

A Work Project, presented as part of the requirements for the Award of a Masters Degree in Management from the NOVA – School of Business and Economics

A comparison analysis of the marketing strategy of Lufthansa and Emirates in Germany

Isabelle Schraub

#2158

Under the supervision of:

Prof. Luis Manuel da Silva Rodrigues

January 8th 2015

Abstract

The objective of this paper is to perform an analysis of the marketing strategy of Lufthansa and Emirates in Germany. Since both airlines use a similar approach to increase brand awareness an in-depth analysis is implemented in order to identify potential differences. Hereby, consumer insights about the perception and expectation travellers have in common will be analyzed and assessed with quantitative data. Both airlines are well positioned in terms of their marketing strategy, but when Emirates is strengthen its marketing campaign with that pace, the Gulf carrier will certainly make use of its economic strength and can become a frightening threat for the Lufthansa Group on long-haul destinations. Finally, recommendations for future marketing activities for both airlines will be given.

Key words: Airline industry, Marketing strategy, Lufthansa, Emirates

Table of Contents

1. Introduction.....	1
1.1. Outline of the paper and research question.....	2
2. Literature Review	2
3. Marketing Analysis.....	3
3.1. Emirates.....	4
3.1.1. Overall Marketing Strategy	5
3.1.2. Advertisement and Campaigns.....	6
3.1.3. BTL and ATL	6
3.1.4. Online Marketing	7
3.1.5. Customer Relationship Management.....	7
3.2. Lufthansa.....	9
3.2.1. Overall Marketing Strategy	10
3.2.2. Advertisement and Campaigns.....	11
3.2.3. BTL & ATL.....	11
3.2.4. Customer Relationship Management.....	12
3.2.5. Social Media	13
3.2.6. Augmented Reality App	14
4. Methodology.....	15
4.1. Research Approach	15
4.2. Data collection method.....	15
4.3. Data Analysis and Results.....	16
4.3.1. General Preferences	16
4.3.2. Brand and Image perception	17
4.3.3. Media Activities	18
4.3.4. Online Behavior.....	19
4.3.5. Personal Experience.....	20
4.4. Limitations.....	21
5. Recommendations.....	21
5.1. Lufthansa.....	21
5.2. Emirates.....	23
6. Conclusion	24
7. References.....	25

1. Introduction

Insecurities strains characterize the aviation industry like no other comparable sector. There are plenty parameters, which influence the business activities of airlines like fluctuating oil prices, worldwide economic recessions and intense price-cutting policies from low cost airlines. Due to the increased amount of airplane crashes in 2015, the consumer confidence in safety is decreasing and all airlines are confronted with this highly sensitive issue. Additionally, a high sensitivity to external factors like natural disasters or political instabilities can harm the business of the airlines. Nevertheless, the air traffic industry will grow in the long run as a result of globalization and the expanded need for mobility, especially by developing countries with high growth rates. European operators fear strong taxation policies leading to reduced job opportunities and a slowing fleet expansion. At the moment, Lufthansa Group is fighting on two sides to stay competitive in the long run. On the one side, the company is facing massive internal strikes and has to maintain its image after the suicide air crash in March 2015. On the other side, the German operator is confronted with the low cost carriers within short haul destinations in Europe and with Gulf Carriers like Emirates, Etihad and Qatar Airways on long haul routes. Aiming to raise brand awareness and increase customer satisfaction through a high response rate, airlines intensified its social media presence to collect valuable information about needs and expectations of passengers. With data analytics tools, customer relationship units analyze the feedback and comments of users to react on complaints immediately. New technologies and innovations at the airports and on board, which personalize the travel for customers, will boost the competition in the airline industry. In Germany, Lufthansa and Emirates are actively advertising their services in a wide spectrum of tools to reach their target group. Both airlines pursue a differentiation strategy offering value added services, for example, more comfort on board or additional

customer-centric services. The question arising is how can these airlines differentiate their service offer to reach higher awareness and to create long-lasting customer satisfaction.

1.1. Outline of the paper and research question

This study analyzes the marketing strategy of Lufthansa and Emirates in the German market concentrating on the communication policy (Promotion). It is essential to mention that both airlines pursue a differentiation strategy and offer both a comparable route network worldwide. For this approach, the conducted research will allow insights of customers' perception, needs and expectation on the flight experience. Therefore, the following two research questions interrogate which airline is better positioned to have a higher impact with its marketing strategy in the German market: *“Is Lufthansa capable to face Emirates strong marketing machinery in the German market on long haul destinations? And how can both airlines attract, retain and develop its customer's equity with marketing strategy activities in order to stay competitive in the long run?”*

2. Literature Review

This chapter gives an overview of the literature including the definition of terms of marketing strategy in the airline industry. A literature review about central parameters of this research will be presented and it ends with the setting up of hypotheses, which will be analyzed with the support of the quantitative research data.

The airline industry operates in the tertiary sector meaning that the overall marketing strategy is also well known as service marketing. The nature and characteristics of service marketing differs from product marketing in various aspects. Airlines have to consider special service characteristics creating their marketing strategy to attract customers. Four characteristics are decisive to plan a service marketing strategy: “service **intangibility**” (service cannot be seen, tasted, heard or smelled before purchase) “service **inseparability**” (service cannot be separated from providers) “service **variability**” (Quality of services depends on who provides

them) and service “**perishability**” (service cannot be stored for later sales or use). All these points have to be taken into account for brand management and positioning to design a successful marketing strategy in a specific region (Meffert and Bruhn, 2012). All global airline providers’ focus on the service orientated strategy. According to Stephen Shaw, marketing is “*the management process responsible for identifying, anticipating and satisfying customer requirements profitably.*” He distinguishes hereby between consumer marketing, which is basically Business-to-Consumer (B2C) and industry marketing focusing Business-to-Business (B2B). Airline marketing covers examples of both industrial (Marketing to business air traveller and air freight services) and consumer marketing (Leisure air travel marketing). Successful airlines are the ones, which are able to react instantly to dynamic changes to satisfy customer expectations and needs. The marketing principles are applied in the *marketing mix* (Encompassing the four p: product, price, promotion and place), which is the planned process that a company implements to address its target group (Kotler, Keller, 2012). All marketing related decisions are dependent on each area in order to create trade-offs and optimize the overall result (Shaw, 2011). Additionally, it is necessary to underline to which degree customer satisfaction is related to the overall airline marketing strategy. This includes relationship-marketing programs, which results in a long-term approach, concentrating on individual values and needs. Therefore, customer satisfaction is the crucial parameter for each airline to measure its overall performance (Bieger, Müller, Wittmer 2011).

3. Marketing Analysis

Determining factors to differentiate services are “value added services”¹ and offering price advantages for passengers to establish a strong customer relationship strategy (Pompl, 1998). These value added services could be for example an exclusive in-flight catering, a varied selection within the entertainment system or a faster check-in procedure at the airport. Exactly

¹ In the airlines industry, value-added services are the most important key attributes for airlines to gain competitive advantage with offering exclusive services

these instruments will be analyzed in the third chapter specifying on the communication policy. This study is focusing on the “promotion” policy within the marketing mix. All brand-building activities are playing a superior role in all marketing related activities. Shaw states *“a brand is defined as any situation where customers do perceive significant differences in the products of competing suppliers”*. He argues that a powerful brand adds value to the product or service being able to sell at a premium price under a differentiation strategy, as pursued by both analyzed airlines.

3.1. Emirates

Emirates is the fastest growing and largest airline in the Middle East and is based in Dubai in the United Arab Emirates (UAE). The Gulf carrier is one of the most profitable airlines in the world and is owned by the Investment Corporation of Dubai, which is a wealth fund of the government of Dubai. The airline continues to record growth rates in 2013-14 with 15% (Emirates Annual Report, 2015). Thereby, Emirates became the fourth biggest airline worldwide measured by international passengers (IATA, 2015). The company operates 3600 flights per week and serves 144 destinations in 81 countries offering to a large extent long haul flights². The airline’s home hub is located in Dubai, where the demand for international flight routes is generally not very high, as the population rate of 2.1 million would not cover the main business objectives. Therefore, Emirates tries to attract additional transfer passengers outside of the United Arab Emirates to increase passenger volume. Emirates has already won more than 400 awards for excellence, becoming one of the most popular airlines in the world. The airline units are separated into passenger, cargo, and postal carriage services. The business is positioned at the upper end of the market offering luxury services on board for each class individually (economy, business and first class). Particularly, time-sensitive business travellers value the wide network, as travel time is one decisive parameter

² Long haul flights: 6 to 12 hours

for choosing an airline. In Germany, Emirates serves Frankfurt, Munich, Düsseldorf and Hamburg and is trying to get the license for Berlin and Stuttgart, which is hardly criticized by Lufthansa fearing to lose passengers (Grimme, 2011). In the past, passengers travelling from Germany to the Asian-Pacific region have predominantly chosen European hubs like Amsterdam, Frankfurt, London or Paris as transfer points. With the increasing presence of Emirates at European airports, the travel choices for passengers bound for the Asian-Pacific region is extended. The international hub in Dubai has been grown to the biggest transfer platform between Europe and Asia. Nevertheless, Emirates faces on-going criticism and hostile policies by European carriers being accused of distortion of competition as the company receives a considerable amount of subsidy from the government. The Gulf carrier also owns the world's largest fleets of Airbus A380 and Boeing 777 aircraft. The majority of the fleet is wide-bodied aircrafts for long haul flights and connecting flights. More than 55.000 employees from 168 nations are working at Emirates, growing to one of the biggest employers in the UAE (Emirates Annual Report, 2015).

3.1.1. Overall Marketing Strategy

The implementation of a strong brand and a corporate identity are indicators of the performance of a company. The brand is a design element for advertising activities and the output of the business strategy. Emirates operates under one single brand, which is positioned as high-end and luxury targeting mainly business travellers and high-income groups. Therefore, immaterial values like punctuality, prestige, innovative services on board and reliability matters inevitably. *"These carriers have to present themselves as the airline of choice for the status-conscious business traveller, and as the value-for-money solution for the leisure flyer looking for a cheap fare"* (Ahmed Bin Saeed Al Maktoum, Chairman & Chief Executive Emirates). Emirates tries to create a balance through an omni-channel³ marketing

³ Omni-channel: multichannel strategy focusing on customer experience

strategy. Flying with Emirates should be perceived as a unique experience, aiming to become a “global lifestyle brand“ to inspire customers, stakeholders and potential travellers. In 2015, for the third consecutive year, Emirates was ranked as the leading airline measured in brand value⁴, which underlines the successful marketing strategy in the recent years. Contrarily, Lufthansa has lost 2% of its brand value and shifted to the fourth place in the overall ranking (Brand Finance, Airlines 50, 2015).

3.1.2. Advertisement and Campaigns

Under its slogan “**Hello Tomorrow**” the last year’s campaign has increased exponentially the brand awareness and has established a positive image of the lifestyle brand Emirates in Germany.⁵ Clearly, “experience” is one the main pillars of the marketing strategy, whereby value added services like the entertainment system on board or exclusive lounges at the airport are leveraged to create strong brand associations.⁶ Hereby, it is essential to distinguish between two forms of advertisement campaigns. On the one hand, long term brand building advertisement (strategic), where the product (plane), the service, the brand or the destination is in the foreground. On the other hand, there is the tactical advertisement, where price offers for a certain time and destination is promoted (Shaw 2011).

3.1.3. BTL and ATL

Typically product advertisements like an Airbus A380 banner are advertised mainly **Below-the-line (BTL)**; on the company’s own website, online banners, on online travel agencies pages like Opodo or Expedia and on tour operators websites like TUI or Thomas Cook. Other product advertisements focusing in particular the value added services like the entertainment program “Ice Digital Widescreen“, with over 2000 channels to choose from or the regional gourmet food on-board. Furthermore, Emirates invest approximately 12% of its yearly budget

⁴ In its Global 500 report the British brand evaluation consultancy Brand Finance publishes the world’s most valuable brands, which are assessed by the dollar value of a company’s reputation, image and intellectual property.

⁵ Refer to Booklet II, Table 1, “Hello tomorrow“ campaign

⁶ Refer to Table 2, Value-added services at Emirates

in advertisement, which compared to other global airlines is over the average budget (Internal Source). The investment in **Above-the-line (ATL)** media is basically print advertisement in newspapers like FAZ (German newspaper with a high circulation) or in “business-orientated” magazines like The Economist. Additionally, Emirates is using out-of-home media to target leisure travellers (mass media), for example City-Light-Posters, which are installed mainly in all big cities in Germany in order to increase brand awareness.

3.1.4. Online Marketing

Online Marketing is an important tool to reach young passengers and business travellers. Through a weekly newsletter Emirates contacts customers and potential passengers to inform about special deals, destinations and offered services. Most of the data are originated from the loyalty program Skywards. Analyzing the sales numbers from electronic ticketing, Emirates is able to assess how many flight tickets were booked after clicking on the newsletter. Within the E-Commerce strategy, Emirates is using Search engine optimization (SEO) tools to increase the hit rate, for example, in Google Adwords or Bing (here key words for searching a flight ticket are: #Flight, #Travel, #Holidays, #Plane ticket etc.).

3.1.5. Customer Relationship Management

The best-suited method to bond customers in the long run is the **frequent flyer program (FFP)**, which most airlines offer their customers. In general, the implementation of a FFP increases the quality perception, customer satisfaction and a stronger loyalty of customers (Bruhn, 2013). Emirates has implemented Skywards (FFP) in order to stay competitive by making the program appealing to attract and retain customers (Shaw, 2011). The loyalty program focuses on current customers and aims to increase the number of purchasing flight tickets with Emirates. In addition, it helps to reduce acquisition costs as current customers are incentivized to invite their network to fly with Emirates. Miles can also be earned on flights with partner airlines and with offers from its global partners in hospitality, car hire, banks and

lifestyle, and retail. In Germany, customers can benefit from redeeming their miles on tickets of football matches of Hamburger SV.

Additionally, Emirates uses **social media marketing** to interact with customers and followers to inform them about the brand and more importantly to create a strong brand image and relationship. Social media sites are the perfect tool to handle complaints, exchange ideas and to apply data analytics methods within the Business Intelligence Unit to enhance the service quality. Emirates interacts successfully on Facebook (nearly 5 million likes) LinkedIn (415.000 subscribers), YouTube (60.000) and Google+, where testimonials of the company actively promote the brand (e.g. Cristiano Ronaldo is an ambassador of Emirates). On Facebook, weekly deals are promoted and engagement through quizzes and shared community photo contests with followers, for example, deepen the customer relationship. In 2014, Emirates launched two official Twitter channels, one of which is only dedicated to customer complaints and requests. Every campaign strictly follows a seamless brand experience umbrella to optimize the communication mix in every channel simultaneously. This multi-channel strategy has to have a clear structure and a consistent corporate identity.

Finally, Emirates is actively engaged in **sports sponsorship** and sponsors above 125 international events in the area of sports and culture. The brand has already established high awareness through partnerships with football clubs⁷, the Formula 1, international cricket tournaments, tennis, horse racing and America's Cup sailing. Sports sponsorship is an essential element of Emirates' brand strategy to develop customer relationship and loyalty. It allows taking quantum leaps when promoting the global lifestyle brand in new markets. In Germany, Emirates is sponsoring HSV Football Club, a prestige annual golf tournament, the BMW International Open and the world's leading trade show ITB in Berlin.

⁷ Shirt sponsorship: Arsenal F.C, London, Paris St. Germain, Real Madrid C.F., AC Milan and since 2015 Benfica Lisbon

3.2. Lufthansa

Deutsche Lufthansa AG was founded in 1926 and is a global aviation group with seven brands in its portfolio, which were acquired in the past 20 years.⁸ The Group operates in five units; passenger airline business, logistics, maintenance, repair and overhaul (MRO), catering and IT services - and has more than 400 subsidiaries. Together with its partners Lufthansa operates in 410 destinations in 107 countries across Africa, Americas, Asia and Europe. Lufthansa's primary traffic hub Frankfurt is Germany's largest commercial airport as well as one of the most-valuable air traffic hubs worldwide with 58 million passengers in 2015 (Lufthansa Homepage 2015). In 2014, the Lufthansa Group had around 119.000 employees worldwide and 67.000 employees in Germany, counting for one of the biggest employers in Germany. The airline was the second largest air transportation operator globally in 2013 and holds a 4.4% market value share. The Lufthansa Group benefits from high brand recognition especially among business travellers and the Group as a whole is vastly diversified with a portfolio of regional (Lufthansa Cityline), international carriers (Austrian Airlines, Brussels Airlines and Swiss) and low cost carriers (Germanwings and Eurowings). Nevertheless, Lufthansa Group is suffering from rigid competition from low cost carriers (LLC) in Europe, with Gulf Carriers on long haul routes and strict industrial regulations incurring additional costs and significant losses. Flying from Germany to the Asian-Pacific region was predominantly served by Lufthansa from its hubs in Frankfurt and Munich. This has changed since Dubai has become the most important hub for passengers from Germany to any destination in the Asian-Pacific region mostly operated by Emirates, Qatar Airlines and Etihad (German Air Transport Statistics). In 2014, the nine separate strikes of ground personnel and the pilot union in Germany have cost the company more than 170 million Euros and entailed simultaneously a huge image loss (Financial Times, 2014). Consequently,

⁸ Refer to Table 3, Portfolio Lufthansa Group

Lufthansa needed to adapt its pricing and marketing strategy to face the fierce competition. Lufthansa's main pillars in its strategy are increasing the company value, shaping the aviation industry with innovation, digitalization and with a value-based steering of customer satisfaction to ensure future viability. The airline is positioned in the premium segment with its flagship carrier Lufthansa, his subsidiaries Austrian and Swiss and operates with its sub brand Germanwings in the low cost carrier segment to compete with Ryanair and Easyjet on short haul flights within Europe. Lufthansa's new budget-fare subsidiary Eurowings offers short haul and long haul flights aiming to compete more efficient against LLC and Gulf carriers. With an aircraft of 622 in the passenger service, Lufthansa is one of the biggest aircraft fleets in the world. In 2014, the company has introduced a fleet renewal program to ensure travel comfort for passengers as well as to raise the environmental efficiency. Moreover, the reorganization will shorten the number of different aircraft types in order o create more transparency within the Lufthansa Group (Lufthansa Annual Report 2014).

3.2.1. Overall Marketing Strategy

Lufthansa has built its brand on the basis of a brand value of safety, targeting business and leisure passengers with different classes on board. The airline presents itself as “**the airline of choice** for the status-conscious business traveller” (first or business class) and on the other side as the value for money operator for leisure travellers seeking cheaper tickets (economy). In 2014, Lufthansa has introduced the premium economy class, which is a totally new travel class on long haul routes for the first time in 35 years. It is positioned between economy- and business class with regard to its pricing model. The purpose is to attract new target groups, which highly value more personal space, comfort and product features on board.

This study focuses on the Lufthansa brand itself and excluded its subsidies and sub brands in order to compare appropriately the service quality with its competitor Emirates on long-haul flights. The Lufthansa brand symbolizes technical excellence, innovativeness as well as

German culture. However, the brand was perceived as passionless and overly professional, failing to establish a connection with the customer on an emotional level, so that the airline launched a comprehensive redesign of Lufthansa's identity, image, passenger services and airplane interiors to attract new customers. The new brand experience of Lufthansa combines an environmental design, which spotlights contentment and comfort at its home airport Frankfurt and Munich.

3.2.2. Advertisement and Campaigns

The new brand strategy was dedicated to communicate the company's brand core and brand values. Under the slogan "non stop you" Lufthansa emphasis its unique position in terms of time schedule and route network.⁹ Flying with Lufthansa can save travel times, especially to one of the top 10 long haul destinations compared to its competitor Emirates (Grimme, 2009). Especially time sensitive travellers like business passenger's value short waiting times at the airport and short connection flights.

3.2.3. BTL & ATL

Lufthansa uses BTL advertisement to inform and offer special deals on its own homepage and on its partner's homepages. In 2012, with the "non stop you" campaign the airline implemented a worldwide media strategy aiming to integrate consumer centricity in all disposable channels. Starting to use out of home advertisements on banners and city light posters the campaign reached high attention on the new alignment. The purpose of the campaign was to promote desire, showing loving couples, inspired artists or enthusiastic young professionals as an emotional attachment. All people in the ad are flying to their destination with excitement and joy. Ensuring a seamless marketing campaign to deliver the message on a variety of devices and channels, the motives can be seen in all above-the-line tools as well as in print media like in the newspaper "Süddeutsche Zeitung", "Die Welt" or in

⁹ Refer to Table 4, "non stop you" campaign

magazines like “Stern” or “Focus”. Evaluating 20 advertisements in the ATL and BTL environment, it is eye-catching that the number of tactical campaigns is way higher than long-term corporate brand building advertisements inferring that Lufthansa tries to achieve their financial targets by possibly risking to lose sight of creating high-end brand values.

3.2.4. Customer Relationship Management

Star Alliance and Miles and More

In 1997, Lufthansa and four other airlines (Scandinavian Airlines, Thai Airways, Air Canada and United Airlines) founded the largest global airline alliance, **Star Alliance**, headquartered in Frankfurt am Main. 28 airlines are currently member of Star Alliance reaching together 1330 airports in 192 countries with 727.42 million annual passengers in 2014 (Star Alliance Facts and Figures, 2014). Every airline benefits from Star Alliance as they may cut the costs of distribution and booking fees by merging their sales offices and sales staff in each other’s country. Therefore, Lufthansa’s passengers gain advantages from the largest network worldwide with shorter connection times, a shared common ticketing and check-in counters, as well as lounges and baggage facilities at the airports without any need to change terminals. Lufthansa’s frequent flyer program, **Miles and More** is the largest loyalty program in Europe with over 25 million members in 2014 and was launched in 1993. Points can be collected on all Star Alliance flights, which is an enormous advantage for all members. Especially business travellers value the codeshare agreement when they fly long distance with different fully integrated airlines collecting miles for the whole distance in order to redeem frequent flyer miles. Moreover, customers appreciate qualifying themselves for a higher status in three categories (Frequent flyer, Senator and HON circle¹⁰) accessing certain privileges like using the airport lounges or getting an upgrade on a flight. The purpose of Miles & More is to

¹⁰ HON circle is a top-tier status on the FFP Miles and More. Passengers can collect miles only flying on Economy Premium, business or first class.

generate high customer loyalty and to strengthen the relationship with its customer equity by rewarding loyalty through prizes and seasoned promotions.

Regarding **sponsorship engagement**, it has become increasingly pivotal in the overall marketing and customer-focused communication at Lufthansa. The airline is the “official carrier” of Bayern Munich and the German Football Association, which both are worldwide popular and successful. In 2014, when Lufthansa flew the team back to Berlin from the World Cup in Brazil, millions of Fans have seen the “winner plane“ on TV. As one of Bayern Munich’s premium partners, Lufthansa advertises on hoardings in Munich's Allianz stadium and in many promotional campaigns being able to reach an international audience in all UEFA Champions League matches. Moreover, the airline is the official sponsor of the German Olympic Team and the National Paralympic Committee Germany, as part of its social commitment and responsibility. All sponsoring activities reinforce its own brand values to raise awareness and strengthen the Lufthansa’s image in the premium segment.

3.2.5. Social Media

Lufthansa established a multi-brand strategy on all current social media sites including Facebook, LinkedIn, Twitter, Instagram and YouTube to engage with existing customers and potential passengers. Additionally, the airline created the Lufthansa Social Media Newsroom, which is a source for news and information about the company combining major online activities on a single website to facilitate easy entry into the Lufthansa’s online presence. Social media exposure of the brand has improved over 2013-2014 focusing closer on Instagram and LinkedIn. On Facebook, the followers have increased to 1.8 million in 2015, but Instagram followers have increased proportionally higher (165.000) and LinkedIn subscribers have doubled (up to 100.000) compared to 2014. On YouTube, the subscription rate is consistently low with 21.000. The Facebook page is updated nearly daily with a variety of content including news, video advertisements of planes, photos of team members of the

sponsoring football club Bayern Munich and interactive competitions to win flight tickets or electronic devices such as Ipad or Headphones. The site is also used to offer customer services as a platform for suggestions, feedback and complaints including, for example, actual news about strikes, flight delays or compensation payments. The interaction, comments and insights are very useful for future online processes as word of mouth through social media is the most effective way to raise brand awareness for Lufthansa. The tendency to share personal insights is still low since Germans are not solely entertainment focused and derive rather valuable information, compared to the Asian or US market. Nevertheless, the response rate has increased over the past months considerably and the online behavior is changing proactively especially among younger target groups.

3.2.6. Augmented Reality App

With the introduction of the new premium economy class to its entire fleet Lufthansa aims to boost long haul operations and become more competitive, especially on routes to Asia. In 2014, Lufthansa introduced the first augmented reality app, which was created for interested passengers to experience the new premium economy seats via their screen. It provides a 360° view of the new interior and explains the new functions and features. Users can create computer-generated animations of different objects, which are dedicated to destinations available on premium economy. Alongside the app the new campaign for the premium economy class was promoted on YouTube and on TV. This was a totally new approach to increase awareness of the new class and had a high response and like rate in the following months.

“The app is an interactive way to drive home the benefits of Premium Economy by closing the physical and emotional space between customers and the brand. We’ve delivered a world first for Lufthansa in the digital space that amplifies the Premium Economy offer whilst building brand intimacy in a fun, informative application” (Mat O’Brien, creative director)

4. Methodology

The following section of this paper explains the research methodology and the used methods. Furthermore, it describes the data collection process, study correlations and gives recommendations for both airlines in the final chapter.

4.1. Research Approach

This study is based upon a descriptive analysis applying quantitative research methodology aiming to detect a relationship between a successful implementation of a marketing strategy with customer satisfaction in the airline business. Review of the literature on the airline industry has shown that the success of the marketing activities is strongly influenced by the overall customer satisfaction and reputation of the airline (Shaw, 2011). Thus, it is hypothesized that the communication policy and in general all related media and marketing activities are affected by customer's needs and satisfaction before, during and after the flight. For the study at hand the German market will be considered. In conclusion, this research study empirically tests and examines correlations between a successful marketing strategy and high customer satisfaction using hypothesis-testing methods.

4.2. Data collection method

Customers of both airlines were surveyed in order to achieve a wide range of cross sectional data about passengers and potential customers. In order to generate a representative analysis all age groups were asked to fill out the online questionnaire. The data was collected by using a self-administered online survey, which was analyzed with descriptive statistics and statistical hypothesis-testing using SPSS software. The questionnaire was divided into five categories¹¹ and respondents filled out their extent of agreement in conformity to the respective statements. A five-point Likert scale ranging from "1-completely disagree" to "5-

¹¹ General preferences, Brand & Image perception, Media activities, Online behavior, Personal experience

completely agree” was applied for questions relating to Brand & Image perception, Media activities, Online behavior and Personal experience.¹²

4.3. Data Analysis and Results

Overall 303 participants answered the questionnaire and 248 have indicated that they have been on a long distance flight either with Emirates or Lufthansa. Thus, the sample size of 248 was used for the analysis. 231 participants have been flown on long-haul routes with Lufthansa and 173 with Emirates. Concerning the demographic profile of the sample, the sample consisted of 56% male respondents and 44% females¹³. Regarding the participants age, the sample is well spread between the ages of 21 to 30 (32%), 41-50 years (31%) 31-40 years (22%) and 51 and above (14%)¹⁴. In terms of the highest degree of level of education the participants have obtained, 48% hold a Bachelor’s degree and 35% a Master’s degree¹⁵. Furthermore, 46% of respondents indicated that on average, their monthly income ranges more than 3000 Euros per month¹⁶. As well, 66% fly between 0-3 times a year and 82% answered that their country of residence is Germany¹⁷.

4.3.1. General Preferences

The first part focuses on the general preferences and booking behavior of the participants in order to create a profile¹⁸. 81% claimed that they inform themselves about special deals and offers before booking a flight. Additionally, the price of the ticket plays a decisive factor in their booking behavior¹⁹ and 56% stated that they also consult their family and friends before purchasing. Since only 36% claimed that they consider comfort more important than price the question aroused if there is are correlation between the age group and comfort preferences. If

¹² The Likert scaling is a bipolar scaling method. In this study the first two answers 1 and 2 and the 3 with no significant results were grouped to 0 and the last two positive digits 5 and 6 were grouped to 1. Only Group 1 was used for the descriptive Analysis.

¹³ Refer to Table 5, Gender distribution

¹⁴ Refer to Table 6, Age distribution

¹⁵ Refer to Table 7, Level of Education

¹⁶ Refer to Table 8, Monthly income distribution

¹⁷ Refer to Table 9, Country of residence

¹⁸ Refer to Table 10, General preferences

¹⁹ “I always book the cheapest flight no matter which airline it is”: 61%

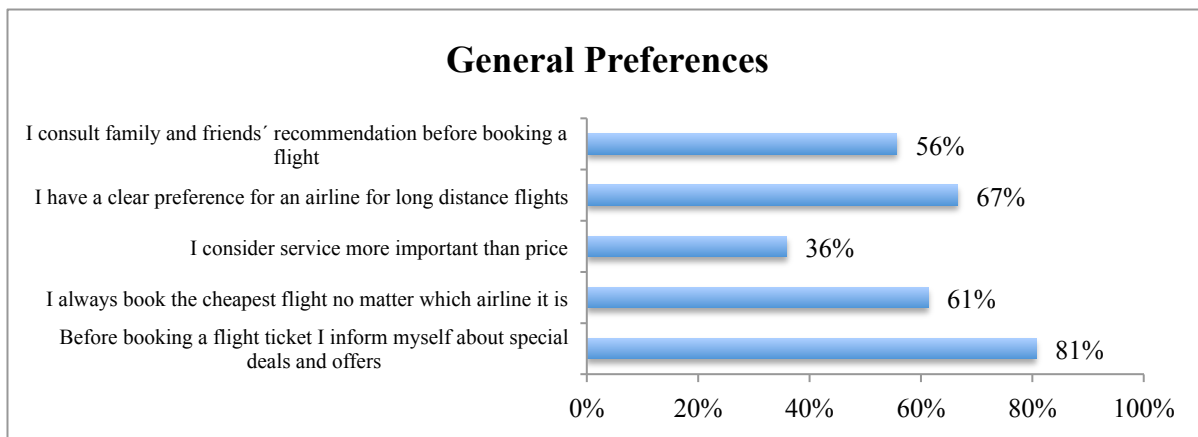


Table 10: General preferences

we can determine the expected frequencies under the assumption of independence between comfort over price preference and age of the participants, the chi-square distribution determines whether there is a significant difference between observed and expected frequencies. If the p -value is smaller than 5%, the null hypothesis will be rejected and the alternative Hypothesis will be validated. Concerning the comfort criteria a normal correlation with the age groups can be analyzed ($\Phi = 0,459$) and therefore significance can be assessed²⁰. Therefore, it is proven that the older generation is more likely to rank comfort over price evoking different customer approaches. Targeted and personalized communication methods are needed to successfully attract and retain this segment, which is at the same time the most valuable group in terms of purchasing power.

4.3.2. Brand and Image perception

In the second part the brand perception about both airlines was evaluated. A minimal difference in the recognition of both brands (1,2%)²¹ can be observed. However, there is a significant

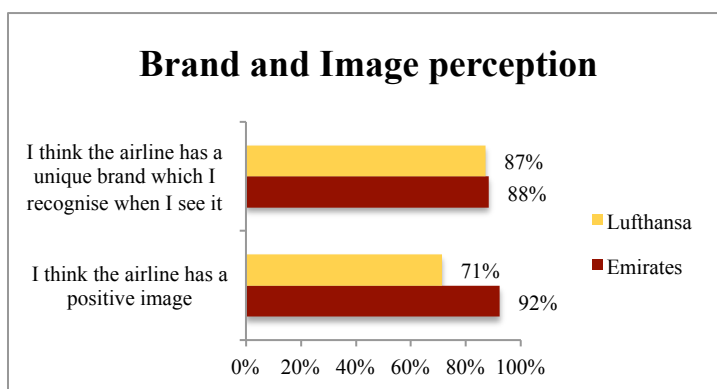


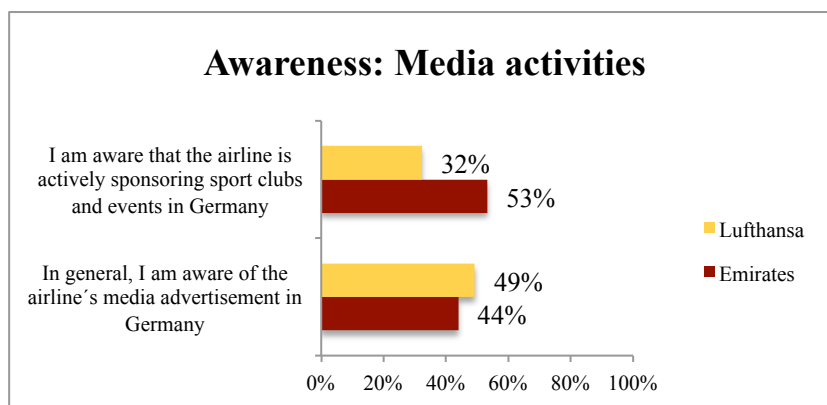
Table 12: Brand and Image perception

²⁰ Refer to Table 11, Chi-Square Test: Age groups vs. "I consider comfort more important than price"

²¹ Refer to Table 12, Brand and Image perception

gap²² in “having a positive image”. With 92% Emirates reaches a significant positively perceived image in the German market. Lufthansa enjoys also a positive position ranked with 71%, but lagged behind its Arabian competitor. One reason for this result might be attributable to the co-pilot suicide airplane crash in March 2015 operated by Germanwings, the low cost carrier owned by Lufthansa. Moreover, the massively increased strikes by ground staff and pilot unions in 2015 contribute to a negatively public opinion about the Lufthansa Group (Financial Times 2015).

4.3.3. Media Activities



With regard to the awareness of the media activities slightly one half recognizes both airlines advertisement campaigns.

Surprisingly, 53% claimed

Table 13: Awareness: Media activities

that they are aware of Emirates sport sponsorships in Germany in contrast to 32% of Lufthansa's, which is remarkably low for its home market Germany.²³ Another unexpected result is the amount of answers to the question if participants can name the newest Lufthansa or Emirates advertisement either printed or online.²⁴ This open question was answered 39 times and 26 remembered the advertisement campaign of Emirates and only 12 could memorize Lufthansa's activities.²⁵ This fact shows that the marketing strategy of Emirates has been successfully implemented to increase awareness especially having in mind that the Arabian carrier is operating in Germany since 2011 compared to Lufthansa's 60 year's of

²² "I think the airline has a positive image": Emirates has 21% more votes on the image perception

²³ Refer to Table 13, Awareness: Media activities

²⁴ Respondents could recognize Emirates "Hello Tomorrow" campaign or TV Spots with testimonials like Cristiano Ronaldo or Jennifer Aniston. For Lufthansa the majority mentioned the „Non stop you“ campaign, mostly billboards and online banners.

²⁵ Refer to Table 14, Awareness latest advertisement Lufthansa or Emirates

operation. However, less surprisingly, a higher percentage indicated that they are member of Lufthansa's miles and more FFP (144) in contrast to Emirates Skywards program (33).²⁶ These figures show a competitive advantage for Lufthansa reaching a higher customer base, thus, is better positioned in this case to increase its loyalty base.

4.3.4. Online Behavior

Regarding the online behavior it can be summarized that 96% use price comparison sites to research the best suitable flight. Moreover, 71% stated that they inform themselves on social media sites before booking a flight.²⁷ A chi-square test was applied to test the correlation between social media usage and age groups. Indeed, there is a significant correlation ($\phi=0,356$) between these two parameters and it can be summarized that the younger target groups from 21-30 years and 31-40 years are more likely to inform themselves on social media sites, where campaigns have higher impacts on the decision-making process to these target groups.²⁸ These preferences clearly show that the older generation in Germany has doubt to share personal insights and the openness towards online advertisements is depending exceedingly on the age. In terms of social media presence it can be summarized that Facebook is the most important channel in Germany for both airlines (Lufthansa: 96 Emirates: 58).²⁹ With regards to the newsletter subscriptions, Lufthansa has a tremendous higher amount of users (173) in comparison to Emirates (26), due to its home market position.³⁰

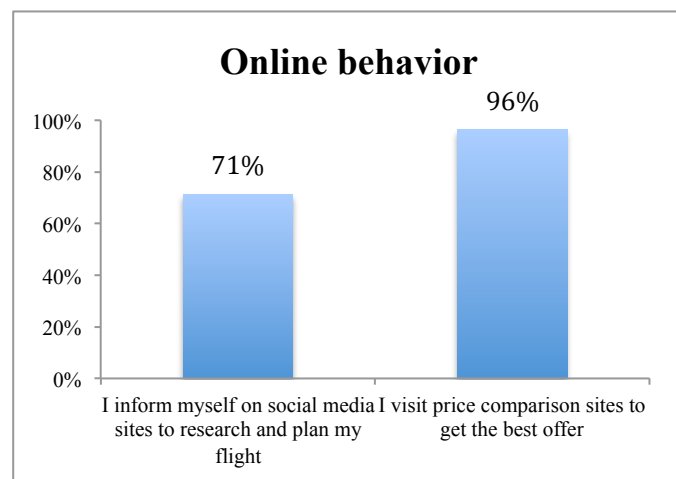


Table 16: Online behavior

²⁶ Refer to Table 15, Membership of FFP

²⁷ Refer to Table 16, Online behavior

²⁸ Refer to Table 17, Chi-Square test: Age groups vs. "I inform myself on social media sites to research and plan my flight"

²⁹ Refer to Table 19 & 20, Social Media followers Lufthansa & Emirates

³⁰ Refer to Table 18, Newsletter subscription

4.3.5. Personal Experience

In the section personal experience participants should value six factors using again a Likert scale to review their previous experience either with Lufthansa or Emirates. Here, Lufthansa was marginally better positioned in terms of its company culture, Costs and the Network of routes served. The Gulf carrier, however, has earned higher resonance on Image and Safety on board, which again can be emerged from this year's suicide airplane crash of Germanwings.³¹ This hypothesis was proved with a two-paired t-test.³² The Null Hypothesis is rejected and the alternative Hypothesis is validated resulting that there is a significance correlation between Safety on board at Emirates compared to Lufthansa.³³ The results of the two-paired t –test signify that Lufthansa should pay close attention to one of his main strategy pillars “safety”, which is clearly shattered and will have harming consequences of its overall performance and its customer loyalty base.

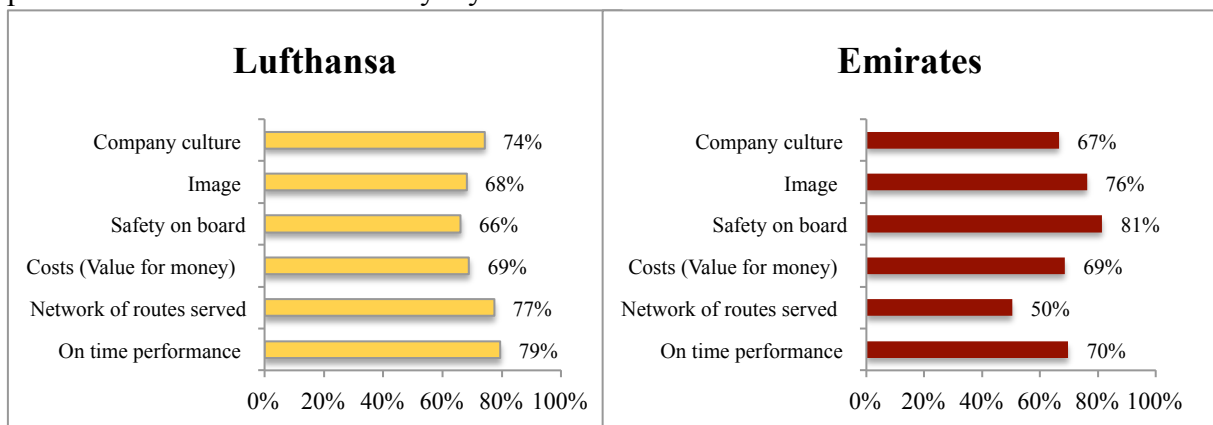


Table 21&22: Personal experience Lufthansa vs. Emirates

Analyzing ground and inflight services in detail, participants were asked to rate 10 parameters using a Likert scale. Interestingly, Lufthansa received a higher resonance in terms of Ground services like Check-in, Baggage handling, Booking services, and Emirates dominated rather in Inflight services like Service on board, Cabin crew appearance and Inflight-Entertainment

³¹ Refer to Table 21 & 22, Personal experience: Emirates & Lufthansa

³² H0: There is no difference in Distribution and H1: There is a difference in Distribution

³³ Refer to Table 23, T-Test: Safety on Board Lufthansa vs. Emirates

system.³⁴ In sum, both airlines were positively evaluated due to similar service quality and processes, but the value-added services Emirates offers make a slight difference in regards to its customer satisfaction ratings.

4.4. Limitations

In general, the sample size (n=304) is not representative of the German population of 80.62 million, which limits the validity of the results. Additionally, 66 answers could not be analyzed as they were filtered out by not flying either with Emirates nor with Lufthansa, which reduced the sample size to 248. Secondly, not all passengers perceive a huge difference between these two airlines in terms of service or image. Moreover, another limitation for the questionnaire design was the fact that just long-haul flights of Lufthansa should be evaluated conflicting sometimes with giving feedback not including short-haul flights, which was mentioned in feedback E-mails the author received. Indeed, the distinction should have been drawn between the flight-class passengers and the age groups with regard to divergent expectations of an economy, business or first-class passenger.

5. Recommendations

This study has shown that the performance of both airlines are linked to a high extent on the satisfaction and perception of travellers. Differences and similarities in marketing activities were evaluated and assessed. Out of these results the following chapter will provide recommendations for both airlines for future activities in the German market.

5.1. Lufthansa

a) The study demonstrated that Lufthansa lags behind Emirates in terms of Inflight and Ground services and in terms of Image and Safety. The airline should evaluate each performance and take measures. The implementation and improvement of *unique value added services* is indispensable in order to attract and retain business travellers and

³⁴ Refer to Table 24,25,26 and 27 Ground Service & Inflight Service at Lufthansa & Emirates

passengers on first and business class, which are the most valuable passengers in terms of revenue per available seat mile (RASM) on long haul flights.

b) Lufthansa should use the advantage as being a member of Star Alliance allowing passengers a wider *offer of network* and carriers, which especially the German passengers truly value. The travellers enjoy benefitting from an attractive *frequent flyer program* as customers collect more points using different carriers around the globe.

c) Furthermore, Lufthansa should continue improving its *social media campaign*, with a national multichannel strategy using Facebook as a mash-up platform to reach its target group to increase the customer loyalty base and interact with its younger passengers actively to receive insights about their booking behavior and address properly their needs. This study has shown that especially young travellers inform themselves via social media sites about new updates and value receiving valuable insights about new trends. Innovations like the introduction of the augmented reality app, the German company has set a new trend, which can be a competitive advantage for the upcoming years.

d) Online Marketing and *Mobile marketing* should be increasingly important in its overall strategy targeting especially the leisure and youth orientated group. Nevertheless, Lufthansa needs to take into consideration that the balance between its LCC segment and its luxury long-haul routes will be a huge challenge competing against the Gulf carriers and the European low cost carrier. Its reputation as a leading traditional carrier and high-end brand is certainly at stake facing tremendous high threats including massive strikes, aggressive competition and a tarnished reputation after the airplane crash of its sub-brand Germanwings.

e) The German carrier should consider that a crucial *game changer* will be *Wi-Fi access on board*. At the moment, using the internet service on board for one hour costs 9 Euros at Lufthansa, which is tremendously high, compared to Emirates offering 500MB for 1\$ on long haul flights (Homepage Lufthansa and Emirates December, 2015). Passengers highly

appreciate the web access to modify and personalize their environments, which increase the possibilities for productivity for business travellers and entertainment for leisure travellers and Lufthansa has to stay competitive in this field avoiding losing passengers to competitors.

5.2. Emirates

a) Emirates should keep its reputation that customers feel surrounded by an exclusive comfort aiming to encourage the number of its **frequent flyer program** to strengthen customer loyalty in Germany. Moreover, the **sponsorship activities** in Germany should be reconsidered as the Gulf carrier exclusively sponsors only the biggest and most successful football clubs in Europe compared to the Hamburger SV, which is in the lower half of the table in Germany since several years.

b) Bookings through mobile apps will increase in upcoming years and Emirates is lagging behind in this mobile segment in Germany. Therefore, the airline should consider implementing **mobile and tablet applications** for the German market to offer its customers an easy to use and fast way of booking experience.

c) Moreover, the need of **personalization opportunities** to tailor the travel both at the airport and during the flight will play an important role in the near future. The Gulf carrier should be aware of the innovation of its competitor on long haul routes to the Asian pacific region. Air France-KLM has introduced for example the “Happy Flow” concept. This program uses *“facial recognition technology as the basis of a single passenger token and removes the need for passengers to present their passport and boarding pass at multiple stages of the airport journey”*(Future travel experience, 2015). The true significance of this project and the impact could have on the airport experience on a global scale should reinforce Emirates to adapt similar innovations to stand out as the lifestyle brand it aims to be.

c) Emirates remains out of the low cost carrier market focusing on long haul routes and high-end travellers. With its differentiation strategy the marketing activities on the German market

were well implemented and reached an exclusive target group. The Gulf carrier aims to become a *technology leader* in the airline industry with its innovative tools such as on board spa concept or being one of the pioneers with offering Wifi and in-flight calling for all classes. Nonetheless, Emirates faces fluctuating fuel prices in its home region and regional turmoil in some of its destinations, which could harm the airline's growth. Moreover, European airlines, especially Lufthansa pressured on governments to issue regulations to hinder Emirates' venture into new German destinations like Berlin or Stuttgart. Through the worldwide "Hello tomorrow" campaign and the unique sport sponsorship engagement Emirates has become one of the most recognized brands within a short amount of time and is the leading brand in terms of brand value worldwide.

6. Conclusion

New innovative trends including technology-based services in the airline industry will focus on a personalization of the passenger to ease the travel. Mobile adoption will evolve rapidly towards a much more interactive approach using social media and location-based information to solve problems and complaints in a faster way. With data collection about passengers' needs, wishes and expectations, airlines can benefit from greater flexibility and lower costs by reacting faster to unpredictable situations. In the aviation industry, customer satisfaction and loyalty are highly fluctuating depending on safety, image and value added services the airlines are offering. In summary, this study has shown that Emirates and Lufthansa are well positioned in terms of its marketing strategy in Germany, but when Emirates will strengthen its "Hello tomorrow" campaign with that pace since its operation in 2011 in Germany, the Gulf carrier will certainly make use of its economic strength and can become a frightening threat for the Lufthansa Group on long-haul destinations.

7. References

- Bieger T., Müller R., Wittmer A. (2011): Aviation Systems – Management of the integrated Value Chain, Berlin, Heidelberg
- Gleich R., Fay C., Wald A., (2010): Introduction to Aviation Management, Berlin
- Grimme W. (2011): The Growth of Arabian Airlines from a German Perspective – A study of the impacts of new Air Services to Asia, German Aerospace Center, Cologne
- Kotler P., Keller K.L., (2012): Marketing Management, 14th edition, New Jersey
- Meffert H., Bruhn M. (2012): Dienstleistungsmarketing: Grundlagen-Konzepte-Methoden, 7th edition, Wiesbaden
- Pompl, W. (2007): Luftverkehr eine ökonomische und politische Einführung
- Shaw, Stephen (2011): Airline Marketing and Management, 7th edition, Burlington.

Internet sources:

- Brand Finance, Airlines 50 (2015), Accessed on 10th of December 2015,
http://brandfinance.com/images/upload/brand_finance_airlines_50_2015.pdf
- Deloitte, Raising above the Clouds (2013), Accessed on 10th of October 2015,
http://www2.deloitte.com/content/dam/Deloitte/ie/Documents/ConsumerBusiness/rising_above_the_clouds.pdf
- Emirates Annual Report (2014): Annual Report 2014-2015, Accessed on 13th of September 2015,
<http://www.theemiratesgroup.com/english/facts-figures/annual-report.aspx>
- Euromonitor, Passport 2015, Deutsche Lufthansa AG in Travel and Tourism (World), Accessed on 15th of July 2015, <http://www.euromonitor.com/deutsche-lufthansa-ag-in-travel/report>
- Financial Times, Lufthansa's new budget airline cleared for take-off, accessed on 18th of August 2015,
<http://www.ft.com/intl/cms/s/0/6d86e350-7b03-11e4-8646-00144feabdc0.html#axzz3jA2m5AFs>
- Financial Times, Lufthansa's grim struggle in crash aftermath, accessed on 10th of November 2015,
<http://www.ft.com/intl/cms/s/0/08f51518-d843-11e4-8a68-00144feab7de.html#axzz3vuNYoXez>
- Future Travel Experience (2015), Aruba Happy Flow lays foundations for revolutionary European preclearance programme, Accessed on 15th of December 2015,
<http://www.futuretravelexperience.com/2015/06/aruba-happy-flow-lays-foundations-for-european-preclearance/>
- German Air Transport Statistics, Accessed on 21st of August 2015
<http://www.statista.com/statistics/275944/brand-value-of-airlines/>
- Horizont Interview, Interview with Head of Marketing Schlaubitz, Accessed on 22nd of August 2015,
<http://www.horizont.net/marketing/nachrichten/-Lufthansa-Marketingchef-Schlaubitz-will-maximale-Transparenz-114673>
- Lufthansa Group (2014): Annual Report 2014, Accessed on 12th of September 2015,
<http://investor-relations.lufthansagroup.com/en/finanzberichte/annual-report/2014.html>
- Sabre Airline Solutions (2013): The future of Air Travel: Improved personalization and profits through the integrated use of customer data, written by The Economist Intelligence Unit, Accessed on 13th of September,
<http://www.sabreairlinesolutions.com/images/uploads/The-Future-of-Air-Travel-Executive-Summary.pdf>
- Star Alliance, Facts and Figures 2013, Accessed on 22nd of August 2015
<http://www.staralliance.com/assets/doc/en/about/member-airlines/pdf/Facts%20and%20Figures%202013%20as%20of%2018JUN13%20-%20FINAL.pdf>