Emirates Airline: The new norm of air travel?

try, service and customer focus is becoming a more scrutinized topic in the world of air travel. This case study gives readers an insight into luxurious skies through the evaluation of Emirates Airline, which is headquartered out of and in part owned by the government based in Dubai, UAE. Using theoretical underpinnings in brand management, and impression management, this case showcases Emirates Airline's strategic positioning and presents some of the competitive advantages, and disadvantages, the airline has over their competitors. The goal of this case study is to educate readers on this unique travel industry niche in which Emirate Airline is a part of, and why the Emirates standard could soon be the new norm of air travel.

Learning Objectives

This case presents a history and details of the luxury airline, Emirates Airline. After reading and discussing this case study, students should be able to:

- Explain Emirates Airline's competitive position within the international airspace.
- Determine differences in brand management practices between a luxury airline brand like Emirates Airline and a low-cost airline.
- Analyze the sustainability of a luxury business strategy in the airline industry.
- Examine how current events, legislation, public relations incidents, and other external forces can influence an airline and shape future business decisions.

Target Audience

The intended audience of this case study is undergraduate students pursuing a hospitality or business management focused degree, in particular for an upper-level strategic management or capstone course. In addition, this case study could be relevant to the curriculum of a travel and/or tourism based course within a hospitality or business management degree plan.

Lesson Plan

The lesson structure is conducted in three phases. The first phase is an inquiry phase before the case is distributed. Its primary intent is to provide students with familiarity into the airline industry, major competitive players, current events, and best practices in the industry. This can be done as an in-class activity or out-of-class assignment depending on the instructor's classroom management techniques and practices. The second phase deals with an in-class examination of the case complete with its own set of discussion questions and instructor resources to increase class interaction. Finally phase three can be one or two assignments with a SWOT analysis project or a written assignment (see actual student responses included).

Phase 1

As an in-class or out of class assignment pre-case inquiry, have students find the following information (may be done in small groups of 2-3 depending on class size):

- External forces:
  - Information regarding current legislation in air travel domestically and internationally.
- Marketing/Public Relations
  - News stories, press releases, and other information in which airlines have had a service failure. How were they rectified, was it satisfactory?
- Human Resources
  - Which companies have the best human resource practices? Cite examples of each.
- Sustainability/Environmental Affairs
  - Environmental impact of airlines. Which aircrafts are the most impactful? Compare fleets from: Emirates v. Qatar v. American
- Financial/Pricing
  - Browse ticket prices to and from various destinations (use destinations closest to you) at different classes to get an idea of their pricing and how levels of tickets compare.

Allow 10-15 minute informal presentation of answers found. Or may be turned in as a written assignment.

Phase 2

The case study should then be introduced before class so that students have ample time to read before attending the next class period. The discussion questions at the end of the case should be discussed in a large group format.

Instructors are advised to use some of the following resources to demonstrate in class:

CNBC video about the airline industry profits:

- https://www.cnbc.com/video/2017/08/30/a-very-good-year-so-far-for-the-airline-industry-executive.html
- MSNBC video about public relations incidents
- http://www.msnbc.com/for-the-record-with-greta/watch/what-s-wrong-with-the-airline-industry-928578115635

Instructor may show the following videos about Emirates flight experience:

- Cabin Tour: https://www.youtube.com/watch?v=tx0gMidbJvI

- A380 First Class: https://www.youtube.com/watch?v=tJijj-qMx4U
- Conversely, this video provides a tour of the plane United Airlines uses:
- United Airlines 777 inside airplane: https://www.youtube.com/watch?v=MgyQQm4w-zA

After, the instructor may inquire with students regarding relevant facts from the case and then engage in the discussion questions provided at the end of the case. The instructor may then choose to assign the SWOT analysis for presentation or the potential writing assignment

Phase 3 option 1- SWOT analysis

Have the students split into groups of 4 or 5 and conduct a SWOT analysis and prepare a 10-15 presentation. While they are provided some of the strengths, weaknesses, opportunities, and threats, they will need to conduct a thorough analysis and then decide on the next steps that the company will take considering all of the inputs for the business and create a short term business strategy. Key issues to focus on:

- Government
  - UAE has an ownership in Emirates Airline
  - US travel restrictions
- Human resource practices
  - Ethical leadership/ethics
- Pricing/Accounting
- Environmental issues/Green practices
- Marketing
  - Public relations
  - Brand management
    - Socioeconomics
    - Luxury

Phase 3 option 2- Potential Writing Assignment with Actual Student Sample Response

Possible answers to the case study discussion topics and questions are discussed in this section of the teaching note. Instructors may pick as many questions as desired for assignment, but suggest at least three.

1. *Do you think that branding the company as a luxury is sustainable? Why or why not? (Learning objective 3)*

   The dictionary definition of luxury is "the state of great comfort and extravagant living". Emirates offers gratifying comfort in an industry that is not normally associated with comfort. According to Inc.com there are ten primary reasons consumers are willing to pay more when making a purchasing decision.

   Emirates exhibits several of the items on the list, for example "the product arrives more quickly" (James, 2013). Emirates offers the longest non-stop flight in the world. This is appealing to consumers who need to get to a destination quickly and/or consumers who do not enjoy the hassle of layover's and plane changes. Another item on the list suggests that consumers are willing to pay more for luxury for the reputation associated with the brand. Consumers are willing to pay more "to feel and look wealthy" (James, 2013).

   The article also states that consumers are willing to pay more for friendly customer service. One of the major components to Emirates Airlines is their superb customer service. Consumers are willing to pay more when they know that if a problem occurs "it will be handled quickly and cheerfully" (James, 2013). And last but not least, consumers are willing to pay more for comfort and a stress-free experience. The price difference between common airlines and Emirates is worth the absence of hassle. For most people, traveling is stressful and uncomfortable. A majority of Emirates Airlines passengers are traveling for pleasure, perhaps for a glamorous get away in Dubai. Emirates target market is typically more concerned with comfort than financials. "People don't worry about the cost of salt when they have a big fish to fry" (James, 2013). Branding Emirates as a luxurious company is sustainable because consumers are willing to pay more for efficiency, reputation, and comfort.

   Counter argument: Branding Emirates Airlines as a luxury brand is not sustainable because of the fluctuating economy. Luxury items may always be sought after but not necessarily purchased. For example, the largest luxury conglomerate in the world, LVMH, reported the slowest growth it has seen since 2009 in the fourth quarter of 2015 (Vesilind, 2016). Financial experts believe the economic slowdown in China is to blame for LVMH's sagging sales (Vesilind, 2016). The Chinese market crash has affected consumers and retailers around the world. Consumers are more likely to purchase tangible items over services and experiences during a global crisis. This puts Emirates Airlines at risk during economic downturns. The majority would not consider the experience Emirates offers to be a necessity. Branding a company as luxury is not sustainable in a fickle economy.

2. *Using the definitions of luxury provided in the case, explain if you believe impression management is a customer driven concept tor brand driven concept. (Learning objective 2)*

   Recently, viral pictures of airline travel from the 1950s emerged (see photo below) and this question made me think that it is more the brand that is driving this concept. Airline travel is not new, but its accessibility has been expanded. What used to be a concept only for the elite, the rich, and the famous, is now something most everyone can purchase. So Emirates saw the glamorous days of travel past and more luxurious accommodations and wanted to provide something that was desired, that not everyone could have when they traveled. By doing this, the rarity, value, and difficulty to imitate is created (because airplanes would have to refashioned for their spacious luxurious sleeping pods). But even if a customer doesn't travel in the highest ticket price class, they are still receiving levels of customer service that Emirates Airline claims is hard to find elsewhere. In other words, I don't think that customers were asking for it, but when it was provided, those who saw the opportunity to create luxury took advantage of it. So the company was the driving force.

3. *Was it unethical for Emirates to not compromise standards and airfare during the recession? Why or why not? (Learning objectives 3, 4)*

   Emirates Airline is a company that caters to the wealthy. The company has no ethical responsibility to adjust its business model during an economic recession. The airline is known for world- class service and amenities. The company would lose the reputation of being the most luxurious airline in the world if they changed their high standards for service. The glamorous airline gives back with the Emirates Airline Foundation. The foundation provides food, medicine, education and housing to children in need all around the world (emiratesairlinefoundation.org). The company has an ethical responsibility to charity, however the company is not responsible for making a luxury experience cheaper for first class travelers. If I were in charge, I would uphold the values of Emirates by maintaining the high standards and expectations of the airline. I would continue to support charities and foundations but I would not compromise the quality experience of Emirates. Emirates Airlines has positioned themselves as the holy grail of all airlines. It would not make sense to change the business model of a successful company in such a competitive industry. The company is not ethically responsible to change the core element of the business model during economic recessions.

   Counter argument: Emirates Airline should adjust their standards and prices during an economic recession. The company should make these adjustments as an ethical responsibility to their passengers.

   Emirates has a responsibility to consumers and should make adjustments when possible to allow consumers to enjoy their services. The airline should focus more on basic travel than high-class service during economic crisis. It would be oblivious for the company to focus on extraneous services and reputation during an economic crisis. It is typical for companies to cut back on expenses when sales and revenues decline due to economic recession (Davis, n.d.). If I were in charge I would set the glamorous amenities and services aside and primarily focus on getting passengers from A to B. I would adjust the business model to align with common airlines such as, American Airlines. This would help the business financially while being faithful to consumers by providing discounted travel. Emirates owes it to their customers to adjust standards during times of need.

4. *Is it unethical to treat passengers differently based on their ticket price and status? How could you prevent such encounters that reference jealousy and dissatisfaction in the economy class? (Learning objectives 2, 4)*

   It is not unethical to treat passengers differently based on their ticket status because consumers willingly know the type of service they are warranted based on the cast system in airlines. Consumers would not pay more for first class tickets if they were treated the same way as coach passengers. The first class section of an airplane is designated to passengers who are willing to pay more for more space, comfort, and high-class service. In many cases, a business class ticket can cost more than ten times the price of a coach ticket (Hill, n.d.). The economy section of an airplane is for the more practical traveler. The ticket status on airplanes gives consumers options. It is not unethical to treat passengers differently based on a choice they made. First class passengers paying ten times more than coach passengers should receive more attention and services. The whole reason consumers pay more for first class tickets is to receive higher quality service, entertainment and comfort. The best way to prevent dissatisfaction in the economy class section is to offer those passengers a higher level of service than they would receive in the economy section on a competing airline. It is impossible to completely eliminate jealously among passengers as it is a natural response. However, a way to prevent jealousy could be to keep the first class section curtained off from the economy class. This would prevent economy passengers from seeing the exact treatment the first class passengers receive. This would also create a VIP sensation for the passengers would paid extra for their first class ticket. Excellent customer service throughout the airplane is the best way to avoid dissatisfied passengers. It is important to remember that Emirates Airline is not an American company. Many Americans believe in social equality conversely the culture in the United Arab Emirates is much different than it is here in the States.

   Counter argument: It is unethical to treat passengers differently based on their ticket price and status. It is not right to offer special treatment to certain passengers just because they can afford more than other passengers. Every passenger should be treated equally and fairly. Why should airlines be able to choose who and who is not privileged? To prevent jealously and dissatisfaction Emirates could change their fleets to a "one-class" only model. Southwest Airlines uses this method, their planes are made up of one large section with no seat assignments. Once "onboard a Southwest plane everyone on the plane is equal"

(Roth, 2015).

5. *What are the company's core competencies or sources of competitive advantage?(Learning objectives 1,2)*

   Some of the competitive advantages of Emirates Airline include:
   - Frequency of long haul flights
   - Effective pricing strategy
   - Young age compared to competitors
   - Environmental responsibility
   - Ownership by United Arab Emirates government

   These are just a few of the competitive advantages of Emirates Airline, but they show how the airline has been able to rise above their competitors in the relatively short time they have been in operation. The frequency of long haul flights and their pricing strategy gives Emirates the ability to relatively cheap tickets at a lower cost and therefore translates to profitability for the company. Their young age means they don't pay legacy fees to their employees, and their aircraft are younger resulting in reduced costs for maintenance. The age of the aircraft also adds to their environmental responsibilities efforts, and they also participate in several environmental programs. The United Arab Emirates government monitors operations of the airline and ensures they comply with standards and remain competitive. Students should demonstrate an understanding of why these advantages have proven successful to the company.

6. *Do you believe United Arab Emirates ownership in Emirates Airline affects some of the restrictions being placed on Emirates Airline (example: the laptop ban)? Do you think the company would be more or less successful moving forward if it was privately owned or publicly traded?(Learning objective 4)*

   The case mentioned that Qatar airlines is seeking to buy a 10% stake in American Airlines and that the Gulf airline carriers are seeking to expand their routes in the US to gain market share. The US based big three airlines are pushing back with American Airlines CEO stating that American Airlines is "competing against countries, not airlines" (Benning, 2017). With statements like this it does appear that maybe the travel legislation put forth did have benefits to US based businesses, with the consequential effects of hurting internationally located businesses. With the current travel restrictions, the Qatar purchase seems unlikely and its feasibility lacking. It would appear the travel restrictions put forth by the US would hurt the Gulf carriers as many of these passengers would either a) no longer be willing to leave the country for fear of not being able to return or b) lack of entry into the country due to travel visas. Emirates is certainly in a unique position with their government backing and the US airlines being publicly traded companies owned by shareholders. I do not think that if Emirates had a different ownership structure the restrictions would change, I think all Gulf based airlines would be encountering the same restrictions, regardless of ownership.

7. *How would you expand the company? Can growing at such a rapid pace hurt the company in the future?(Learning objective 1)*

   For this question, students will give their opinion on how they would expand Emirates Airlines. They should have a basic understanding of business practices and strategies. They should take a look at financial statements and determine if certain expansion ventures are feasible or not. Students should give 3- 4 ways in which they would expand the business, such as acquisition of smaller airlines, technological developments, expansion to more cities, etc. Note: The second part of this question is strictly opinion. Whether the student says rapid expansion of the company will have a negative or positive impact in the future, they should provide 3-4 reasons to back up their opinion.

Additional Readings to provide graduate students

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