Airways: Reputation Audit

1. Introduction

Airways is full service airline, offering year round low fares. The airline has the strongest route network and is considered as one of the most premium airline for long and short haul flights. But recently, Airways has been bashed with a lot of negative headlines. The Reputation Institute has ranked 100 companies, and Airways is one of them. With the help of RepTrak, it is evident that the reputation of Airways has been going down. The following pictures are taken from RepTrak from the year 2017, 2018 and 2019.

Airways was ranked on 56th position, with a score of 72.59 for the year 2017.

In 2018, Airways dropped down to 69th position with a total score of 69.8%

The rank for Airways dropped further down to 81st position in 2019.

BA’s brand has significant commercial value. Erosion of the brand, through either a single event or series of events, may adversely impact the Group’s leadership position with customers and could ultimately affect future revenue and profitability. If we are unable to meet the expectations of our customers and do not engage effectively to maintain their emotional attachment to the brand, then we may face brand erosion and loss of market share. (Airways Annual Report ending 31st December 2018)

2. Background

airlines is the flag carrier airline of the United Kingdom, headquarters at Waterside, Harmondsworth with its main hub at London Heathrow Airport. It is now the second largest airline in the United Kingdom after, EasyJet. Airways merged with International Airlines Group in January 2011, holding a registered company in Madrid, Spain. IAG is the parent organization of Airways. IAG is the world’s third largest airline group, in terms of annual revenue and second largest in Europe.

Airways was founded in March 1974, after a Board was established.

About Key People

The key people are Alux Cruz, the current Chairman and CEO, and Stephen William Lawrence Gunning, CFO and the Director. Both Alux and Stephen were appointed to their designated positions in 2016. Alux began his career at American Airlines before becoming a partner with Arthur D Little (a consulting firm to different markets)

About the Airlines Flight

The carrier offers 123,000 customers that fly with the airline every day. London Heathrow, is the base of the airline, which is the busiest international airport and also flies from the other

premium airports like Gatwick and London City Airport. Airways flies to more than 200 destinations across 75 countries. The airline has a fleet of more than 280 aircraft, including the A380 and 787. By the end of year 2020, it will have received 100 new aircraft.

Airways Services

Airways has a range of travel classes. These are Premium, Premium Economy, Business Class and First Class. No matter which range you travel from they serve complimentary food and drinks on board. Business and First Class travellers have access lounge and fine dining during long haul flights.

3. Reputation Audit

airways has always been considered the gold standard for how to enjoy life at 35,000 feet. Everything about the airline, Krug champagne in first class, four course meal in business class and even plenty of legroom in economy was much appreciated. The airline in the glorious days of 1980s, called itself “the world’s favourite airline” but have receded into history and its reputations is no longer flying high. Airways has always overruled many of its competitors in the airline industry. However, in the recent years, it has been losing its own goodwill that global brands need in order to thrive. In the past years the airline has been receiving negative headlines, which has led to an extreme downfall in the same.

To analyze the current reputation of airways, Reputation Institute has 7 drivers of reputation. By monitoring and measuring these reputation drivers, it is easier to understand what areas are great at work, what areas present reputation risk, predict actions your stakeholders will take, and which of your global markets do they need to enhance their market.

At Reputation Institute, we define reputation as the emotional connection that stakeholders (consumers, investors, employees, regulators) have with a given company. The top-level formula is simple: if stakeholders have a strong emotional connection with a company, they will buy from, invest in, and want to work for that company – all good things for business. This is how an intangible concept like reputation directly drives business results. (7 ways to Quantify Reputation, 25th April 2015)

If reputation is defined as an emotional connection, the 7 drivers of reputation are the rational (or cognitive) considerations that spark an emotional response that leads to action: Think. Feel. Do. (7 Ways to Quantify Reputation, 25th April 2019)

1. Product and Services

Product and services are the key to shape up a company’s reputation. This is the highly visible area which stakeholders interact the most. In regard with Airways, these are the few cases which have got the reputation low under product and its services –

1. Withdrawal of complimentary inflight food and drinks on short haul flights

airways on September 2016, announced that short haul flights will no longer will serve food and drinks to passengers travelling in Economy class. Airways has dropped their long – standing promise of “complimentary snack or meal and bar service” for all passengers. (Independent,

29th September 2016) The new policy came into effect from 11th January 2017. The passengers have a chance to buy drinks, snack or a meal on flights under five hours from Heathrow and Gatwick. Marks and Spencer has been chosen to supply the food, which is priced slightly above the regular price.

Credit or Debit cards will be accepted, but not cash airways said. The airline will also accept Avios frequent flier points as a form of currency, with each point valued at 0.8pence.

“Today’s project is in reaction to customer response around choice and quality. We have been requested by thousands and thousands of passengers who want to have choice, and not just be given something of potentially questionable quality.” (Alux Cruz, Independent, 29th September 2016)

2. The Hack Attack

On 11th September 2018, Airways broke the news that the personal and financial information of 380,000 of their passengers had been hacked. (See Appendix 2) Passenger names, home addresses and credit card data were all stolen during the 15-day security breach, catching BA flat-footed. Though the airline could identify that the data had been stolen, the specifics of how the hack took place remained largely unknown. That changes today, though, with the publication a report by threat researcher Yonathan Klijnsma of the San Francisco-based threat detection firm RiskIQ, which offers brand new insight into how the hackers pulled off their attack. (Forbes, September 2018)

Alux Cruz also apologised, saying 'We're extremely sorry. I know that it is causing concern to some of our customers, particularly those customers that made transactions over BA.com and app. (BBC News, September 2017)

3. airways Executive Club Devaluations

In addition to the shareholder's discount annulment earlier in 2011, it also ended its Open Doors policy meaning Gold Card holders could previously visit into the lounges if they were departing on any flight from a terminal with a BA lounge. In 2011, they changed the entire structure of redemption, and renamed BA and Iberia air mile to “Avios”

Early 2015, BA decimated its Avios earning structure and increased long haul Avios redemptions further. Last year in 2016 BA removed the 4500 Avios redemptions for North American flights. The minimum redemption became 7500 Avios. (https://pointstobemade.boardingarea.com/2017/06/18/7-ways-british-airways-alex-cruz-trashed-brand/)

4. Seat Selection, Wifi, and Newer Aircrafts

In 2015, BA decided to cut the free seat selection benefit to all the passngers who bought the Hand baggage only fares. Airways also requires newer aircrafts and free Wi-Fi on board.

2. Innovation

Innovation is a new method or idea, product. It means forward thinking and being ahead of everyone else. Creatively inspired companies are more highly regarded. airways have always

pushed technology in the airline industry. But they have not been in past.

- Growing pressure of Innovative seating and fancier lounges

Airways, competitors are offering a growing pressure to have swankier lounges and innovative seating. Recently Business and First-Class customers have not been happy with the services being provided to them. They have not been satisfied with the seats, lounges or food.

P Merton, on 4th May 2019 who flew from London to Shanghai, posted a review on https://www.airlinequality.com/airline-reviews/british-airways/ (1/10 Star)

The most disappointing business class I have flown in a long time. The plane was old, worn and dirty (there were crumbs of food on the seat and the floor from a previous flight), It took 2 hours to for drinks service to reach my seat after take off - the food followed shortly, which was over cooked.. As a Gold card holder, you might have thought BA would check their frequent fliers are being looked after? I'll return to using other airlines in the one world group for my long haul trips, such as Cathay, JAL or Finnair.

3. Workplace

Workplace culture is accounted as the personality of a company or an organization. Compensation packages, benefits, work/life balance, on-boarding and continued training are must-haves.

Irregular payment to employees is one thing with which Airways is struggling since long. Recent examples are –

1. Airways repeated Strikes due to bitter Pay

In 2017, Airways staff was on a strike for 26 days. The strike action was the result of then ongoing dispute between the airline and its Mixed Fleet. Mixed Fleet is a set of cabin crew created in 2010, in a bid to cut costs so that BA can compete with its budget rivals. The strike resulted into cancelled flights, and passengers were rerouted, rebooked or offered a refund.

2. Pilots warn strike action

Bapla on April 2019, has rejected two separate pay day meal by Airways to its pilot. It claims the deals are less the inflation and that it amounts to pay cut. Union has written to Airways CEO Alux to warn him about a ballot on strike could be happen.

4. Governance

Airways is fairly ethical in doing its business. Regulation of the airline industry covers many activities including route flying rights, airport landing rights, departure taxes, security and environmental controls. Excessive taxes or increases in regulation may impact on our operational and financial performance. The Group continues to monitor and discuss the negative impacts of government policy such as the imposition of Air Passenger Duty (APD). (Airways Annual report ended 31st December 2018)

5. Leadership

Leadership is primarily pointed to the effectiveness of how a company is managed. Airways is considered to be a failure in leadership (The Times, 30th May 2017) Airways is fairly disorganized, and needs a lot of improvement. They need more strong and appealing leaders.

6. Citizenship

Company with high scores in citizenship aims to make a better place for living, through environmental and social efforts.

Airways does support good causes, and claims environmentally friendly. (See Appendix 3) However, BA has been considered the worst in reducing pollution, according to a report. It is said that the airlines are not doing enough to reduce their impact on the environment.

According to Atmosfair Airline Index for 2018, airlines are ranked from A to G, and A for efficiency and B for efficiency class 2.

Airways was placed 74th with an efficiency rating of D, falling behind companies such as Aeroflot, KLM, Lufthansa etc.

7. Performance

Performance and profitability are the key indicators of reputation success undoubtedly. Numbers matter, although it might not be a very important dimension of measuring reputation.

BA is dependent on IT systems for many of its key business processes. The failure of a critical system may cause significant disruption to operations and result in lost revenue and brand reputation. (Airways annual report ending 31st December 2018)

In the recent years BA has had many IT meltdowns, and technical issues. Some of them are –

- On 6th June 2017, 75,000 passengers were stranded over the bank holiday weekend as airways systems meltdown. It was due to a technician who switched off and then reconnected the power supply to BAs data centre. The power was thus restored later, which did cause physical damage to the servers and distribution channels.

Other than the technical issues, the financial performance gives more clarity on the performance of Airways. The financial statement attached is from the year ending 31st December 2018, with the results from 31st December 2017.

The company despite the odds has been able to generate profits. The airline has also increased its passenger revenues.

4 Solution Focused Approach

The Reputation Audit, above shows that Airways is not the most preferred airline in UK anymore and also it does not have the same corporate reputation it used to have back in the 1980s. But it

is not the end, there is so much more Airways can do to be where it was or make it even better than before.

“Always think in terms of solutions. Focusing on the problems usually gives us more of them.” – Sam Owen

The Solution Focused Approach helps us to know where we are and where we want to be. It bridges the gap between our goals and motivates us to move forward. It is finding what works right and doing more of that.

Airways on a Scale of 1 – 10 making a shift from being problem–focused to being solution-focused

S.No. Problem Talk Solution talk - Intend to do Stakeholders Involved

1. Food and Drinks Services

1. Bring back complimentary food in short haul flights (even if it is not a proper 3 course meal)
2. For better food quality, they should change the food suppliers Existing Customers, Potential Customers, Suppliers, Employers

2. BA Avios to fly Airline Partners – Avios Prices increased from 30th May 2019

1. Airline is trailing to new options, where you can use increased points.
2. Cover short expensive flights worldwide on partners
3. One-way flights in any cabin from no surcharge countries

All Customers, Employees, Owners, Partners, Competitors, Government

3. Seat, Aircrafts, Lounges

1. Over the next 5 years BA will take delivery of 72 new aircrafts
2. Innovative seating and fancier lounges by the end of 2020
3. 747- 400 for economy cabin will feature relatively comfortable seats
4. Dedicated fast track security for 1st & Business Class customers at T5 Heathrow
5. Investment of GBP6.5 Billion in BA – Alux Cruz Existing Customers, Potential Customers, Suppliers, Owners, Government, Media

4. Irregular payment, resulting in strikes

1. Payment to employees should be made on time
2. The new Flexible benefit scheme is available to all employees.
3. Individual bonuses should be given to employees based on their performances.
4. Airways provides discounts, season ticket loans, Heathrow express service to all employees.

Existing Employees, Potential Employees, Customers, Media, Owners, Government, Financial institutions

6. Aircraft Emissions

1. Reduced 25% of Carbon Emissions by 2025
2. First airline to generate renewable Jet Fuel from household waste
3. Alternative plan for Sustainable fuel development over the next 20 years

Owners, Government, Aviation Authority, General Public, Employees

5. Conclusion

Overall, Airways has still a lot of scope for improvement still. The performance of Airways has been fairly poor and they have not been able to keep it up with its key stakeholders and especially the customers and employees. The airline has been a fair communicator to the rest of the stakeholders but can do much better. Airways has been able to make profits despite all the odds and is trying to cover them with new innovative ideas. The airline will regain its lost reputation if it inculcates the future plans stated. The formula to calculate Reputation, {Reputation = (P + B + C) X AF} has been helped in evaluating the Corporate Reputation for Airways.

6. Key Learning Points

- Reputation cannot be taken lightly.
- It takes a lot of time to build a reputation but it can be destroyed within a second. Anything negative might affect your reputation.
- Reputation has got nothing to do with profit or revenue. Even though the reputation is bad and the brand name is going down, the company may still be earning profits.