Ryanair - Destination Unknown

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First Edition
Student Case Papers
Corporate Brand Management and Reputation: Master’s Cases

The “Corporate Brand Management and Reputation: Master’s cases” is a case series for applying the case method of teaching and learning in higher education. The cases are relevant to brand strategists in private and public sector organizations, as well as academics and students at universities, business schools, and executive education.

The cases are written by groups of master’s students as a course project. The specially developed case format is defined as: “A management decision case describes a real business situation leading up to a question(s) that requires assessment, analysis, and a decision reached by discussion in class. The alternative approaches and recommendations from the class discussion are followed by a description of the choices made by the case company. This description is then discussed by the class.”

The student groups select the topics of their case providing updated and relevant insights into the corporate brand management. The cases can be used as “written cases” (handed out and read in advance, later to be discussed in class) and/or as “live case” (presented by the teacher following a discussion in class). Each case includes teaching notes, visuals with speaker’s notes, learning objectives, board plans, and references.

The mission of the series is “to develop cases for discussion providing insights into the theory and practice of corporate brand management and reputation, with the intent of bridging the gap between academic teaching and managerial practice.”

The series is a result of co-creation between students and teachers at the elective course Corporate Brand Management (BUSN35 – five-credit course/eight-week half-time studies), part of the master’s program International Marketing and Brand Management at Lund School of Economics and Management, Sweden. The cases represent the result of the intellectual work of students under the supervision of the head of course.

Although based on real events and despite references to actual companies, the cases are solely intended to be a basis for class discussion, not as an endorsement, a source of primary data, or an illustration of effective or ineffective management. The cases are free to be used and are to be cited following international conventions.

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WRITTEN CASE

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Ryanair – Destination Unknown

It’s now the 16th September 2017, Ryanair has called an emergency press conference at their headquarters. There they broke the news that 2000 flights would need to be cancelled affecting over 700,000 customers. A pilot rostering error has created a shortage of pilots and has put even further pressure on Ryanair’s already abysmal reputation. In this situation, Ryanair CEO Michael O’Leary said, ‘it was a mess of our own making’. The cost of the cancelations is currently estimated at $50 million and the share price dropped almost 20% overnight. O’Leary is unusually apologetic and acknowledges that there is a reputational impact on the back of the crisis. A seemingly basic HR error in an organization worth $1.6 billion, suggests complacency has set in within the company and internal management issues need to be addressed. With O’Leary looking on in anguish it would suggest he is not only considering his own future but the future direction of the airline and how he should react in this situation.

Background of Ryanair

Ryanair was founded in 1985 by the Ryan family, initially operating a single 15 passenger aircraft, with the aim of competing with Aer Lingus and British airways on the London-Dublin route. Ryanair’s low fares proved extremely popular amongst cost conscious travellers and in 1988 the airline launched a frequent flyers club and business class service which consequently started haemorrhaging money. A young accountant at Ryanair, Michael O’Leary (now CEO) was sent to Southwest airlines in the U.S to oversee their low-cost approach. Ryanair implemented many of the Low-Cost Features of Southwest and this proved to be the significant point in the Ryanair’s history as their “low-fares”, “no-frills “with a focus on “punctuality” strategy was born.

Ryanair’s success up until this point can be attributed to Michael O’Leary who was appointed CEO in 1994. His ferocious appetite to reduce costs has become ingrained within the culture of Ryanair which extended to not having a marketing budget until 2010, but instead causing controversy to get free press exposure. O’Leary
cleverly detracted attention away from the airline by placing the failings on himself “I am very happy to take the blame or responsibility if we have a macho or abrupt culture. Some of that may well be my own personal character deformities”. O’Leary’s cost cutting approach has seen him go head to head with all of Ryanair’s stakeholders including Ryanair’s own customers and staff. For example, he recently called his pilots underworked, overpaid peacocks who have an easy job, creating huge divisions within the organization.

After growing discontent from shareholders and customers compounded by a profit warning in the 2014, Ryanair decided to change the face of the company and become more customer friendly. Michael O’Leary himself admitted ‘we need to stop unnecessarily pissing people off’. Ryanair announced they would be moving to a new headquarters, implementing a new marketing strategy and introducing a customer improvement charter. Ryanair’s improvements where overseen by the newly appointed chief marketing director Kenny Jacobs. Jacobs would become the most visible member of the management team, with O’Leary stepping away from the limelight to change its image. Jacobs championed the Ryanair customer charter (see Exhibit 1) which is in its fifth year and includes a raft of changes and promises to customers about how the airline will improve year on year. Ryanair is currently Europe’s largest airline in terms of passenger numbers with 130 million in 2017.

The Incident

The incident happened on the 16th September 2017 when Ryanair called an emergency press conference announcing the fight cancellations which would affect up to 700,000 passengers. This caused the share price to decline by 20% immediately after the cancellation announcement. Ryanair apologised to passengers after realizing the rostering mistake and said they would do everything they could to reimburse, refund, reroute and compensate everyone affected.

However, the slow response from Ryanair left thousands of people stranded and delayed and its misleading messages about their entitlements and initially only offered $40 per flight as a way of saying sorry but this falls well short of the industry requirements. This resulted in legal action from the CAA (Civil Aviation Authority) as Ryanair was effectively breaking the law by not offering correct information on compensation or not telling passengers they are legally entitled to be rerouted on other airlines. The U.K Government, EU and CAA heavily criticized Ryanair for the handling of the situation. Ryanair where forced to release a statement saying they would comply with the CAA and EU legislation and do whatever they were told. However, thousands of people are still trying to claim compensation and expenses incurred by the delay.
On the 27th of September, Chief Operations Officer in charge of rostering pilots would resign with immediate effect. He was replaced by Peter Bellew, who was part of the original Ryanair senior management team for 9 years.

Ryanair sent out a memo to all pilots saying that any planned leave could be cancelled or postponed at the airlines discretion in order to help with the crisis and anyone who failed to report for work would be punished and lose any promotional opportunities. They were offered a $12,000 incentive for opting to cancel leave, but this caused more fury amongst pilots and unions. The Irish pilot’s union said Ryanair where again not recognizing EU laws as pilots could only work a certain number of hours per year and asking pilots to do more would result in Ryanair breaking the law.

At this point there was huge uncertainty facing the airline and its operations as Ryanair was at war with its pilots. The handling of the crisis does not align with Ryanair’s new customer friendly image, fronted by Kenny Jacobs, instead, this was the Ryanair of old, fronted by Michael O’Leary. With both internal and external stakeholders being upset with Ryanair’s actions despite their new promises and direction. Ryanair needs to consider how it is going to move forward and take a actions. **Taking the role of the board of Ryanair, how would you answer the following question:**

*Does Ryanair need to reconsider their current course in face of this crisis and how should they manage this?*
Exhibit 1  Customer Charter

1. **ALWAYS GETTING BETTER**
   - We promise to be honest and open to change.
   - We promise to be always looking for new ways to improve our travel experience and our brand experience.

2. **WE PROMISE YOU THE BEST CHOICE OF DESTINATIONS**
   - We ensure that our brand offers the best choice of destinations for your flight needs.
   - We strive to keep our network dynamic and evolving.

3. **WE WILL STRIVE TO MAKE YOUR TRAVEL AN ENJOYABLE EXPERIENCE**
   - We aim to make your flight as enjoyable as possible.
   - We make sure that every flight is on time and comfortable.

4. **WE PROMISE TO ALWAYS PROMISE YOUR SAFETY**
   - We promise to keep your safety in the forefront of our operations.
   - We ensure that our safety measures are always up to date.

5. **WE PROMISE TO BE TRANSPARENT AND TO MAKE IT SIMPLE TO YOU**
   - We promise to be open and honest about our prices and services.
   - We make sure that our processes are straightforward and easy to understand.

6. **WE PROMISE TO INNOVATE TO MAKE YOUR TRAVEL EXCITING BUT SIMPLE**
   - We promise to bring innovation to our services for a better travel experience.
   - We make sure that our services are always evolving and improving.

7. **WE PROMISE TO INNOVATE TO MAKE YOUR TRAVEL EXCITING BUT SIMPLE**
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