

The Darkest Day in Lufthansa's History

MANAGEMENT DECISIONS

The authors prepared this case solely as a basis for class discussion and not as an endorsement, a source of primary data, or an illustration of effective or ineffective management. Although based on real events and despite occasional references to actual companies, this case is fictitious and any resemblance to actual persons or entities is coincidental.

The first 72 hours - Information is key

March 24

Both Lufthansa and Germanwings concluded finding and communicating information was key in a situation like this. The CEOs knew that when managing a crisis that involves loss of life, it is important to be sensitive and keep the needs of the affected parties at the top of the priority list. Although they might not have had all the necessary details, keeping the stakeholders informed was a crucial focus point in their crisis management plan. More than that, identifying and involving relevant stakeholders was necessary to ensure successful dissemination of information. Throughout the crisis, the companies made extensive use of a variety of communication channels to reach a wider audience, such as social media, in particular, Twitter, press conferences and telephone lines.

A little over an hour after the crash happened on March 24th, 2015, at 11:52, Germanwings posted a series of three tweets informing their audience about the speculations of a crash, but without confirming it (**Exhibit 1**). They mentioned: "as soon as definite information is available, we shall inform the media immediately" and linked the following tweet to their website. It appears clear the company's immediate priority was the media, as a result of the attention the incident was receiving. They approached their communication towards the public with caution, which led them to provide insufficient information. As a result, between 12:00 and 12:30, several other news outlets reported the crash, while Germanwings' website was down as a consequence of many visitors (**Exhibit 2**).

At 12:27, a crucial decision that paved the path for the crisis development was made. Germanwings' mother brand, Lufthansa, made its first appearance in this crisis through their CEO, Carsten Spohr, who tweeted: "we do not yet know what has happened to Flight 4U9525. My deepest sympathy goes to the families and friends of our passengers and crew [...]. If our fears are confirmed, this is a dark day for Lufthansa. We hope to find survivors" (see **Exhibit 3**). This was the moment the companies decided they will go through the crisis together.

Symbolic actions were taken to further empathize with the victims. Both Germanwings and Lufthansa immediately changed their logos from its usual color to grey colors on all social media platforms, representing the companies' mourning for lost lives (**Exhibit 4**). This symbolic change was met with mixed responses, some claiming the firm was thinking about branding, while others perceived it as a sign of solemnity and solidarity.

After the press was addressed, the companies shifted their stakeholder priority from media to the affected passengers and their families. A message was posted on Germanwings crashed website, confirming the crash and providing a hotline operated

by Germanwings and Lufthansa, where relatives of the passengers can find out more information (**Exhibit 5**). The message ended with the companies offering their deepest condolences to both the passengers and the crew that died in the crash. This message was accompanied by one in English, which only mentioned that the company has not yet confirmed the incident and they are waiting for further evidence, advising people to monitor their website. While this message showed the companies' quick action to care for the victims' families, the communication failed to provide adequate information for all those affected. Albeit many passengers were German, victims also included Spanish, Australian, Argentinian and Japanese nationals, which Lufthansa and Germanwings missed to address.

At 14:50, Carsten Spohr addressed the public in the first short press conference (**Exhibit 6**). In his speech, he starts by briefly confirming details about the crash, continues by expressing his grief for the passengers and the crew and transmits condolences to the passengers' families, as well as the employees, for the loss of their colleagues. He continues by reinforcing the company-wide sorrow for this incident, and how sad they are to have let people down. He concludes by promising more information as soon as possible. By appearing and speaking in person, he is deliberately using grounded principles of communication, as more information can be gathered from body language and spoken words, than from a written statement.

At 15:27, Airbus, the crashed airplane manufacturers, also released a statement on their website, providing information about the aircraft and offering technical support to the French Authorities conducting the investigation (**Exhibit 7**).

March 25

On March 25th, Lufthansa's main priority was to be proactive and sustain prompt and truthful relationships with their stakeholders, maintain their reputation, and be accessible and available to their publics. Their first action was to offer the victims' families flights to France and install a family-care center in Marseille. This helped the victims' families get as near to the scene of the tragedy as possible and protect them from unwanted media. Moreover, an immediate, no-strings-attached, payment of €50,000 was made to the families to help them in the short term and further compensations have been offered as part of the final settlement.

During this day, the general public reacted for the first time to the crash through the hashtag #indeepsorrow. In response to this overwhelming amount of global outreach, Lufthansa created a dedicated commemoration website, www.indeepsorrow.com, which collects thoughts and condolences, for those who lost their lives in the tragic events of 24 March 2015 (**Exhibit 8**). The company felt the need to provide an environment to share these acts of sympathy.

Lufthansa executives, pilots, and employees held a moment of silence at their Headquarters to commemorate the passenger victims of the crash, as well as to acknowledge the airplane crew and the effect their death had on the rest of Lufthansa's employees who lost their colleagues (**Exhibit 9**). In the same day, Lufthansa released an official video statement spoken by the CEO, apologizing for the incident and

emphasizing their proactive behavior towards solving this crisis by visiting the crash, working hard “every day and every night” to ensure the safety of passengers, and promising to ensure they live up to their top priority and core value of safety. He concludes by showing gratitude for people’s sympathy and loyalty.

March 26

On March 26th, a lengthy joint conference from Lufthansa’s CEO Carsten Spohr, and Germanwings CEO Thomas Winkelmann is held announcing that the flight’s co-pilot Andreas Lubitz is believed to have crashed the aircraft deliberately (**Exhibit 10**). When it was discovered that Lubitz intentionally crashed the plane, Lufthansa officials owned up to it and expressed their deepest condolences to the families, emphasizing their transparent approach to this event: “I believe that we owe the families the transparency of what the investigation is pointing to and what is going on, we owe it to them to tell them what happened,” said Carsten Spohr during this press conference. The media reacted to this discovery by publishing stories on Lubitz and his background. Lubitz family reacted very negatively to this incident and denied all accusations that he crashed the plane purposefully, emphasizing his good family behavior and active life.

Overall, the companies managed to approach the crisis with a mournful yet level-headed attitude. PR experts praised Spohr for his initial response to the tragedy, citing his “speed of communication, factual content of messaging, trust and credibility, empathy and caring, competence and expertise, honesty and openness”.

The aftermath - Staying on top

During this tragic event, the companies have proven to adopt a level-headed and effective communication towards their stakeholders, by providing the right combination of factual information and emotional connection. However, the question “Who is to blame for what happened?” now arises.

During the investigation, many facts have been brought to light, including the fact that Lubitz was part of Lufthansa pilot training school for many years and that they failed to identify his mental health issues. The public wanted to know why he was allowed to fly, and the families wanted justice for the death of their loved ones. The tense situation was enhanced by the fact that, even though Lufthansa have assigned hundreds of people to work with the families, Spohr never contacted them. In high-profile situations like this, high-profile people should be used to the maximum effect. He is the face of the company, and the fact that he never contacted the families personally is seen symbolically as if Lufthansa as a whole never contacted them.

However, Lufthansa did act. As a measure against a similar incident happening again, on March 27, The Lufthansa Group adopted new security measures requiring two pilots to remain in the cockpit at all times (Two Person Rule). This was widely received as a positive step from the company, but the families remained unsatisfied.

81 of the passengers' families filed a lawsuit in the US court, against Lufthansa training school in Arizona, alleging they bore some responsibility for failing to screen out Lubitz. This lawsuit was resolved in 2017. Many of the relatives have already settled, however, some are still motivated to bring their lawsuit in the German court.

On March 31, 2015, Lufthansa announced that celebrations marking the German airline's 60th anniversary would be canceled in the wake of last week's deadly Germanwings crash. The company released the following statement: "out of respect for the crash victims of flight 4U9525, Lufthansa is canceling the festivities for the 60th anniversary of the company, which were planned for April 15". A memorial service for the 150 people who died in the crash was held in Cologne Cathedral on April 17 and instead of the planned celebration, Lufthansa provided a live broadcast of the ceremony for its employees, where the victims' families and friends gathered to remember those who died. It is likely that the company decided on this action in order to show their humbleness, remorse and apologetic attitude towards the incident.

Reputation impact

It is unclear how the company measured its impact on their brand reputation, but likely measures were the general public opinion. They may have looked to social media platforms to indicate how customers were responding. In May 2015, Carsten Spohr made the following statement at the 71st IATA (International Air Transport Association) Annual General Meeting: "on the count of safety, Lufthansa has a reputation which even by the tragic accident has not been hurt or damaged. This is not just the CEO trying to sell the company but our April figures were record figures in the history of Lufthansa, days and weeks after the accident". He added that Germanwings' numbers were positive for the past two months. Lufthansa Chief Financial Officer, Simone Menne, said during the same month that forward bookings at Germanwings fell temporarily after the crash, but there was little impact on Lufthansa itself, signaling the trust customers still placed on the company.

Today, Carsten Spohr still occupies his position as CEO of Lufthansa, while Thomas Winkelmann, former CEO of Germanwings, is also still part of the Lufthansa Group, showing the internal attitudes towards the way they handled the crisis have been positive.

Financial impact

In May 2015, Lufthansa reported a net profit of €425 million compared with a loss of €252 million in the same quarter last year. The airline group benefited from a €500 million gain from the earlier than expected sale of shares in Jetblue Airways Corp.

Lufthansa Passenger Airline Group performance in 2015 increased by 5.2% compared to 2014, while Lufthansa's own brand revenue grew by 5.1%.

Whilst shares of Lufthansa dipped as much as 4.6% in European trading on the day of the incident, they still only closed 1.7% lower than the previous day. There were significant fluctuations in the share price over the course of 2015 (**Exhibit 11**), however,

The Deutsche Lufthansa AG share gained 5.3% over the course of the year, closing at €14.57.

Whilst there may always be speculation about what airline catastrophes may mean for business in the long-term, often prompted by headline-grabbing newspaper articles, this shows that the incident had little to no effect on the share price in the long-term. Catastrophes such as these may only be damaging if it exposes systemic issues or incompetence, taking ValuJet for example, which caught fire and crashed in 1996 due to illegally loaded oxygen tanks. The company never rebuilt its customer base and eventually merged with another airline to survive. This is further exemplified by Malaysia Airlines, which saw a drastic drop-off in airline passengers following the drowning of Flight 17 in 2015 and the disappearance of Flight 370 in 2014. The airline was privatized by the Malaysian government to avoid further losses.

Today, Lufthansa shows robust growth, with a 12.1% increase in Group revenue as of September 2017: “we have achieved the best first half-year result in our company’s history,” said Ulrik Svensson, Chief Financial Officer of Deutsche Lufthansa AG.

Brand impact

As part of a long-term business strategy decision, Lufthansa had planned to drop Germanwings as a brand, and incorporate its fleet into Eurowings. While the crisis itself was not a catalyst for any rebranding objectives that occurred, it may have prompted management to complete the process with more haste. Due to cost-cutting measures with the aim of leveraging wider business supply chain in January 2015, Lufthansa Group announced that Germanwings brand would be terminated and replaced by Eurowings as of late 2015. The merger was completed by early 2016, when the website and social media profile of Germanwings were redirected and renamed to Eurowings

The name “Germanwings” will always be associated with the crash of Flight 9525, but Eurowings will not. When googling “Germanwings”, the first results revolve around the crash, while results for “Eurowings” link to booking flights. In fact, not a single result on the first Google results page refers to Flight 9525. However, Lufthansa Google searches today still show results relating with the crash, proving their involvement has not been forgotten. Despite that, Lufthansa remains a market-leading brand with a solid reputation by all accounts from brand ranking agencies; Brand Finance, RepTrak, World’s Top Airlines (Skytrax), etc. The Lufthansa brand is also currently undergoing a rebranding with the theme “Heritage meets the future” (**Exhibit 12**).

During 2017, Eurowings is creating a “name” for themselves by expanding their long-haul flight routes and competing on price with other budget competitors, such as Norwegian and Iceland's Wow Air. Lufthansa officials say the ultimate goal is to grow Eurowings into the third largest European network after Ryanair and Easyjet.


Exhibit 1 Series of Tweets in the wake of the Germanwings Crash (now their Twitter profile is renamed Eurowings)

 **Eurowings** ✓
@eurowings

INFO: We have recently become aware of media reports speculating on an incident though we still do not have any own confirmed information...

11:52 AM - Mar 24, 2015


♡ 414 💬 2,477 people are talking about this

 **Eurowings** ✓
@eurowings

... As soon as definite information is available, we shall inform the media immediately ...


11:53 AM - Mar 24, 2015

♡ 251 💬 1,117 people are talking about this

 **Eurowings** ✓
@eurowings

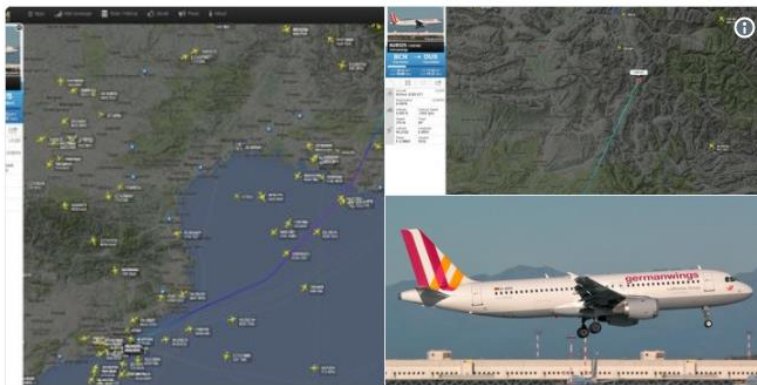
... Please monitor our website bit.ly/1eVcii for periodic updates.

11:53 AM - Mar 24, 2015

	Eurowings - book cheap flights Flights with Eurowings starting from £29* – fly to Germany and all across Europe for less. Book your flights here. eurowings.com
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♡ 194 💬 970 people are talking about this

Exhibit 2 Other media outlets reporting on the Germanwings Crash



 **Flightradar24** 
@flightradar24 

Playback of flight #4U9525 is available on flightradar24.com/data/airplanes...
Pictures planespotters.net/Production_Lis...
12:04 PM - Mar 24, 2015

 227  832 people are talking about this

 **SPIEGEL ONLINE +EIL+** 
@SPIEGEL_EIL 

Flugzeugunglück in Südfrankreich: Hollande spricht von vielen deutschen Opfern... spon.de/aesSM
12:19 PM - Mar 24, 2015



Flugzeugunglück in Südfrankreich: Keine Überlebenden, viele de...
In Südfrankreich ist ein Airbus A320 der Lufthansa-Tochter Germanwings abgestürzt - mit 150 Menschen an Bord. Laut Frankreichs spiegel.de

 30  61 people are talking about this 

Exhibit 3 Lufthansa gets involved in the Germanwings Crash

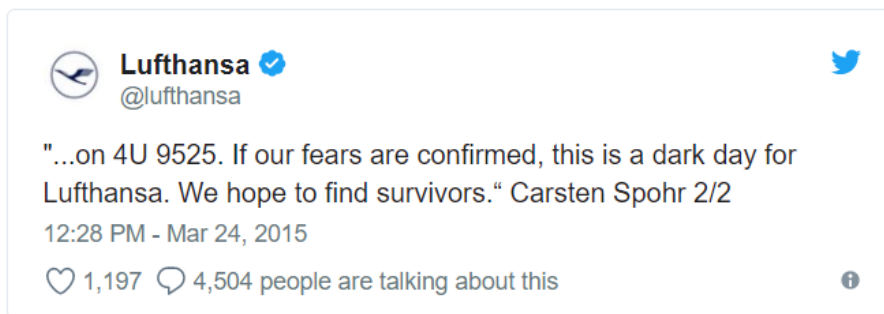
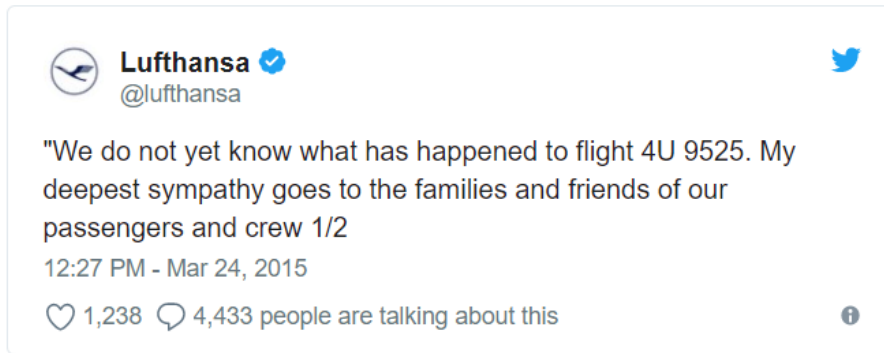


Exhibit 4 Germanwings changes logo to Black and White



Exhibit 5 Germanwings message for victims after the crash

Wir müssen leider bestätigen, dass Flug 4U9525 auf dem Flug von Barcelona nach Düsseldorf über den französischen Alpen verunglückt ist. Es handelt sich um ein Flugzeug vom Typ A320. An Bord waren 144 Passagiere und 6 Crew-Mitglieder. Lufthansa und Germanwings haben eine Telefon-Hotline geschaltet: Unter der kostenfreien Telefonnummer 0800 11 33 55 77 können sich Angehörige von Fluggästen melden und werden dort betreut. Alle Mitarbeiterinnen und Mitarbeiter der Germanwings und der Lufthansa sind in tiefer Betroffenheit mit ihren Gedanken und Gebeten bei den Angehörigen und Freunden der Passagiere und Besatzungsmitglieder.

We have recently become aware of media reports speculating on an incident though we still do not have any own confirmed information. As soon as definite information is available, we shall inform the media immediately. Please monitor our website www.germanwings.com for periodic updates.

Exhibit 6 First appearance at a press conference of Lufthansa CEO, Carsten Spohr, after the Germanwings crash



Absturz Germanwings A320: Statement von Lufthansa mit Carsten Spohr am 24.03.2015

12,140 views

👍 13 🗨️ 4 ➦ SHARE ⋮



phoenix
Published on 24 Mar 2015

SUBSCRIBE 56K

Exhibit 7 Airbus statement about Germanwings crash

GERMANWINGS FLIGHT 4U 9525 ACCIDENT IN THE FRENCH ALPS

Airbus regrets to confirm that an A320 operated by Germanwings was involved in an accident around 11:00 (local time) today near Prads-Haute-Bléone in the French Alps. The aircraft was operating a scheduled service, Flight 4U 9525 from Barcelona, Spain to Dusseldorf, Germany.

The aircraft involved in the accident, registered under D-AIPX was MSN (Manufacturer Serial Number) 147 delivered to Lufthansa from the production line in 1991. The aircraft had accumulated approximately 58,300 flight hours in some 46,700 flights. It was powered by CFM 56-5A1 engines. At this time no further factual information is available.

In line with ICAO annex 13, an Airbus go-team of technical advisors will be dispatched to provide full assistance to French BEA in charge of the investigation.

The A320 is a twin engine single aisle aircraft seating 150 passengers in a standard two classes configuration. The first A320 entered service in March 1988. By the end of February 2015 nearly 6,200 A320 Family aircraft were in operation worldwide. To date, the entire fleet has accumulated some 150 million flight hours in over 85 million flights.

Airbus will make further factual information available as soon as the details have been confirmed and cleared by the authorities for release.

The concerns and sympathy of the Airbus employees go to the families, friends and loved ones affected by the accident of Flight 4U9525.

Exhibit 8 #indeepsorrow and website www.indeepsorrow.com

→ About → Disclaimer → Cookies → Imprint → Share message English ▾

#indeepsorrow

A Place of Commemoration in memory of the victims of Flight 4U9525. This site collects thoughts and condolences for those who lost their lives in the tragic events of 24 March 2015.

Show World Map

 #indeepsorrow <input type="button" value="Submit your thoughts and condolences here"/>	Nils Für immer in unseren Herzen <3 R.I.P. 14.08.2017	Simon Die Erinnerung wird immer stärker sein als das Leid das über so viele Familien gekommen ist. Wir werden nicht aufhören gemeinsam zu gedenken. Denn auf ewig wird man ihr Leid teilen. Ruhet in Frieden. 02.08.2017	Enes #indeepsorrow 24.07.2017 US
	Enes Rest in Peace. We love you 24.07.2017 US	Julia Berge - Natur - Sonne - Wasser - Wind - Wolken - Freiheit Vorgestern auf meiner ersten Bootsfahrt auf einem wunderschönen See, inmitten einer malerischen Berglandschaft, habe ich für einen Moment an all die unschuldigen Menschen von	Nikos Graciano Rest in peace an alle beteiligten des Fluges! 18.07.2017
Michael Hunscher Ich möchte von Herzen den Angehörigen dieses	nadja sarah Jeder Tag ist ein Geschenk den wir mit unseren	Jens We will never forget you	

Exhibit 9 A moment of silence at Lufthansa HQ



Exhibit 10 Joint conference by Lufthansa and Germanwings CEOs about the Germanwings crash



Exhibit 11 Performance of Lufthansa share 2015

Performance of the Lufthansa share, indexed as of 31.12.2014, compared with the DAX and competitors, in %

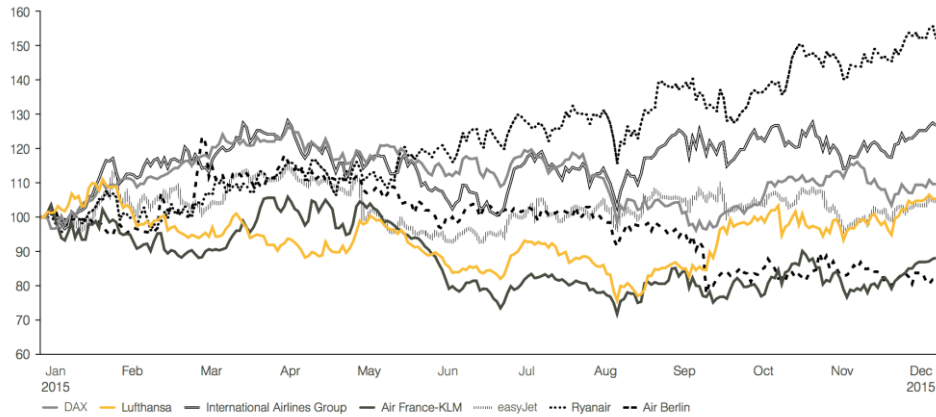


Exhibit 12 New Lufthansa brand - Heritage meets the future

