

Locate the emergency exit

Having the wrong man in charge can be disastrous for a brand, as British Airways is discovering

You're on a plane. You feel a shudder somewhere under your seat. Then another. With a disconcerting 'ping', the seat belt light above your head is illuminated and over the PA system, the pilot sternly advises everyone to buckle up. You fasten your seat belt with a gulp and wait for the turbulence to hit.

This is exactly the situation in which British Airways finds itself. The airline has lost £292m over the past six months. It's a sobering figure by any standard, even more so as airlines usually perform better during the summer. Last year, for example, BA made £52m profit over the corresponding period, before posting a £401m loss for the year. Imagine the kind of losses awaiting BA at the end of this financial year.

BA's chief executive, Willie Walsh, is convinced that the solution lies in drastic staffing cuts. The airline is on a collision course with its 14,000 cabin crew with its proposal to trim £140m in costs by reducing the number of staff on each flight, freezing pay, cutting 1700 cabin jobs and hiring future cabin crew on reduced salaries.

The plan has caused union uproar, but it is understandable. BA crews earn up to double that of other airlines' staff, despite not delivering a superior level of service. In the recent Skytrax rating of airline cabin crews by more than 4m passengers, lower-paid teams from the likes of Malaysian Airlines, Cathay Pacific and Thai Airways outperformed BA on a wide range of service metrics.

Walsh, however, needs to be cautious when casting aspersions about staff performance. This is the man who promised the opening of Heathrow's Terminal 5 would make air travel in the UK 'a calmer and much more enjoyable experience'. This is the same man who then took responsibility for the ensuing disaster, declaring that 'the buck stops with me', before firing his operations and customer-services directors.

He is also the man who promised he 'would not rest' until BA's punctuality and baggage performance were restored. Well, he must have had a restless 18 months, as the latest data from the Association of European Airlines shows BA is losing 15 bags for every 1000 passengers (placing it 22nd out of 26 airlines) and achieving only 82% of on-time arrivals for short- and medium-haul flights (18th out of 25).

'Willie Walsh needs to be careful when casting aspersions about staff performance'



Walsh is still at it. Interviewed last week about BA's disastrous performance, he told ITV that the airline was 'on the right path'. Among the 'positives' cited by Walsh were 'record operational performance' and 'record customer satisfaction'. Clearly he has not been looking at the same data that I, and most of his industry, have.

Look at the real picture, Willie. You are facing a Christmas strike, with all its implications for bad PR, negative brand equity and lost customer loyalty. You have shocking staff morale, in a business depending on service delivery. In May, you will have to reveal the worst losses in BA's history. And you have delayed introducing new planes, so your fleet is increasingly out of step with competitors such as Singapore Airlines and Qantas, which are flying A380s.

Leadership counts. As marketers, we often assess potential by looking at sales, brand equity and product line, while overlooking the quality of the managers. Having the right person at the helm can make all the difference. That is especially true when there is only one brand to manage. Get the right leader, such as Sir Terry Leahy at Tesco, and the transformation can be mighty quick. Put the wrong man in charge, and the implications can be disastrous.

Fasten your seat belt, Willie. There is turbulence ahead.

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30 seconds on... BA's turbulent 2009

- BA intends to cut 3000 jobs over the next six months; about 1900 more employees have left the airline since April. Staff represent BA's second-biggest cost after fuel, accounting for about a quarter of expenditure.
- 'If its most profitable business passengers don't come back in the numbers and paying the prices they were paying

- before the economic slow-down, then BA's current operating structure and cost levels will in no way guarantee its survival,' says John Strickland, director at air industry specialist JLS Consulting.
- New crew schedules will be introduced on 16 November. Trade union Unite, which represents most of BA's cabin



Walsh planning 3000 job cuts

crew, failed to obtain a high-court injunction to block these changes.

- Unite has vowed to press ahead with a strike ballot that could bring the airline to a halt from 21 December. Any industrial action over the Christmas period could deal a huge blow to British Airways' brand equity and long-term consumer loyalty.

- Saj Ahmed, analyst at Gerson Lehrman Group, believes BA must undergo major brand rejuvenation, but questions the viability of Willie Walsh to lead the change. 'Is he even the man to start this rejuvenation?' asks Ahmed. 'Questions will certainly be asked of his tenure if second-half earnings next spring are as bad [as the first].'