Ryanair – Destination Unknown

TEACHING NOTES

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.

Teaching plan

The purpose of this teaching plan is to provide guidance on how to effectively present the Ryanair brand management case. The rationale behind the notes is to provide guidance on planning and structuring the delivery of the case, in order to create an engaging discussion between students. The plan outlines a systematic way of presenting the case starting with an overview of the key information. This is followed by the desired learning objectives and then leads on to the main question and a series of sub questions. To give the teaching structure and context, a time plan and detailed board plan are also included. The case is introduced through the following synopsis.

Case synopsis

In September 2017 Ryanair announced that it would be cancelling over 2,000 flights due to a pilot rostering error. An error by the management team effectively created a situation where the airline didn't have enough pilots to carry out some of its scheduled flights. Within 1 day of the announcement, the stock price tumbled by around 20% and wiped and estimated \$1.4 billion off the stock price. Michael O'Leary responded in a press conference by accepting responsibility for the crisis and said they would do everything they could to reallocate all passengers. However, O'Leary's past actions make it hard for stakeholders to trust him. In total, Ryanair estimated that around 700,000 passengers would be affected between September 2017 and March 2018. The crisis angered passengers due to the lack of communication and transparency. Pilots were also left furious with the airline, as Ryanair said it would temporarily cancel paid leave and force pilots to work. Anyone who didn't obey would be punished. This created huge conflicts between Ryanair and some of its key stakeholders. These actions went against the new direction Ryanair has been pursuing since 2014, which focuses on a more customer-oriented approach. The question raised therefore is; should Ryanair use this crisis as an opportunity to finally rid itself of the lingering low-cost culture which has proved so successful. Or should Ryanair change course in regard to both strategy and management or in order to be able to fulfil its new promises which it outlined in its new customer charter (see Exhibit 1)?

Learning Objectives

The case of Ryanair presents a somewhat unique example of how a brand deals with a crisis. As the case progressively unravels to the audience and discussions arise, several learning outcomes should be achieved, which are detailed below.

Ryanair is a rare example of a brand that has managed to perform phenomenally well, despite having a poor reputation. While Ryanair has made moves towards trying to become more customer oriented, this case shows that in times of crisis it tends to revert back to the tried and test method of letting Michael O'Leary deal with the backlash. While Ryanair's position and actions might not work for all companies, this case provides the reader with the opportunity to learn how aligning brand identity with corporate communication and narrowing the gap between identity and reputation can enable a strong brand performance. Even if the reputation of the brand is poor and corporate communication only reinforces this negative view.

Brand Identity and Reputation

The notion of corporate branding enables businesses to use their value and culture as a marketing tool and to give a promise of values to stakeholders (Roper & Fill, 2012 & Kapferer, 2012). Brand identity is how the organisation internally sees themselves and wants to be perceived, while reputation becomes external and focuses on how the organisation is perceived (Roper & Fill, 2012; Kapferer, 2012; Urde & Greyser, 2016). In the case of Ryanair, low-cost has been their core value ever since the current CEO Michael O'Leary came on board. With corporate branding the business itself becomes the focal point, meaning even employee, activities and values becomes important. The link between corporate brand and reputation is often ambiguous and Dowling (1994) refers to it, as an "extension of the corporate brand". According to de Chernatony & Harris (2000) managing the link between the corporate identity and reputation comes down to narrowing the gaps, as the narrower these gaps are the stronger a brand's performance will be. In order for us to understand this link between identity and reputation Kapferer (2012) developed a framework called the Brand Identity Prism (see Exhibit 2). The prism enables us to identify narrow gaps in Ryanair's identity and reputation, as the mindset of low-cost fares resonates throughout the entire organisation and leaving stakeholders with low expectations. Such a position is relying on corporate communication, which will be discussed in proceeding section (Corporate *Communication*). In other words, Ryanair can have a strong performance even with a poor reputation. But according to Herbig & Milewics (1993) a positive reputation needs to be developed and clearly established if a brand is to be successful and profitable. The notion of their idea is challenged by authors such as Fombrun & van Riel (2004) who believes that a brand can be commercially successful, while having a poor reputation.

While Ryanair's new focus on customers has proven to be highly successful, this strategy did potentially create a gap between Ryanair's low-cost, and unfriendly reputation and their new identity. When compared to Ryanair's success with Michael O'Leary leading the charge, Ryanair's identity was closely aligned with this reputation, effectively leaving little gap in between the reputation and identity. Post crisis, should they double down on their new direction or fall back on O'Leary's tested and relentless way of dealing with them?

According to previous mentioned literature three possible options (i) have Michael O'Leary take charge and reverting back to their old course, as it potentially will lead to a continuously narrow gap between identity and reputation (ii) if the new course truly is the desired one, they should get rid of the old habits that derive from O'Leary's old methods (iii) opt for a hybrid of both the old and the new.

Corporate Communication

Corporate communication is a crucial aspect of any organization that deals with perceptions of both internal and external stakeholders (Roper & Fill, 2012). For this same reason corporate communications play an important role in narrowing the gaps between both the brand identity and its reputation. Corporate communication can influence the way stakeholders perceive an organization and their thinking in regard to buying, recruiting, investing and supplying (Roper & Fill 2012). Creating long-term relationships with stakeholders can also create competitive advantages if fostered with effective corporate communication (Roper & Fill, 2012). Or in the words of Cornelissen (2008).

"Corporate communication is a management function that offers a framework for the effective coordination of all internal and external communication with the overall purpose of establishing and maintaining favorable reputations with stakeholder groups upon which the organization is dependent"

In the case of Ryanair corporate communication has always been a controversial issue with the CEO, Michael O'Leary being known for saying controversial things. One well known example are his statements about wanting to charge people for using the toilets on flights and even claiming that he would remove seats from airplanes and have everyone stand instead. Michael O'Leary has been heavily criticised for his statements and this is one of the reasons Ryanair often appears in 'most hated brands' lists. It is therefore no surprise that Brown (2006) has referred to Ryanair as 'the brand we love to hate'.

Traditionally corporate communication's aim is to reduce stakeholder uncertainty and to develop stakeholder relationships (Roper & Fill, 2012). This task often falls upon the CEO who usually acts as the guardian of the brand. O'Leary's actions and comments therefore resonate with key stakeholders and are closely observed by the media, financial markets and the public (Roper & Fill, 2012). However, O'Leary's statements tend to do quite the opposite as Ryanair's stakeholders, specifically its customers and the Media often criticize Ryanair for its lack for transparency and bad communication. This communication combined with the fact that Ryanair on its own is already viewed negatively by many due to its poor customer service makes it no surprise that Ryanair's reputation as a brand was already very low even before the incident.

Nevertheless, most of these incidents hardly affect Ryanair. The airline's corporate mission and vision both heavily focus on the low-cost aspect of the brand which has helped Ryanair create an image of being purely low cost and nothing else. This in turn means that customers won't be surprised by them having poor customer service, as low quality and good customer service are not usually considered to go hand in hand. Therefore, even though the incident caused close to 700,000 passengers to be affected and O'Leary only clarified which flights specifically would be affected after a big backlash by customers, Ryanair's profit and passenger count still grew overall.

However, Ryanair does suffer from a problem of inconsistency in its communication. For example, in 2014 Ryanair, after pressure from investors implemented their customer charter by which Ryanair promised, amongst other things, to always improve itself, be transparent and reliable. Even O'Leary stated, "we need to stop unnecessarily pissing people off". This signaled a change for Ryanair as they even went as far as hiring Kenny Jacobs as the new CMO who became the new face of the brand and vowed to provide better service for its customers. However, this incident made clear that Ryanair is not committed to what they had initially communicated. Ryanair's lack of transparency of the incident caused huge backlashes which already goes against their customer charter. Additionally, in order to deal with this crisis Ryanair brought back a member of its old management team, the same team that used negative publicity in order to promote the brand. In this sense Ryanair's communication does not deliver on promises, is not coherent and lacks consistency which are all crucial aspects of corporate communication (Roper & Fill, 2012). Especially when it comes to crisis communications the dimensions to communicate one's own responsibility are that communications must be accurate, timely, transparent and credible, which Ryanair failed to do (Roper & Fill, 2012).

This only shows how Ryanair handled its communications that were primarily aimed at external stakeholders. However, this incident was partly caused by internal communication issue as the rostering issues were not discussed within the company. Issues which were caused by Ryanair trying to have pilots sell back their vacation days to the company to have enough pilots available during the holidays. While Ryanair offered pilots up to £12,000 to forfeit their vacations, many pilots were not happy with this move. With O'Leary also having called its pilots "Overpaid Peacocks". Ryanair even went as far, for the first time in its history, to recognize pilot unions in order to avoid strikes during the Christmas season. Nevertheless, O'Leary has claimed that he would rather have pilots go on strike than bow to their demands. Regardless of these internal conflicts, Ryanair is able to keep attracting new pilots with several hundred pilots having joined the firm since the roster incident.

With Ryanair causing controversy with both internal and external communications, and seemingly alienating some of its major stakeholders it would not seem possible for a company to thrive in such an environment. Yet, the numbers do not lie and regardless of all these issues Ryanair's profits, customer and pilot numbers continue to rise (see **Exhibit 3 & 4**). While the main premise of corporate communication being to create favorable relations with its stakeholders, Ryanair seems to do just fine doing the exact opposite. When looking at Ryanair's old brand identity the gaps between its identity and reputation were actually very narrow, if not none existent, which according to Chernatony & Harris (2000), normally means that a brand is performing well. When looking Ryanair's almost extreme focus on their low cost, no frills positioning and controversial corporate communications it can be said that they do practice what they preach.

Overview of Key learnings

The analysis and discussion of Ryanair's crisis should enable readers of this case to achieve several learning objectives detailed bellow through the usage of Bloom's learning domains (Bloom, 1956). Bloom's domains help both students as well as lecturers understand the learning objectives of this case. **Table A** is an overview of the key objective learnings

| Key learning objectives | | | |
|-------------------------|---|--|--|
| Remembering | Companies can have a poor reputation, while still being commercially successful. | Ryanair's reputation is poor, but their unique position on the market makes them commercially successful | |
| Understanding | Understand the gap between a brands identity and reputation | Ryanair's internal and external perceptions are closely aligned | |
| Applying | Managerial decision to either improve reputation or keep current course during a crisis | Identity and reputation, brand positioning. Brand identity, Crisis Communications | |
| Analyzing | The risks involved with sticking to a course versus diverting from the course | Potential danger for Ryanair's performance and gap between identity and reputation | |
| Evaluating | Gaps between identity and reputation, and communication in a crisis | Theory: Brand Identity Prism & Crisis Communications | |
| Creating | An action for Ryanair moving forward. | "Short-term" and "long-term" | |

Table AKey Learnings Objectives

Discussion Questions

As part of fulfilling the learning objectives of the case, it is of vital importance to keep the discussion captivating and entertaining. In order to achieve this, a focal question and series of sub questions should be pre-prepared prior to the case discussion.

Main Question

• Does Ryanair need to reconsider their current course in face of this crisis and how should they manage this?

Assisting questions

- What are the challenges for Ryanair?
- How can this crisis affect Ryanair?
- What possible alternatives should Ryanair consider overcoming these challenges
- How can Ryanair maintain strong performance now and in the future?
- How should Ryanair communicate?
- Should Ryanair keep or replace top management and why?
- Which actions should be taken related to Ryanair's Brand in the short- and long term?

Teaching Suggestions

This section focuses on how to get most out of the case session and to how to effectively utilise all the material provided. The teaching suggestions aim at using a variety of resources to actively engage the audience and keep participation and intrigue levels high.

The main visual aid will be the included PowerPoint. The PowerPoint will act as a systematic way of working through the case and be the point of reference as the case unravels and develops. The PowerPoint has the attached speaker notes for each slide to help the instructor direct the discussion where necessary.

A white/blackboard should also be used in order to note down ideas and opinions from the audience during the class discussion, one option is to develop a board plan focusing on challenges, alternatives and actions such as shown in the example in **Table** B in the following section. Use of media content would be highly advisable including content of Michael O'Leary's most famous and controversial quotes, content that

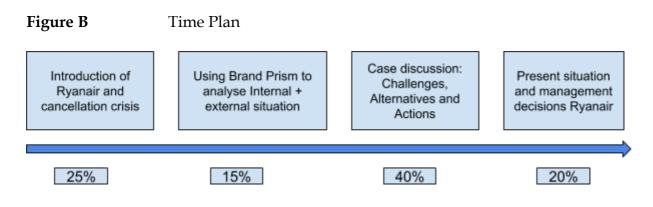
shows Ryanair's communication after their attempted transition towards a more customer service orientated airline. Additionally, any Ryanair content related to the crisis that highlights Ryanair's inconsistent and non-transparent communication (even though this one of the key points of their customer charter) should be included.

As the case of Ryanair is currently ongoing it is important for the instructor to research the latest on goings to see how the story is developing. The latest quotes, stories and videos should be implemented in order to give the differing perspectives of key stakeholders. Furthermore, the corporate identity prism (see Exhibit 1) should be used as a theoretical and managerial tool to display the gaps (or lack thereof) between Ryanair's reputation and identity. When the management questions are presented e.g. what you would do in the crisis, the instructor will start the discussion by asking broad questions and encourage various viewpoints to be taken. To ensure a variety in different viewpoints the instructor can appoint individuals to take an opposing position. On the whiteboard key comments regarding challenges, alternatives and actions should be written down so participants can take a vote at the end of the discussion as to which method Ryanair should use to move forward. During this discussion the instructor should act as the mediator and allow for discussion between and amongst participants, while at the same time keeping order and keep the conversation flowing. In any instances where the ideas dry up, the instructor should point to answering the assistant questions mentioned in the Discussion Questions section.

During the discussion, we recommend the instructor takes a fully neutral viewpoint, as to not influence either groups decision but should also be a leader and take control where necessary. The series of sub questions supplied should be used in order to get participants to think about new angles, keep the conversation relevant and help build a more robust argument in answering the main question. The board plan further down the paper (see **Table B**) highlights in detail how the whiteboard should be utilised so that all of the insights, arguments and opinions that emerge from the discussion can be recorded and displayed to the audience. We recommend the instructor constantly reminds the group of the main issues and has them visible on the whiteboard.

Time plan

In this section, a structured time plan (see **Figure B**) has been created in order for the instructor to cover all relevant material and keep the discussion on track. The table below has compartmentalized each section to make best use of the available time. The sections have been divided on a percentage basis, as this allows for flexibility in terms of the total length of a presentation. Whether the presentation is 30 minutes or 1 hour the aim of the table is to keep the relative length of each section consistent. Nevertheless, if time constraints are a factor it is recommended to shorten the brand prism analysis as this section is primarily to give a basic idea of Ryanair's identity which should be possible to achieve in a relatively short amount of time.



Board Plan

In order to keep the discussion organised it is recommended that the case presenter uses a predetermined structure. A structure that is inspired from the Discussion Questions. This is to keep a clear vision of the objectives that need to be achieved. To achieve this, a board plan should be created prior to presenting and will act as a tool to accomplish the predetermined objectives of the case presentation. There are various approaches when it comes to board usage in case method teaching, as outlined by Harvard Business School (2015). Board use can vary greatly from minimalistic use (i.e. only writing down major discussion points) to more extensive methods where discussions are summarised, and contributions connected through by underlining, circling and even drawing of arrows between elements. These methods are used to support and structure the flow of class discussions. If done well, a well-developed board can leave student with a clear understanding of the case at the end of the presentation.

For this particular study a more moderate problem solving, and decision approach will be taken. This due to practical experience and approach that is commonly utilised in the Corporate Brand Management and Reputation course. By Identifying the main challenges, alternatives and actions the instructor together with the audience will try to determine what alternatives and actions Ryanair should consider bringing about the best possible scenario. **Table B** below, shows a potential outcome of a board plan after a class discussion.

14-2018 | Ryanair - Destination Unknown

TEACHING NOTES

| Challenges | Alternatives | Actions |
|--|---|--|
| Poor reputation 700.000 customers affected Huge media backlash Top management enforces poor reputation The poor reputation is keeping Ryanair alive Management keep reversing changes in face of crisis Internal & external discontent | Organization: Replace or keep management Ensure internal support Change corporate culture Communication: Replace or keep O'Leary as spokesperson Reimburse all affected customers Active vs passive communication Align internal and external communication or focus on one? Stick to customer charter Brand: Reconsider or reposition the entire brand Change or keep brand promise Change core values or keep them | Short-term Keep current management and O'Leary Apologise public Compensate affected customers Transparent communication Fix rostering issues to prevent recurrence Incentivise pilots Doubling down on brand promise Long-term Gradually change management? Change position and value proposition? Change corporate culture? Rework corporate identity? |

Table BBoard Plan

The board plan as presented in **Table B** will divide the discussion part into three initial sections; "Challenges", "Alternatives" and "Actions". The first section will cover all the challenges Ryanair is facing and help create an idea of departure for the rest of the discussion. The second part will keep the challenges in mind and consist of all the audiences' ideas of how to tackle them. Lastly, "Actions" is divided into 2 smaller sections (Short-term and Long-term) as after the class has voted or agrees on certain actions the short-term results of what Ryanair will be revealed. After revealing what Ryanair do, then we go back to the board to further discuss what they should do in the future.

Epilogue

Understanding and reflecting how a strong brand can have a poor reputation and being able to create an action plan to handle the crisis are some of the key learnings of this case. Furthermore, it touches upon whether this strategy will work in long-term and what actions Ryanair should consider going into the future. The Discussion Questions will enable an interesting discussion, as literature strongly promotes that a strong brand needs to develop a well-earned reputation over time. Michael O'Leary, the CEO of Ryanair, is a very interesting character that has shaped Ryanair and giving it the reputation, it has today. In terms of both short-term and long-term solutions, the question then becomes to change the management, keep them or combine.

The case is still ongoing at the time of writing, thus it is not possible to determine the effects of the current or alternative directions. Nonetheless, Ryanair is keeping Michael O'Leary but is implementing 'customer charters' with the aim to increase customer service. How this strategy will align with the identity and image only time will tell.

All things considered, this case can be used as an example of a strong brand with a poor reputation and how they manage a crisis is unlike any others. Thereby, it stands as a unique case that shows depth and encourages the participants to go beyond what they have learned from the current literature.

Reflection

The Corporate Brand Management and Reputation course enabled groups of three students to both write and present a management case that could be of relevance. The cases, which had to be a real life managerial problem, had to be picked and formulated into an interesting discussion. Furthermore, different scenarios and cases was presented to the supervisor Axel Welinder and Mats Urde. During the discussion at the supervision, the group came up with the idea of analysing Ryanair's latest crisis that occurred in 2017. The case was very interesting for all of us, as Ryanair is a unique company which have a poor reputation yet a strong brand performance. Ryanair then contradicts the rule of "brand is a promise. A strong brand has an earned good reputation", as discussed multiple times in class. Thus, we all agreed the significance of the problem and the opportunities to present a case with not only quality learning outcomes but also encourages students to be reflective and go beyond what is taught in class.

The Corporate Brand Management and Reputation course focused a lot on corporate identity, reputation, communication, internal and external stakeholders, the brand promise and how both identity and reputation need to be aligned. Meaning, that a balance in how the company sees themselves and how others perceive them when they have 'left the room', is important for a strong brand. The case of Ryanair revolves around the topics of corporate identity, communication and internal and external (mis)alignment. Which aligns the case with several of proposed learning outcomes of the course.

The group then internally had to come up with the right approach and was faced with a rather complex case that was not intuitive. After some time, the group decided to focus on: Firstly, Michael O'Leary as he was the guardian of the brand and the entire reason why Ryanair had such a poor reputation but also strong performance. Secondly, what happened when they changed course towards core values that would help them improve the reputation with the new CMO Kenny Jacobs as the face of Ryanair. Lastly, how Ryanair tackled the crisis after having changed said course.

The fascinating nature of the case made it challenging to maintain an objective management perspective. On a weekly basis we had to review our writings and formulations to ensure objectivity. Furthermore, the case proved to be a challenge as we are used to solving cases and not formulating the problems within them. After multiple rehearsals, we were able to simplify the problem formulation which in turn helped us create a more narrow but interesting perspective.

All in all, this assignment has helped us broaden our horizon and reflect upon various theoretical and managerial perspectives. Our capabilities on formulating interesting problems and discussions has increased a lot over this period and for that we are grateful to be given such an opportunity. The Ryanair case was a personal interest from us and we think it will also be a unique example of how to handle crisis from the perspective of brand with a poor reputation, yet strong performance.

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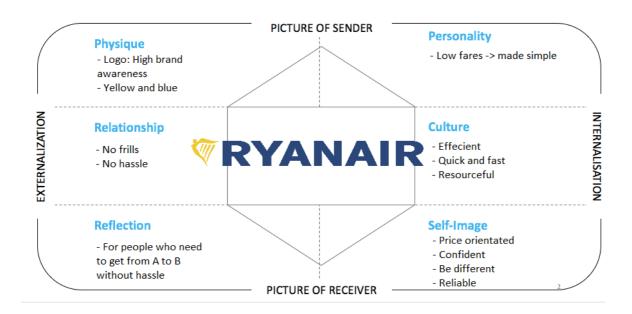
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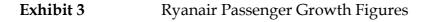
Appendix



Exhibit 2

Ryanair's Brand Identity Prism





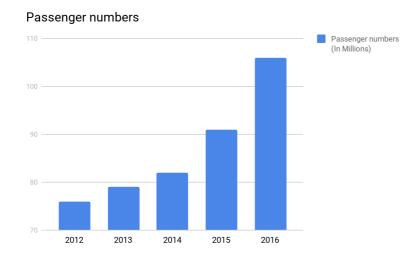


Exhibit 4 Ryanair Passenger Growth Figures

| Year | Profit (billions euro) |
|---------|------------------------|
| 2012/13 | 4.848 |
| 2013/14 | 5,016 |
| 2014/15 | 5,654 |
| 2015/16 | 6.515 |
| 2016/17 | 6.647 |