

Swissair: Repositioning a Premium Brand

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Introduction:

“The Swissair brand must be re-established as a premium brand in the customer’s mind,” remarked Dr. Mario A. Corti, the chairman and CEO of Swissair Group, during a March 2001 television interview. He added, “The strong Swissair brand is definitely one of the company’s pillars that I plan to build on in the future.”

To many, the future of Swissair Group had appeared uncertain in early 2001. Corti, who took over as CEO in March, was anxious to turn the company around and restore shareholder confidence after several top executives, including his predecessor, had abruptly resigned.

As it became clear that the company’s previous strategy of acquiring smaller airlines had failed, analysts and journalists criticized the company for lacking strategic direction. Reports also surfaced that the company’s 2000 financial results would be catastrophic. On April 2, during a press conference carried live by Swiss television, Corti confirmed that the company had indeed posted its worst financial results ever. (*Refer to Exhibit 1 to review Swissair Group’s operating results.*)

Though Corti stressed that Swissair Group had many issues to resolve in a very short time to ensure its survival, he nevertheless pinpointed branding as one of his key concerns. Lee Shave, executive vice president of marketing and product at Swissair, shared Corti’s view. He commented:

The Swissair brand has taken an unprecedented battering recently. Negative press comments and speculation have dented our image and called into question our brand strengths and the quality of the product and services Swissair offers to its customers... Our customers still rate our product and services amongst the best in the airline world and in some instances, rate them as the best in the world.

Although Corti and Shave were optimistic about the future of the Swissair brand, they were also aware that the brand faced a number of challenges. In May 2001, they set out to tackle those challenges, and cement the Swissair brand as a “Superbrand” in the minds of customers, employees, and shareholders.

Company Background

Swissair was founded on March 26, 1931 when two small airlines, Ad Astra and Balair, merged. During the 1940s, Swissair was designated as the national airline of Switzerland and began offering transatlantic flight service to New York, South America, and South Africa. By the 1970s, the airline offered scheduled flight service to numerous cities in Europe, Asia, Africa, and North America.

In 1995, Swissair signed a deal with the Belgian government and Belgian airline, Sabena, to acquire a 49.5% stake in Sabena. Three years later in 1998, Swissair led the formation of the Qualiflyer Group, an alliance consisting of eleven airlines: Swissair, Sabena, TAP Air Portugal, PGA Portugalia Airlines, Turkish Airlines, Air Liberté, Crossair, LOT Polish Airlines, Air Europe, Volare Airlines, and Air Littoral.

Swissair also partnered with American Airlines and South African Airways to offer improved services for passengers traveling to and from the US and South Africa. In Asia, Swissair's major partners included Japan Airlines, Qantas, Cathay Pacific, Thai Airways, and Malaysia Airlines. In the Middle East, Swissair also cooperated with El Al Israel Airlines.

Figure 1: The Competing Airline Alliances

QUALIFLYER	ONeworld	SKY TEAM	STAR ALLIANCE
Swissair Sabena TAP Air Portugal PGA Portugalia Airlines Turkish Airlines Air Liberté Crossair LOT Polish Airlines Air Europe Air Littoral Volare Airlines	Aer Lingus American Airlines British Airways Cathay Pacific Finnair Iberia Lan Chile Qantas Airways	Aeromexico Air France CSA Czech Airlines Delta Airlines Korean Air	Air Canada Air New Zealand All Nippon Airways Ansett Australia Austrian Airlines BMI British Midland Lauda Air Lufthansa Mexicana SAS Singapore Airlines Thai Airways International Tyrolean Airways United Airlines Varig Brasil

Source: Air Info

By early 2001, Swissair operated 75 aircraft and served 210 destinations in 75 countries. Headquartered in Zurich, Swissair employed 7,290 staff and achieved operating revenue of CHF 5.8 billion in 2000. Beat Schär served as CEO of Swissair.

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