

CORPORATE BRAND MANAGEMENT
AND REPUTATION

MASTER CASES

To Fly or Not Fly?

By:

Cecilia Finell

Lovisa Gunnarsson

Davide La Rocca

First Edition
Student Case Papers

2019

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.

Editor

Mats Urde
Associate Professor
mats.urde@fek.lu.se

Head of master's course Corporate Brand Management (BUSN35), part of the master's program International Marketing and Brand Management.
Lund School of Economics and Management

To Fly or Not Fly?

WRITTEN CASE

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.

2019

MARCH 20, 2019

CECILIA FINELL
LOVISA GUNNARSSON
DAVIDE LA ROCCA

This is SAS - Scandinavia's leading airline

Scandinavian Airlines represents a corporate brand with a long history. It all started back in 1946, when the Danish 'Det Danske Luftfartselskab,' the Norwegian 'Norske Luftfartselskap,' and the Swedish 'Svensk Interkontinental Lufttrafik' formed what came to be known as SAS. Already from the beginning, SAS represented one of the leading airlines in Scandinavia, by offering the highest amount of departures both to and from Scandinavia for the frequent travelers in the region. SAS has always been known for setting the trend in the airline industry, and its long history proves how the company has always been one step ahead of its competitors. For example, in the 1950s, SAS became the first airline to offer a commercial flight crossing the North Pole. Since then, SAS has been an important player in the industry, by offering flights across the globe together with its alliances.

Today, SAS represents a strong brand and company with a market share of over 30% in Scandinavia. Furthermore, SAS maintains Scandinavia's strongest travel-related loyalty program, called EuroBonus, with an astonishing number of 5.6 million members. SAS is partially owned by the Swedish (14.8%) and Danish (14.2%) governments and is listed on the Stockholm, Oslo, and Copenhagen stock exchange. To put it in numbers, SAS handled 222,000 departures, 30 million passengers, and reported an annual earnings before taxes of SEK 2.1 billion in 2018.

It is not a coincidence that SAS has succeeded in establishing a brand so strong. Its remarkable history and Scandinavian mindset play an essential role in its success. As stated on their corporate website; *"Everything we do reflects our Scandinavian DNA – simplicity, functionality, quality, reliability and a quiet pride in going that extra mile to show our loyalty."* With this in mind, SAS is a company that is ready to push the boundaries in order to develop the aviation and shape the industry, with the purpose of making life easier for the ones who sees every journey as a valuable part of life. In other words, SAS promises to *"make life easier by making time matter to travelers, to employees and to the planet."*

Societal change and industry implications

Lately, the whole airline industry has suffered from many allegations concerning environmental issues, due to the pollution in terms of the heavy amount of CO₂ emissions. This is because one of the largest concerns and debates of today is climate change and the implications it will have on the planet and its population. The society today is thereby driven mainly by sustainability discussions and faces global warming caused by the so-called “greenhouse effect.” Therefore, the CO₂ emitted by airlines is heavily discussed, as the CO₂ is said to stay in the atmosphere for several hundred years. This places airlines in a position which much attention paid to them, and that further forces them to take some action.

Even if global warming is a worldwide problem, the discussion has escalated, especially in Sweden and Scandinavia. The Scandinavian customers are generally more interested in and concerned with sustainability issues, thus also starting to require more from the airlines themselves. The summer of 2018 was one of the warmest summers with wildfires and extreme drought around the world, also in Sweden. This came to be one of the turning points and wake up calls for many. Thus, sustainability discussions are currently larger than ever and represent one of the hottest debates in Scandinavia today, especially concerning the airline industry, that has been exposed to much criticism.

The airline industry represents a transportation method emitting a large portion of CO₂. Media have covered the negative implications of flying for the last couple of years, including in Sweden. For example, it is said that avoiding one transatlantic flight would save 1.6 ton CO₂ of a customer’s yearly carbon emissions. This reduction is considered to have a high impact (**Exhibit 1**). Furthermore, Swedes tend to fly five times more than the global average and have increased their international flights with 120% since 1990, which represents approximately 10 million ton CO₂ emissions per year from the Swedish flying.

All this has led to the Swedish government introducing a new flight tax in April 2018, with the goal to reduce commercial flights, thus the attempt to reduce emissions. Furthermore, flying as such has been labeled as shameful and in 2018, the new word ‘flygskam’ (English: fly shame) was officially introduced in the Swedish dictionary. The word describes the guilt that travelers feel when flying somewhere, due to their knowledge of them contributing to climate change. The word has come to be very well-known in Sweden and has seen its consequences. For example, a recent source of criticism towards the unsustainable amount of flying is shown on the Instagram account @aningslosainfluencers that has over 60 thousand followers as of today. It anonymously criticizes influencers and their CO₂ emissions caused by their heavy traveling around the world. The anonymous people behind the account have thereby managed to generate media buzz and influencers have been criticized for their very

heavy flying as a consequence. But most of all, this has contributed to label flying as a shameful and bad activity.

The response from airlines

As a response, the airline industry has taken some actions. For example, some airlines offer their customers the possibility to pay extra for the use of biofuel. Others have introduced future goals whereof biofuel will be the main source. However, this has also been receiving criticism, as the production of biofuel has shown to be unsustainable in itself, as it often implies ruining rainforests and other valuable planetary sources as such. Furthermore, some airlines offer their customers the option to pay extra for climate compensating for the CO₂ emissions caused by their flight. Carbon offsetting (also called climate compensating) means to compensate for CO₂ emissions by investing in emission reduction projects elsewhere. In this case, the airlines cooperate with organizations involved in, for example, renewable energy projects around the world. However, this has also been largely criticized, as CO₂ offsetting in itself does not make up for the emitted carbon dioxide per se. For example, by the Australian professor Sharon Beder:

“Carbon offsets are a greenwashing mechanism that enables individuals to buy themselves green credentials without actually changing their consumption habits, and nations to avoid the more difficult structural and regulatory change necessary to prevent further global warming.”

At large, the criticism towards airlines places them in a society where their industry is seen as an evil devil, that cannot become truly sustainable or environmentally friendly any time soon. This in turn, creates a challenge for all airlines, as their original service they offer is generally not perceived positively anymore.

The decision that has to be made by SAS

It is Monday morning January 7th and the employees are arriving at the SAS' headquarter after the holidays. It is time for the regular Monday meeting and the decision about whether or not SAS should communicate their latest management decision has to be made. The decision that was made before the holiday season was to offset all EuroBonus members', which represents approximately 40% of their flights. This was SAS' way of responding to the market, by acknowledging the on-going societal changes that are taking place in Scandinavia and the world, concerning climate change and CO₂ emissions. However, since April 2018, SAS has also climate compensated for a smaller portion of their customers, meaning their Youth travelers. This decision was not chosen to be actively communicated. Therefore, the newest

decision to compensate for all EuroBonus members, shows that SAS has taken the next step by covering a much larger size of customers, that entails offering CO₂ compensation as an added value.

However, current activities in society make the executive hesitate on what is truly best for SAS. For example, the new dictionary word 'fly shame,' critics of biofuel, Instagram accounts criticizing travelers, and previous criticism of CO₂ offsetting, contribute to the uncertainty of making the right decision. Therefore, they are now debating if they should offset "in quiet" or openly communicate their new initiative. By taking the role of the executive team at SAS, it is now your responsibility to discuss and decide what to do, by outweighing advantages and disadvantages with each option, and thereby answer the following question:

Should SAS openly communicate its newest initiative to offset the CO₂ emissions or keep quiet about it, when considering the corporate reputation of a brand that operates in a heavily criticized industry?

Exhibit 1 Comparison of individual actions to reduce emissions

