

CORPORATE BRAND MANAGEMENT AND REPUTATION

MASTER CASES



The Darkest Day in Lufthansa's History

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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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The darkest day in Lufthansa's history

On March 24, 2015, the Executive Board of Lufthansa Group are in a meeting together at Lufthansa's Headquarters in Cologne, Germany to conclude the financial year when they receive the news of a lifetime. At 10:45, they are informed that the daughter brand, Germanwings, flight 9525 from Barcelona to Dusseldorf crashed into the French Alps. The fear of a tragic incident starts creeping onto them and their faces turn pale. The atmosphere in the room changes from joy, to sadness, to panic. The Executive team know that this is the beginning of a major crisis. At that time, Lufthansa had one of the best safety records in the world, ranking 12 amongst 60 of its international competitors, while Germanwings had never experienced a major air disaster since its creation in 2002. This incident in the heart of Europe, put on question the reputation of Lufthansa, its daughter brand Germanwings, as well as the country's reputation for excellence in transport safety and technological expertise.

Background and History

Lufthansa started its history in Berlin, in 1926, known as Deutsche Lufthansa AG (DLH). On January 6, 1953, after the Allies dissolved the first Lufthansa, the Luftag was founded with headquarters in Cologne. On August 6, 1954, Luftag bought the name, the trademark, including the crane and the colors blue and yellow, from the first Lufthansa and has since then called itself "Deutsche Lufthansa Aktiengesellschaft" (Deutsche Lufthansa Stock Company).

In 2015 the complete brand portfolio of passenger airlines of Lufthansa was represented by brands like Austrian, Brussels and Swiss Airlines, as well as Eurowings and Germanwings (**Exhibit 1**). **Exhibit 2** displays a more detailed timeline of Lufthansa and its daughter brands. One of Lufthansa's low-cost daughter brands was Germanwings. Lufthansa acquired Germanwings in 2008 and it became the low-cost airlines with point-to-point, short haul flights operating from a majority of the biggest

cities in Germany. Germanwings became Germany's third-largest airline and positioned itself as a quality airline in the low-cost segment.

Today, Lufthansa and its subsidies form the largest airline in Europe in terms of fleet size and passengers, with more than 550 subsidiaries and multiple business segments. The largest business unit of the company is the passenger transportation, which today includes brands like SWISS, Austrian Airlines, Edelweiss air and Eurowings (**Exhibit 3**). The portfolio is supplemented by further strategic equity investments in SunExpress and Brussels Airlines.

Lufthansa AG acts as a parent company with an executive board that consists of five members. Their responsibility is to manage the group, to define the strategy and to secure a sustainable increase of its value. The main values of the group are quality, innovation, safety, and reliability all reflected in all their 550 subsidiaries. Lufthansa is known for its iconic brand. Its long history not only formed the shape of the aviation industry but also inspired thousands of boys and girls to become pilots.

The Incident

It is March 24, 2015. At 9:35, the Germanwings flight 9525 takes off from Barcelona airport headed for Dusseldorf, Germany. The flight is conducted by Captain Patrick Sondenheimer and his co-captain Andreas Lubitz, together with their crew. The majority of the passengers are German but include also Australians, British, Iranian, American, Spanish and more.

At 10:27, after the Airbus had reached its cruising altitude of 38,000 feet, Sondenheimer tells Lubitz to begin preparing for landing. "Hopefully", says Lubitz cryptically, "we'll see." Sondenheimer notes his co-pilot's odd language but says nothing in response. At 10:30, Sondenheimer pushes his seat back, opens the cockpit door, closes it behind him, and goes into the lavatory.

In order to understand what happens next, the backstory of Andreas Lubitz needs to be known.

Passionate from boyhood about becoming a pilot, Lubitz papered his bedroom with posters from Airbus, Boeing, and Lufthansa. In September 2008, Lubitz joined 200 candidates at the Lufthansa Flight Training Pilot School in Bremen, in northern Germany. In November, he dropped out and returned home where he spent nine months in psychiatric care, diagnosed as suffering from a "deep depressive episode", with thoughts of suicide, and treated with intense psychotherapy and powerful antidepressants.

In July 2009, only six months into the treatment, the doctor declared that “a considerable remission had been obtained” and recommended in a letter to German aviation officials that Lubitz is allowed to resume his training in Bremen, although he continued to treat Lubitz with powerful drugs. Lubitz knew that any further psychiatric treatment for depression would end his flying career.

Lubitz completed his Bremen training in early 2010. In preparation for the four-month session at the Lufthansa-owned flight school in Arizona, he filled out a student-pilot document required by the U.S. Federal Aviation Administration. Lubitz admitted his history of depression, complying with the request for a doctor's report. This was enough to satisfy the authorities on both sides of the Atlantic. Weeks later, he was on his way to Arizona.

In 2013 he joined Germanwings, advancing quickly to first officer and co-pilot on short flights in Germany and Western Europe. In January 2015, he returned to the doctor's clinic for the first time since 2009. The psychiatrist knew Lubitz's depression had returned. Although he began psychotherapy, Lubitz continued his normal work and flight schedule. German laws would have allowed his doctor to contact Lufthansa about Lubitz's relapse, however, he seems to have made no such attempt. At the time, Lufthansa had no procedures in place for regular screening and evaluation of their staff and relied on their willingness to share private information. By early March 2015, Lubitz's thoughts were drifting towards death. He searched the Internet for the most efficient means of committing suicide.

On March 18, 2015, a Düsseldorf physician wrote a sick-leave note for Lubitz, effective for four days, indicating that Lubitz suffered from “a persistent vision disorder with a thus far unknown origin.” During his sick days, he searched the Internet for information about the locking mechanism on an Airbus A320 cockpit door. He returns to work a few days later.

On March 24, 2015, at 10:30, Sondenheimer pushes his seat back, opens the cockpit door, closes it behind him, and goes into the lavatory. While Sondenheimer was in the bathroom, Lubitz starts implementing his plan. He switches the cockpit door control to locked, so the cabin crew cannot open the door using the emergency access keypad for at least 5 minutes. Sondenheimer returns and starts knocking and banging on the door with no response. The crew and the pilot are doing anything in their power to break into the cockpit and resort to using force. Lubitz now changes the plane's altitude and it begins to descend from 38,000 ft to 100 ft. At this time, French air traffic control starts contacting the flight with no response. The flight crew of another plane also tries to make contact with the cockpit by radio, but Lubitz remains silent. Moments later, at 10:41, the Airbus A320 passenger jet crashes into the French Alps, killing all 144 passengers and six crew members on board.

It is now 10:45 at Lufthansa Headquarters in Cologne, Germany, where the Executive Board of Lufthansa Group are in a meeting together to conclude the financial year. The Executive Board, consisting of Germanwings CEO and Lufthansa CEO, Marketing (Brand management and Communication) and Finance representatives have just been informed about the incident. Assuming **the role of a respective member of the Executive Board**, how would you answer the following question:

How should Lufthansa and Germanwings manage the crisis situation and how can it influence the corporate reputation of both companies?

Exhibit 1 Brand portfolio Lufthansa 2015



Exhibit 2 Timeline of Lufthansa, Germanwings, and Eurowings

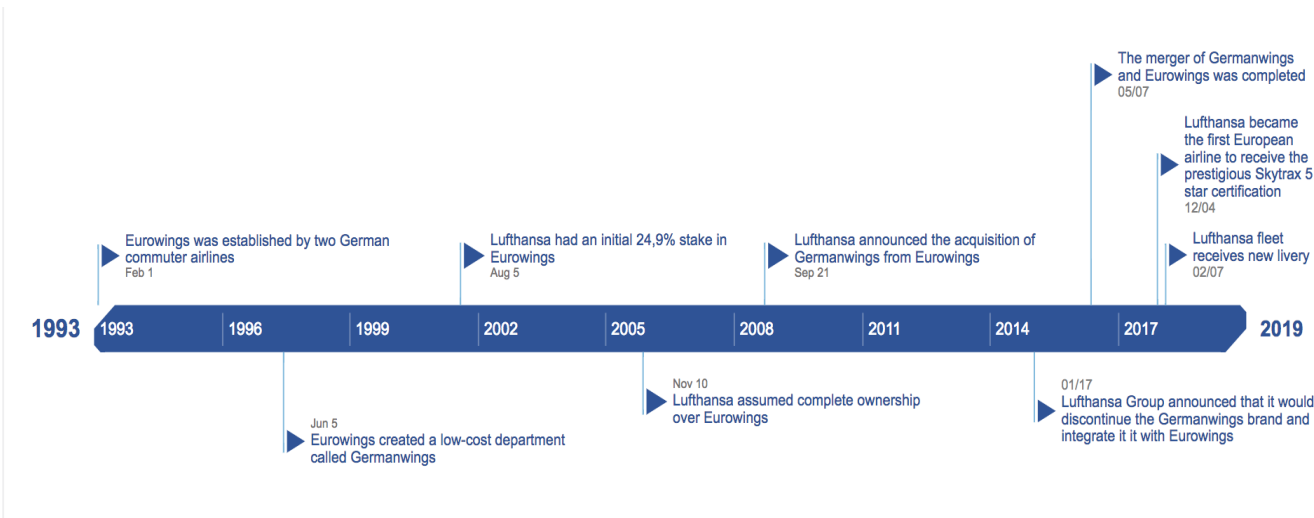


Exhibit 3 Brand portfolio Lufthansa 2017

