

CORPORATE BRAND MANAGEMENT AND REPUTATION

MASTER CASES



Ryanair - Destination Unknown

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Student Case Papers

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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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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 cancellations 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 hemorrhaging 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 were 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 help the airline, 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 flight 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 were 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

RYANAIR
ALWAYS GETTING BETTER
CUSTOMER CHARTER

1 ALWAYS GETTING BETTER IS THE WAY WE PROMISE TO DO THINGS

- We promise to listen and be open to change.
- We promise to be relentless in finding new ways to improve your travel experience and the choice of destinations we offer.

2 WE PROMISE YOU THE LOWEST FARES VALUE

- We promise we are always finding ways to lower costs from our business operation and pass those savings onto you.
- We promise you the lowest fares in Europe on every route we fly - it's that simple.
- We promise to always check our competitors' fares everyday to make sure that nobody can beat our lowest fares.
- We promise to offer great promotional fares that will save you even more.
- We promise we will never impose a fuel surcharge.
- We promise our Business PLUS service will give our customers flexible tickets and other benefits at unbeatable fares.

3 WE PROMISE YOU THE BEST CHOICE OF DESTINATIONS CHOICE

- We promise you the widest choice with over 1,500 routes, across 155 destinations in 30 European countries.
- We promise to work hard to develop our route network so you always have new destinations to enjoy.
- We promise to release our seasonal schedules earlier than our competitors so you can book early and get our lowest fares.
- We promise to work hard to improve our flight times on our busiest routes.

4 WE PROMISE TO ALWAYS PRIORITISE YOUR SAFETY SAFETY

- We are proud of our industry leading 30 year safety record during which we carried over 750 million customers safely.
- We promise to operate the newest, greenest and cleanest fleet in Europe that is maintained and operated to the highest standards.
- We promise to use the most modern technology to support our highly trained pilots and cabin crew.

5 WE WILL STRIVE TO MAKE YOUR TRAVEL AN ENJOYABLE EXPERIENCE ENJOYABLE

- We promise that every Ryanair flight will be crewed by a team of well trained and passionate professionals who ensure you have an enjoyable and on-time flight.
- We now allow you to bring a free of charge small second carry on bag and reserve a seat.
- We promise you a great choice in our in-flight menu and a great choice of gifts.
- We promise that our Family EXTRA service makes family travel more straightforward and allows families to make great savings.

6 WE PROMISE WE WILL ALWAYS BE EUROPE'S MOST RELIABLE AIRLINE RELIABILITY

- We promise to get you there on-time more than any other airline. We have been Europe's most punctual airline for over 10 years.
- We promise to have the fewest cancelled flights.
- We promise to have the least lost bags.

7 WE PROMISE TO BE TRANSPARENT AND TO MAKE IT SIMPLE FOR YOU TRANSPARENCY

- We promise to notify you of any changes to your itinerary or any rare delays or cancellations.
- We promise to provide you with all the information you need on our website and on our mobile app.
- If you make a minor error at the time of booking we will give you 24 hours to make a correction free of charge.
- We will allow you to change your reservation by paying a fee.
- We will allow you to cancel a reservation by paying a fee.
- We promise to process complaints quickly and fairly and when a customer is entitled to a refund we process these within seven days of receipt.
- We communicate with our customers using their preferred channels - chat, phone and email.

8 WE PROMISE TO INNOVATE TO MAKE YOUR TRAVEL EXCITING BUT SIMPLE INNOVATE

- We promise to make it simple for our customers to do everything with us on their mobile device, from booking a flight, checking-in, car hire and downloading a boarding pass.
- We promise to constantly innovate our website and mobile app so our customers get the best digital experience which is simple, transparent and fun - because we believe booking a trip with us should make you feel great.
- We promise to have a great choice of other offers through our ancillary partners so you can get everything you need for travel.

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