also feel, though, that driving a BMW is a sign that they have made a success of their lives, and that they are someone to be looked up to and envied by those less prosperous than themselves. Similar aspirational brands are Rolex and VanCleef and Arpel.

Another, increasingly common Psychological brand value is that of fun. In many ways, the success of McDonalds as a fast food brand could for a long time be attributed as much to its customers’ perception that McDonalds stores were fun places to go as to the food and drink actually on offer there. Disney is a fun brand in the entertainment industry, with the Virgin brand having a similar strength, though it has now been stretched to encompass a much wider range of products than was the case in its original
base in the entertainment industry. The subject of Brand Stretching is further discussed in Section 8:3.

Some brands attempt to position themselves as being trustworthy. This is especially so with long-established firms such as Marks and Spencer. For them, trustworthiness is a powerful psychological brand differentiator because it allows them to defend their strong position against the attacks of newer rivals. A perception of being trustworthy can only be established and sustained after a long period of customer-friendly trading. It is not usually a credible claim when made by a new entrant.

A final, interesting, example of a Psychological brand value which has grown in importance recently is that of greenness and environmental awareness. The UK cosmetics firm Body Shop has been an example of a brand built on the proposition that it trades ethically, with a proper concern for issues such as the environment and animal welfare. The US ice-cream firm Ben and Jerry’s achieved a similar positioning.

This discussion of the fundamentals of branding has been a necessary one. It shows that branding is a complex and difficult subject. The fact that it is raises the question of why brands can be useful to airlines, and the methods that should be used to build and position brands. These issues form the subject of the next two sections.

8:1:2 Why Brands?

Strong brands bring firms two benefits. Firstly, they can add value to the product, allowing branded products to be sold at a premium price compared with those that are merely perceived as commodities. Secondly, they assist firms in establishing and maintaining control of their distribution channels.

The ability of brands to add value is substantial and still, despite some threats which have arisen in recent years, beyond dispute. For example, BMW cars sell at a substantial price premium compared with other cars with a comparable product specification. People pay very much more for trainers with a strong brand associated with them than for those without such a name. As airlines wrestle with the problem of a long-term decline in their average yields, they can reasonably expect that emphasis on Brands Management will at least make a contribution to slowing this trend.

The contribution that brands can make towards securing control of distribution channels is less clear, but still of vital importance. To understand it, we need to revisit the concept of “Super-profits”. These are the profits earned which are over and above the “normal” profits needed to keep a firm in business. They accrue to the firms which are able to establish and maintain control of a distribution channel through the exercise
of market power. Generally, such control is disputed between manufacturers, wholesalers, retailers and agents.

In many markets today, it has been wholesalers and retailers who have been able to establish distribution channel control, at the expense of manufacturers. As we have seen, this has been especially so in fields such as grocery retailing, where retailers such as (in the UK), Tesco, Sainsbury's and Asda dominate the market. As they have done so, they have invested a great deal in the development of “own-brand” products, whereby goods are bought in from outside manufacturers and the retailers’ own-brand labelling added prior to sale in the supermarkets and hypermarkets which now constitute most of the grocery retailing scene.

Own-brand goods can be sold at relatively low prices (helping the firms to defend and expand their market share), whilst still permitting high profit margins. The reason for this is that the retailers are in an excellent position to play one supplier off against another, enhancing their own profit margins through “Super-Profits” whilst restricting the profits of the suppliers to the levels necessary to keep them in business. In this regard, it is instructive to note that the early 1990s was a period of serious recession in the UK, with profit margins of most firms significantly affected by poor trading conditions. During this time, Tesco and Sainsbury’s, the two largest supermarket retailers, continued to make record profits at a time when their suppliers’ returns fell significantly. This is because they had successfully established control of their distribution channels. Similar trends have been apparent in more recent years, when the success of the major supermarkets has continued unabated.

Despite the widespread dominance of “own-label”, there have been significant sectors where its advance has been successfully resisted. A notable case of this has been in the retailing of cigarettes. The major supermarket chains have each launched “own-brand” cigarettes, presumably of acceptable quality and at prices well below those of the manufacturer-based cigarette brands. The penetration achieved by own-brand cigarettes has remained small, and very much lower than has been the case in most other sectors of supermarket retailing. The reason, of course, is that the cigarette market is occupied by some of the world’s most powerful brands, with brands such as Marlboro, Camel and Lucky Strike still overwhelmingly dominant. Because of the strength of these brands, they are asked for by name at supermarket tobacco counters. The supermarkets therefore have no choice but to stock them, despite the fact that they cannot achieve the same profits from them as they can in the own-brand sector because they do not have the same degree of distribution channel control.

As we saw in the last chapter, battles to take control of distribution
channels are very prevalent today in airline marketing. Such control is disputed between the airlines themselves, tour operators and other wholesalers, and the travel agency sector. It is absolutely essential that airlines should establish and maintain control of their distribution channels because, overwhelmingly, it is their money which is at risk. If an airline can ensure that when people go to a travel agent, they demand to be booked with that carrier and no other, they will have taken a significant step towards proper channel control. This is because the agents’ ability to play one supplier off against another in searching for the best deal for themselves, will have been eliminated.

Overall, investment in brands can bring airlines very worthwhile advantages, and make a real contribution to the achievement of satisfactory profits.

8:2 Brand-Building in the Airline Industry

8:2:1 Foundations for Brand-Building

In developing a brand-building strategy, airlines must first of all decide on the basis which will be used for brand development. Here, it is useful to distinguish between Corporate and Sub-brands.

Corporate brands are those which are based on a firm’s principle trading name – Ford cars, Philips electrical goods etc. The extent to which they are emphasised varies from industry to industry. In some – the airline business is a good example – almost all of the brand-building activity is carried out around Corporate brands. In others, such brands are of little or no significance. For example, in the cigarette market, smokers are often unaware of which company has actually manufactured the cigarettes they are smoking. It is, for example, unclear as to which of the major brands are Philip Morris brands and which are from RJ Reynolds or BAT Industries.

Sub-brands are those which exist under a corporate umbrella. In the car market, for example, some of the brand values are corporate, but some relate to individual models under the corporate umbrella. Ford is in itself a major Corporate brand, but models such as Mondeo, Focus and Fiesta (to use the UK brand-names) are aimed at different segments of the market and each has different brand values associated with it.

In the airline industry, there have been few successful developments of sub-brands. Many airlines have tried to launch sub-brands based on cabin classes, particularly on their business classes, but few of these have made a real impact. Exceptions are the British Airways Club World brand and also the Upper Class brand developed by Virgin Atlantic.
Another attempt at sub-branding in the airline industry has been to build such brands on the basis of a service concept. “Shuttle” became a well-recognised brand both in UK domestic markets and in the north-east of the USA, whilst the Air France “La Navette” service concept is similar both in the nature of the operation it describes and the way in which the initiative has been made to try to build a sub-brand around the concept of high-frequency short-haul services. At the opposite end of the market, Concorde was an example of a Sub-brand for Air France and British Airways until it was withdrawn from service in the autumn of 2003.

An early, and very impressive example of sub-branding in the airline industry was that of the “Skytrain” brand developed by Laker Airways for North Atlantic services in the late 1970s. Laker Airways was lost to bankruptcy in 1982, but whatever faults there were lay outside the area of brand-building. “Skytrain” was a powerful and well-recognised brand, backed by a strong mixture of both Tangible and Psychological brand values. The successors to Skytrain have been the brands which some airlines have developed around low fares subsidiaries such as Delta’s Song and SAS’s Snowflake, although these have mostly turned out to be unsuccessful initiatives.

At the time of writing, the relationship between Corporate and Sub-branding in the airline industry may be undergoing a significant change. We have already noted in Section 4:2:3 the trend towards airlines to come together in a small number of large global alliances. If these alliances are to stay together and to achieve what the airlines which are members hope will come from them, branding may have a crucial role to play. Until now, airlines’ names have tended to form the Corporate brands, with, as we have seen a very limited development of Sub-brands under the corporate umbrella. In the future, the brands of individual airlines might come to be perceived as the Sub-brands, under the umbrella of an alliance-based Corporate brand. The first alliance to move in this direction has been the Star Alliance, although recently the Skyteam alliance has begun a similar programme. It is a point of controversy as to the extent to which alliance-based brands should subsume the brands of individual airlines within an alliance, a topic to which we will return in Section 8:3.

8:2:2 Positioning Brands

Once a decision has been taken as to the basis for brand building, airlines must decide on the values that will position their brand. These must encompass a proper mixture of Tangible and Psychological brand values, so that the brand is both powerful and defendable.

The starting point in the brand positioning process is, of course, the
airline’s business strategy. Some airlines target mainly the business air traveller. Others are more leisure-market orientated, or operate purely in the air freight business. Many carriers aim at a presence in all the major market segments, a strategy which carries with it especial brand positioning problems which we will discuss shortly. The correct brand positions for these different types of airline will themselves be very different.

This point becomes especially clear when we introduce the next factor that should be taken into account – the needs of customers in the airline’s selected target market segments. Section 2:2:2 dealt with the question of customer needs, and laid especial emphasis on the difference between “Apparent” and “True” needs. “Apparent” needs were defined as the needs which the person concerned will willingly admit to if asked. “True” needs are deeper, and represent the true motivation for the customer’s buying behaviour.

In terms of customer needs, there is one that all of them have in common, that of safety. It can be said that all passengers are frightened of flying. There is simply a spectrum stretching from those who are mildly concerned about it to those who are terrified of the whole experience. Because of this, all airlines have to build their brands on the basis of a brand value of safety, and those that do anything to compromise this (for example, by becoming involved in the sponsorship of a dangerous sport such as motor racing) make a serious mistake.

Once the fundamental value of safety has been accepted the variety of customer needs give airlines significant choices when positioning brands. For example, an airline targeting the business air traveller will have to focus on Tangible brand values such as punctuality, reliability and frequency. In terms of Psychological values, it is known that many business flyers are prestige and status-conscious. An airline seeking to attract them must in turn position its brand in such a way as to suggest that it is the carrier of choice for successful people, who know the sort of airline they like to be seen to be flying. Exactly this attempt is being made at the time of writing by the transatlantic ‘All Business Class’ airline, Eos Air.

For airlines targeting the leisure market, they will know that many of their customers will have the price of the ticket as a prime factor in making their choice-of-airline decisions. Therefore, airlines have to position themselves as the value-for-money choice, offering the cheapest fares possible whilst maintaining safety standards and giving acceptable levels of punctuality and passenger amenities. Southwest Airlines illustrates exactly this positioning.

With regard to passenger needs, the most difficult brand positioning problems are faced by the many airlines which are seeking to be well-represented both in business travel (because of its high yields) and in
leisure travel (at least partly because of its higher-than-average growth rates). These carriers have to present themselves as the airline of choice for the status-conscious business traveller, and as the value-for-money solution for the leisure flyer looking for a cheap fare. These two positions represent a contradiction, one that has not often been dealt with successfully. British Airways has perhaps been as successful as any with the launch of its “WorldOffers” Sub-brand. This enabled cheap-fare offers to be separated from advertising, promotion and brand-building aimed at the business traveller.

As in many other aspects of Airline Marketing, the question of the Trade Cycle has to be brought into discussions about brand positioning. People’s sentiments about spending money tend to be very different in the up-swing times of the Cycle compared with times of slowdown or recession. In prosperous periods, spending in an extravagant, conspicuous way may be commonplace. It will not be during recessions. Some poorly-positioned brands have brand values which are suitable for up-swing periods, but leave the brand badly exposed when things get tougher. Examples might be some of the car and jewellery brands which suffered during the recession of the early 1990s, and are did so again in the early years of the new century.

The question of market gap analysis is a crucial one in successful brand positioning. The essence of a brand is that it is perceived as being unique and different from the offerings of rival suppliers. Such a perception is unlikely if customers believe that all features of competing products are similar. In positioning brands, firms need to carry out studies into the ways in which rivals are perceived, and to position their brand in such a way that it is focused on areas where they are seen as strong and their rivals weak. One can assume that this was the thinking behind the brand positioning adopted by the airline Lauda Air when it was set up by the former racing driver Nikki Lauda. Lauda positioned itself as a light-hearted “fun” brand, in strong contrast to the rather stolid image of its main rival Austrian Airlines.

A final factor to be considered in the correct positioning of a brand may be that of the national interest. This will be of obvious importance to a state-owned airline which may be in need of continuing financial support from taxpayers. Even for privately-owned airlines, however few can operate successfully without a measure of favourable support from governments. This may be needed in such areas as the granting of international route rights, or in favourable access to capacity at a congested airport. Branding messages that the airline is behaving patriotically, or providing substantial benefits to the national economy may then be especially useful.
Whatever criteria are used, the proper positioning of an airline brand will be a complex and demanding process. It is certainly a process that should be based on proper research and analysis, rather than hunch and guesswork.

8:2:3 The Brand-Building Process

One of the greatest misconceptions is that brand building is a simple task, and that it provides a speedy and cheap panacea for a firm’s problems. Once agreement has been reached on the values that will position the brand, it is essential that the process concentrates on the delivery of the promises which are implicit in its positioning.

This crucial requirement is most obvious with the question of Tangible brand values. Clearly, it will be a brand-building disaster if an airline has a fatal accident, or, worse still, a series of such accidents. All airlines have to make absolute safety the cornerstone of their brand, and failure to deliver this product feature will be very serious. Punctuality is also a good example. Many carriers have tried to position themselves as the “on-time airline”, yet, as we saw in Section 5:3:3, punctuality is one of the most difficult product features for carriers to deliver in practice, and many fail to do so.

With product weaknesses in the area of Tangible brand values, it should be born in mind that their effect will not be a neutral one. An airline with a poor punctuality record will always alienate its customers every time a flight is late. The effect on customer perceptions of the airline will, though, be especially serious if the carrier has been attempting to get across a branding message with a media advertising campaign based on a slogan such as “Europe’s most punctual airline”.

With Psychological brand values, delivery, or the failure to do so, may be more subtle, but still important in the building of a brand. For example, an airline might choose a positioning based on the proposition that it is a “Winner” – a successful company with which successful people will want to be associated. It would then be a significant mistake to get into a sponsorship deal with an unsuccessful football team that lost every game it played.

Once, and only once, an airline is confident that it can deliver on the values that will position its brand, it can then proceed to the next stage of brand-building, that of marketing communication. This subject is fully covered in Sections 10:3 and 10:4. For the moment, though, it should be emphasised that almost all marketing communication can play a role in brand-building, and that very substantial spending will almost certainly be necessary if a powerful brand is to be built and sustained. Media
advertising must be developed which contains messages that reflect consistent, underlying brand values, as will any database marketing activity the airline carries out. Sponsorship policy can be an especially powerful component of brand-building, but it must be used in the right way. If it isn’t, it will have a negative rather than a positive impact on a brand. This subject will be dealt with in Section 10:3:1.

A final, and crucial, component of an airline’s marketing communications activity will be that of media relations. The airline industry is regarded as especially high profile by media owners and editors. Bad news will often be played up, and will have a potentially disastrous impact on an airline’s brand if media attacks are sustained on a long-term basis. Positive stories will have a strongly beneficial effect, and the maintenance of strong relations with the media will be of great importance in getting the coverage to aid long-term brand-building.

A final point about brand-building is that strong brands are rarely built quickly (though they can be destroyed quickly). It is of vital importance that firms adopt a stick-with-it principle of emphasising strong, core brand values on a very long-term basis. One only has to look at the power achieved by the Marlboro brand, where the core values have been unchanged now for nearly 40 years to see the truth of this statement. In the airline industry, Singapore Airlines gives an equally good illustration of the importance of consistency in successful brand development.

8:3 Brand Strategies

The discussion has now reached the point where we have covered the fundamentals of positioning and building brands. All firms have to make strategic decisions about managing their brands and this next section aims to address these decisions.

A first area of debate in many industries is whether investment should be directed towards the development of new brands, or the purchase of existing ones from other firms. Development of a new brand allows the firm to start with a clean sheet of paper, and to use the brand values which exactly match its business strategy and capabilities. It may also be that the end result of the process is a significant asset, which might in turn be sold at a later stage. The problem is that brand building is a risky, time-consuming and expensive business. For all the new brands that are introduced and eventually become valuable successes, there are many others which turn out to be costly failures.

Building new brands is so risky that in many areas of the economy, established brands are bought and sold, rather than new ones being
developed. This may occur as a specific transaction, or it may be the driving force behind merger and take-over activity. An example was the take-over of Rolls-Royce cars by BMW of Germany in 1999 – a clear case where the price paid by BMW was significantly above the value of Rolls’ tangible assets. This extra payment essentially represented the value placed by BMW on the Rolls-Royce brand.

Such activity is rare in the airline industry. There are few examples where a brand owned by one airline has been sold to another as a standalone transaction. This reflects the emphasis in the industry on Corporate rather than Sub-brands. A case where this might be said to have taken place was in 1988 when Pan American, desperate for cash and in a near-bankrupt condition, sold its Shuttle routes in the north-east of the USA to USAirways. The price paid was significantly above the value of the tangible assets transferred, with it being possible to argue that the extra payment was for the Shuttle brand.

With merger and take-over activity driven by brand acquisition, the ownership and control rules which still dominate the aviation industry mean that mergers and take-overs are in any case much less common that in a “normal” industry. Where mergers and take-overs do occur, they only do so on the basis of airlines from the same country merging (or, in the case of the European Union, carriers within the same trading bloc).

When airline mergers and take-overs are proposed, it is certainly not generally the case that they are driven by the desire of the bidder to acquire the brand of the airline it is attempting to take over. Indeed, the commonest situation is for the brand of the airline being taken over to be dumped, and all trace of it to disappear in the shortest possible time. This was certainly the case, for example when USAirways took over Piedmont Airlines in the USA in the late 1980s. The Piedmont brand was abandoned completely, despite the fact that its reputation had been a good one – probably better than that of USAirways.

The buying and selling of brands in the airline industry may be rare, but we have seen a number of examples of brand repositioning. The most extreme example of this has been when airlines with a significant presence in the leisure air travel market try to reposition their brand to help them achieve penetration of the business travel segment. There are certainly factors which might lead them to attempt this. Business travel yields are higher, and it also tends to be more of a a year-round activity – with resulting cash-flow advantages – rather than showing the acute seasonality normally characteristic of leisure travel. Generally, though the problems of doing so have been insuperable, with questions of brand positioning amongst the most difficult.

Two well-known airlines which attempted such a transition at almost
exactly the same time were the Canadian airline Wardair and the British-based carrier Air Europe. Both had built a strong presence in the leisure market with their emphasis on charter flying for the holiday traveller. Both in 1987 made announcements that they were going to radically re-position themselves, with the business traveller the future target market. In each case, the move was a complete failure. Wardair was soon taken over in a near-bankrupt condition by Canadian Airlines whilst Air Europe went into receivership in 1991. (A former franchise partner still survives in Italy and uses the Air Europe name).

Amongst the problems both airlines had was the enormous investment required to make the transition. They recognised – correctly – that they would need a new fleet of smaller aircraft so that they could boost frequencies to the level required by the business traveller. Ironically, both selected the Fokker 100 and made a large commitment to acquire new aircraft from Fokker. Unfortunately, this required a huge cash outflow before the products could be introduced which would make the airlines attractive to the business market. At the same time, they were handicapped by a brand which was perceived as leisure-orientated and, in the case of Air Europe, associated with young, rowdy and poorly-behaved holiday travellers. Their brands were unlikely to appeal to status-conscious business flyers, and in truth it came as no surprise that they were overwhelmed by their financial difficulties before the brand repositioning could bring its hoped-for rewards.

*Brand strengthening* obviously needs to be a constant strategy in any sound brands management process. Many brands run into difficulty from time-to-time, because of the inability of the firms that own them to deliver the brand values consistently. When this happens, the delivery problems must be addressed, and then, and only then, marketing communication work to bring the brand back to its former strength must be undertaken.

Two interesting issues in brand strategy are those of *Brand Stretching* and *Co-branding*. A Brand Stretching strategy is one where the brand values developed around one product are used to market others. Such strategies have become increasingly common in recent years, notably so in the cigarette industry where brands originally developed for cigarettes are now being used to market such things as outdoor clothing and travel.

In the airline industry, the use of Brand Stretching has so far achieved only mixed results. Three airlines – Virgin Atlantic, Virgin America and Virgin Blue – are in fact themselves an extension of the Virgin brand which began life in the entertainment industry. Many carriers have attempted to stretch their own brand into travel-related businesses, such as hotels and tour operations. There are currently some suggestions that lucrative areas for investment might be in travel-related financial services products such as
travel insurance and traveller’s cheques.

The potential benefits of Brand Stretching are clear, in that it leverages investment made in the brand. The problems, though, are equally telling. A Brand Stretching exercise amounts to a giant house of cards where if the essential values related to the core brand are undermined, the whole house collapses. Also, Brand Stretching runs the risk that management time and the firm’s financial resources will be diluted, by businesses about which the firm knows little and where there are few synergies between the new activities and the core business. Where such synergies may be argued to exist – between an airline and, say, a chain of hotels – the value of the synergy may be reduced by the fact that both the businesses are vulnerable to the same downswings in the Trade Cycle.

In some ways, a better approach to the leveraging of brand investment is that of Brand Franchising. Franchising has a long history in the airline industry, having begun in the USA in the 1970s. It did, though, become much more common in the 1990s, and can be seen as part of the trend towards consolidation and the emergence of global alliances which was discussed in Section 4:2:6.

The essence of franchising relationships as they have developed in the airline industry is that a smaller airline contracts with a larger one by renting its brand. This buys the small carrier respectability, in that passengers are likely to perceive it in a better light with regard to technical aspects such as safety and punctuality. The small airline also benefits because it is able to join the Frequent Flyer Programme of the major carrier, and share its GDS code (so that it can appear to offer on-line service to its connecting passengers). Finally, the small airline benefits too because its partner will act as its global General Sales Agent and a substantial increase in bookings should be the result.

For the large airline, the advantages are also clear. It will be able to charge substantial franchising fees, and such fees will constitute useful incremental revenue. Even more significantly, it will gain important feed into its long-haul traffic system, without the costs of providing such feed itself. Large airlines generally find it difficult to achieve competitive costs on thin routes, mainly because these routes require small aircraft which in turn do not allow high operating costs to be spread over a large number of seats. Smaller airlines, with lower pilot salaries in particular, will be much better placed to be cost efficient suppliers.

Despite these advantages, franchising brings disadvantages, to both the small and the large airlines who engage in it. The smaller airline has to accept the payment of franchising fees, and a loss of a great deal of its independence. Its larger partner will dictate such decisions as aircraft livery, staff uniforms, seating comfort and service standards. Often, control
will also be exercised over the routes which can and cannot be flown. For the larger airlines, the issues mainly centre around the question of brand integrity. If someone books with a major airline, they expect the service to be provided by that airline, using a jet aircraft. With franchising, they may arrive at the airport to find that they are actually flying with the regional partner, and perhaps in a turbo-prop aircraft. However wrong it may be, turbo-props are still regarded by some people as being slow and old-fashioned, and they may feel that the brand promise has not been kept if they have to travel in one.

Overall, it is impossible to exaggerate the contribution which can be played by sound Brands Management in airline marketing today. Brands can add value, and give carriers the best possible opportunity to establish and sustain control of their distribution channels. It is a subject that should be given the greatest possible emphasis.

SUCCESSFUL AIRLINES ……

- Are those which understand the differences between “Brands” and Commodities.

- That spend the large amount of time, money and effort that will be needed to build powerful brands.