

# *Emirates Airline: The new norm of air travel?*

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On April 9, 2017, passenger David Dao was forcibly removed from a United Airline's flight, hitting his face, rendering him unconscious, leaving him with a broken nose, missing teeth, and sinus injuries (McLaughlin, 2017). Not two weeks after, an American Airline's employee was accused of hitting a woman with a stroller as she entered a plane sobbing, holding an infant. As a male passenger intervened, during this incident, a fight nearly ensues with the American Airline's employee (Karimi, 2017). The year 2017 has been a year of viral customer service incidents for airlines based in the US, leading way for United Arab Emirates' (UAE) based Emirates Airline to showcase their superior customer service, as they enter new markets worldwide (Brodey, 2017).

In their 30 years of business, Emirates Airline has revolutionized the way the world thinks of air travel. When flying with Emirates one can expect: complimentary airport transfer chauffeurs, large and spacious fleets, inflight Wi-Fi and power outlets, onboard lounge and bar, gourmet dining, pamper kits, optional private suites, refreshing inflight spa and showers, and television with over 2,000 channels. As mentioned, Emirates Airline is entering new markets and seeking new routes worldwide. For example, in March of 2016, Emirates Airline launched the longest non-stop commercial flight in history. The flight departed from Emirates Airline's home base in Dubai, and traveled continuously for sixteen hours to Auckland, New Zealand (Yu, 2016).

With deluxe amenities being offered by Emirates Airline, this begs the question, is this strategy feasible, and even more important, sustainable? Atwal and Williams (2009) suggest that luxury marketing in the travel and tourism industry is particularly difficult due to its intangible nature. For industries like retail, luxury marketing is a more reasonable feat. The Holiday Book at Neiman Marcus, a shopping catalog, has a tangible way of signaling exclusivity and directing attention to a select consumer segment by listing such items as a \$1.5 million private jet available for purchase, or a \$100,000 set of children's books (Wahba, 2016). But in travel and tourism, one only gets to experience the luxury while in the airport or on board the flight. There is no take home tangibility, only a memorable experience.

Emirates Airline claims it does not want to exclude all passengers and only cater to the most- wealthy. To the average person these

aforementioned amenities offered seem exclusive to the wealthy, but in reality, Emirates Airline also caters to multiple classes of travelers including: business, government, religious, military, student, and more. Recently, the company's objective has been to build on their successful business model while leading the industry in delivering better efficiencies and customer outcomes (Emirates Group, 2016). This case examines the development of the company, investigates luxury branding through impression and brand management, and delves into some of the strengths, weaknesses, opportunities, and threats Emirates Airline holds. Through this, the case will meet the following learning objectives: identifying Emirates Airline's strategic position in the international air-space, determine differences in brand management practices between a luxury and low-cost airline, assess the sustainability of a luxury airline, and examine how current events, legislation, and other external forces influence Emirates Airline and the airline industry.

## **Background and History**

Emirates Airline's story began in 1959 when the Dubai government established dnata to provide ground handling services at the new Dubai International Airport (Figure 1). Today, dnata is one of the largest suppliers of combined air services including ground handling, cargo, travel, and flight catering services, and is the largest travel management services company in the United Arab Emirates. It is also a subsidiary of Emirates Airline (dnata, 2017). In 1960, the airport was opened by Sheikh Rashid bin Saeed Al Maktoum who implemented an open skies, open seas, open trade policy, in part to help eliminate the country's dependence on oil resources. More than ever, the "travel and tourism industries are being actively developed as major revenue generators" (Albers, Koch, Lohmann, & Pavlovich, 2009, p. 209). The implementation of this policy was one of the first contributions to building the business-friendly Dubai that we know today.

Discussions then began in 1984 between Sheikh Mohammed bin Rashid Al Maktoum and Maurice Flanagan, director and general manager of dnata, about launching an airline based in Dubai. Later that year a business plan was devised, the name of the airline, Emirates, was chosen, and the decision to build the airline on top of dnata was made. The next year in 1986, due to infrastructure and expansion costs, the young company would post losses for the only time in its history. Nonetheless, the Airbus A310-304 was added to their lineup the next year, designed to Emirates Airline specifications, giving the

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**Figure 1**

## Historic Photos of Dubai International Airport (Left- 1965; Center-1971, Right-2000)



airline the opportunity to further implement their commitment to offering a flying experience superior to their rivals (Emirates, 2017a).

Over the next several years the company continued to expand its portfolio. By 1988, only 38 months in business, the company had route networks to a total of 12 destinations. On its sixth anniversary, the airline was servicing 25,000 passengers per week among 23 destinations. Dubai International Airport saw passenger arrivals hit the 11 million mark in 1999. Emirates Airline's first flight to New York's JFK Airport occurred in 2004 and was marked as the first non-stop passenger flight from the Middle East to North America (Emirates, 2017b). Today, Emirates Airline has been the most valuable airline brand in the world for the past 5 years, with an estimated value of \$7.7 billion. Emirates Airline's also operates the world's largest fleet of Airbus A380s and Boeing 777s (Emirates Group, 2016). In 2016, customers recognized Emirates Airline's outstanding service by awarding the airline with the title of "World's Best Airline" at the World Airline Awards (Skytrax, 2017). Emirates Airline strives to continually invest to improve their products and services to ensure that they remain a major, if not the top, contender in the international air travel industry.

### Strategy and Positioning

When managing a brand that offers luxury products and services, companies are aware that it is the status of the product or service that the consumer is purchasing, not the actual product itself. For the airline industry, a low-cost airline and Emirates Airline will both get you to the same destination; however, the status of flying Emirates and the amenities it offers are what makes the product a luxury (Figure 2). Simply put, luxury can be defined as exclusivity or rarity. According to the theory of impression management, research states that consumers are highly affected by the internal drive to create a favorable social image from the outcome of their purchase behavior (Hennigs, Siebels, & Wiedmann, 2007). Some view luxury as useless and superfluous because it focuses

on the realm of desires rather than necessities (Mortelmans, 2005). On the other hand, some people crave luxury products solely in spite of them not being vital to life. The idea of having the "best of the best" is what draws consumers to luxury products. So much so, that when marketing your business as a luxury brand, the job is practically done for you. It is human nature to desire the finer things in life.

But is luxury what one seeks in an airline? In a typical customer flight experience there are multiple transaction points one will encounter during their travels (Anderson, Pearo, & Widener, 2008). Prior research has shown that the most important attributes for in-flight service is courtesy of attendants, safety, comfort and cleanliness of the seat, and responsiveness of attendants (Tsaur, Chang, & Yen, 2002). Other research suggests that services offered between the flight origin and destination,

**Figure 2**

### Actress Jennifer Aniston in Emirates TV commercial showing luxuries like using a tablet while lying in onboard sleeping suite



time involved in making the trip, the value of the service, and baggage concerns are of vital importance to customer satisfaction (Gursoy, Chen & Kim, 2005). More research suggests that interactions with flight personnel, the aircraft itself, amount of personal space, food on the flight, and timeliness of the flight are all predictors of customer satisfaction; and that these satisfaction levels vary greatly with certain customer characteristics like age and gender (Anderson et al., 2008). The addition of luxury into each of these aforementioned drivers of customer satisfaction is what Emirates seeks to accomplish, and they have been rewarded through numerous public awards as discussed next.

### **Service Awards and Industry Reviews**

Emirates Airline continuously and successfully meets the expectations of most travelers according to many industry surveys and reports. A comprehensive survey from 2010 was conducted among frequent flyers of seven major airlines operating longer haul flights out of the UAE (Al-Aali, 2011). These airlines included Air France, British Airways, Emirates, Etihad Airways, Qatar Airways, Swiss Air, and Virgin Atlantic Airways. The purpose of the survey was to measure the level of service quality provided in terms of customer experience from flight booking, all the way through check-in, baggage drop, boarding, plane conditions, in-flight services, to disembarkation and final baggage claim. Results of the survey indicated that Emirates Airline outperformed its rivals in each of these areas (Al-Aali, 2011). Also, as stated previously, Emirates Airline is a four-time winner of the number one airline in service since 2001, and has not fallen out of the top five airlines since 2013 as evaluated by the following categories: ground/airport, onboard: product, and onboard: staff service (Skytrax, 2017; Table 1). From a subjective perspective of luxury, in 2013 when Air-France-KLM CEO Alexandre de Juniac flew Emirates, he took 15 pages of notes of his personal experience when flying to take back to his own airline for improvements

(CAPA, 2015). With its long run of awards and accolades, it is inevitable that competitors will be curious as to what Emirates Airline is doing differently, and look for ways that they can implement some of Emirates Airline's strategies into their own business.

### **Fleet**

Emirates Airline utilizes multiple business strategies that have proven successful to the company, one of which focuses on their impressive fleet of aircrafts. Specifically, Emirates practices strong environmental commitment by operating one of the world's most eco-efficient fleets and also by their involvement with the Dubai Desert Conservation Reserve. Due to their young age, Emirates Airline's average fleet age is only 6.4 years old as compared to the IATA average of 11.3 years (GoGreen, 2012). Because of this, fuel efficiency and CO2 emissions are lower than the IATA average. But, Emirates has also received some negative attention from competitors who claim Emirates has an unfair advantage over them. Most of this criticism has come from European flag carriers, as they have been the most vulnerable in losing valuable intermediate stop's in one's home country (CAPA, 2015). Until 2003, Emirates initial expansion had gone largely unnoticed until the airline made the largest aircraft order in history for 71 wide body aircrafts. Today, they are the world's biggest operator of wide-bodied jets (Emirates Group, 2016).

Air France has also accused Emirates of ordering too many of Europe's A380s, claiming that "it would seem difficult to meet all of their growth targets" (Table 2; Open Sky, 2009). However, Emirates believes that the A380 best represents the most efficient, environmentally friendly, and productive large aircraft as they begin to grow their fleet and implement their replacement strategies. Yet, the large size of the aircraft does impact their ability to reach certain markets that cannot handle them.

The company also received negative attention when Emirates Airline was able to promote the growth of their company during the world recession. A spokesperson for the airline at the time said, "there was no temptation shown by the company to compromise standards or adopt a 'holding operation' until the world economy recovered" (Safi, 2011). When the airline industry was in a crisis, Emirates Airline was still able to generate a profit of \$964 million (Safi, 2011). This is counterintuitive to what typically occurs during a recession; in which large businesses will see sales and profits decline as costs are cut, and hiring is frozen (Davis, n.d.). Major competitors have alleged that Emirates Airline and others have benefited from fuel and infrastructure subsidies (like dnata), lopsided financing and taxation arrangements and operating outside of the boundaries imposed on commercial airlines. Seeing as Emirates Airline is owned by the Dubai government and "operates in a tax free environment with no legacy costs" (O'Connell, 2011), these allegations are not unwarranted.

### **Internal and External Stakeholders**

**Table 1**  
**List of Top 10 Airlines in 2016**  
(Skytrax, 2017)

1	Emirates Airline
2	Qatar Airways
3	Singapore Airlines
4	Cathay Pacific
5	ANA All Nippon Airways
6	Etihad Airways
7	Turkish Airlines
8	EVA Air
9	Qantas Airways
10	Lufthansa

**Table 2**

**Airplane (A380) orders placed in 2009 compared to regional population of headquarters (Open Sky, 2009)**

Airline	Firm A380 (passenger orders)	Regional Population
Emirates	58	260m (Middle East)
Qantas	20	36m (Oceania)
Singapore Airlines	19	568m (SE Asia)
Lufthansa	15	499m (EU)
Air France	12	499m (EU)
British Airways	12	499m (EU)

*m= millions*

Emirates Airline has seen positive, growth for its return on shareholder investment over the past five years. With positive growth, the company employs a strategy of rewarding its shareholders by offering them special privileges and small discounts. Emirates recorded such a profitable 2016 that they were able to ensure a strong 23.8% return on their shareholder's investment (Emirates Group, 2016; Figure 3). This is a major accomplishment for any business, but shows that Emirates Airline continues to bring in a remarkable profit and growth of the company while focusing on luxury consumer elements.

With such strong returns for its investors, it would be assumed that Emirates Airline would likely be a leader in human resources best practices within the airline industry. The company consists of 84,000 employees from over 160 nationalities (Emirates Group, 2016), but it has been publicly implied that Emirates fails to treat all of their em-

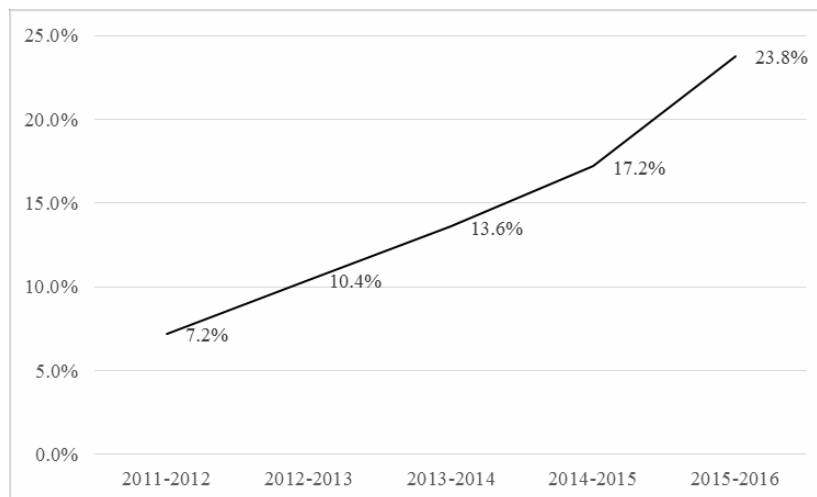
ployees fairly which can cause poor public relations in today's highly communicative environment. Most recently, an Emirates flight attendant reportedly was fired after falling down the stairs in the company's signature red high heels (Ward, 2017). According to an opinion article found on [www.DontFlyEmirates.com](http://www.DontFlyEmirates.com) titled, "Failure of recruitment policy in Emirates Airline", some employees of Emirates are "trapped" within the company. It claims employees have great expectations when starting a career with the luxurious airline, but soon after many employees seek out more employee friendly airlines like, Fly Dubai and Qatar Airways. Supposedly these airlines offer higher salaries and better employee benefits than Emirates and when employees join the Emirates Airline workforce they are forced to sign a non-compete contract. Once employees sign this contract they are committed to only employ with Emirates or are forced to quit the airline industry altogether (Truth About Emirates Airlines Management, 2014). The company counters this, claiming to provide a range of excellent benefits to their employees and instills a strong diversity policy, as they believe employees are their biggest asset (Emirates Group, 2017). Other airlines like Southwest Airlines utilize a perceptually more ethical management practice by providing their employees competitive salaries and job security (Condemi, Ferguson, Milliman, & Trickett, 1999). Southwest claims that they are the cheapest airline, yet they continue to rank at the top of the list in customer service among other airlines. Employees at Southwest enjoy working for the company because they have "a sense of family" at work and receive great benefits.

**Customer expectations**

With their competitive positioning as the number one airline in 2016, it is expected Emirates would score exceptionally well in areas

**Figure 3**

**Emirates Return on Shareholder Investment (Emirates Group, 2016)**





such as online booking, transfer services, cabin cleanliness, quality of food, assistance during boarding, staff attitudes, and more (Skytrax, 2017). Subjectively, it is rare to find any extremely low customer reviews when evaluating Emirates. These rare bad reviews all seem to have one thing common, cabin space (Skytrax, 2016b). Reviews on AirlineEquity.com, which is directed through Skytrax, indicate that the cramped seating of the business and economy class do not meet the expectations of consumers. One economy traveler wrote in his review that there was “not much more room than a cheap airline” on his Emirates flight. Travelers perceive Emirates as a luxury airline and expect much more from Emirates than less expensive airlines. The business and economy seats of Emirates Airline are still priced at a luxury value. Consumers who purchase these tickets expect the space and comfort of a luxury aircraft. Nevertheless, the first class cabin has more than enough space to allow for leisure travel. By giving the first class cabin exceptional treatment, Emirates runs the risk of insulting the business and economy travelers. Some consumers argue that if a traveler wants first class treatment, they should purchase a first class ticket. Others may desire that Emirates was more like Southwest Airline, which has only one cabin level and treats all flyers with the same level of respect.

For this reason, branding your business as a luxury company has its drawbacks. A major risk companies impose on themselves when using the luxury strategy, is expectation. If consumers perceive a brand to be luxurious, they will expect luxurious customer service, amenities, and experiences along with the product. The higher the price tag, the higher the expectations, however, Emirates has priced their product not far from its competitors, especially for long-haul flights.

### ***External forces***

Changes in the political environment are certain to augment the airline dynamics, in particular for Emirates Airline. For the US, certain travel restrictions have been established by United States President Donald Trump. Specifically, Emirates declared it would cut flights to five US cities because of weakened demand from the travel restrictions (Cornwell, 2017). From the same restrictions, Turkish Airlines and Emirates were placed under a ban that would not allow passengers to have laptops in the cabin, unlike other major US based airlines for fear of bombs (Cornwell & Butler, 2017). To help in gaining ground in the US, Qatar Airways, one of Emirates largest competitors is set to begin purchasing up to 10% of American Airline shares in order to expand its investment in North America (Humphries, 2017). American Airline and other US airlines are lobbying the federal government saying that overseas brands need more regulation; as they say, the foreign airlines are “encroaching on their turf” (O’Reilly, 2015).

### **Conclusion and Questions**

Even with an embroiled turf battle with US based airlines, Emirates Airline is employing US born actress Jennifer Aniston to help in selling

flights. It recently has activated a \$20 million advertising campaign to increase demand and showcase its luxury amenities, in particular for traveling families. Emirates Airline’s precedence for luxury has transformed air travel from a burden into a tranquil experience. The innovative airline shows no signs of slowing down as it was recently stated that Emirates Airline is considered the fastest growing airline in the world (Shaban, 2015). Emirate Airline has grown so exponentially that the company has announced plans to invest \$32 billion in a second Dubai airport to meet the rapid growth of the airline. The second airport will be called Al Maktoum International at Dubai World Central (Jones, 2014). Emirates Airlines president, Tim Clark, has stated the airline will soon be the largest airline on the planet in terms of international passenger traffic. The airline is expected to have more than 250 aircraft serving 70 million passengers across six continents by 2020 (Sambidge, 2013). However, until recently, the travel restrictions put forth by the US may change the growth rate at which these plans are set to happen.

With all of these strengths and weaknesses considered combined with the forces outside of their control given the political environment Emirates competes in, what should Emirates focus on next? Currently, Emirates Airlines aims to connect travelers around the world with luxurious non-stop flights. The airlines rapid growth and success is proof that the company’s luxurious approach to air travel has been well received, but external changes and certain weaknesses as discussed may knock the company from its top spot as number one airlines. Emirates Airlines changed the way passengers saw air travel, but what can it do next to maintain its position as the world’s number one airline?

### ***In-Class Discussion Questions***

- How have the recent airline service failure incidents with United and American helped or hurt the airline industry as a whole? How has Emirates fared? (Learning objectives 1,4)
- What amenities are most important to you in airline travel? How much would you be willing to pay to ensure you receive these amenities? (Learning objectives 2,3)
- What are some current events you have heard of recently that could affect Emirates Airline’s business strategy? (Learning objectives 1, 2, 3 4)

### ***Summary of the Case***

With the recent incidents that have occurred in the airline indus-