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Advertising

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Canadian Airlines

INTRODUCTION

Canadian Airlines was experiencing some turbulence in 1991. A hostile merger with Air Canada was in hot debate at the time of this case (1991 and 1992) and the fate of the airline was much in the news when the company broke with its 'Dawn of Civilized Air Travel' relaunch campaign.

Canadian Airlines was faced with a competitive challenge on the ground (and in the minds of the public) and in the air where its share of the market had sunk to an all-time low. Rather than give up the fight, Canadian went on the offensive. Research into the attitudes and perceptions of frequent air travellers (business travellers) was generating revealing data about their dissatisfaction with 'the reality' of business travel. The clutter of 'me too' seat sale advertising and corporate imaging that typified the existing state of affairs in airline advertising was creating the opportunity to break through with a new vision of what travel was really all about. But would straight-talk and a vision of 'civilized' air travel capture the attention of seasoned business customers? It seemed like a long shot. But the advertising's creative was so lush and eye-catching in both print and TV, the message was so honest and so targeted to the needs of customers and the *Wingwalker* TV creative raised so many eyebrows along with awareness, that the target market did notice.

Besides the clear gains in market share and awareness that can be attributed to this case, it is also worth noting the campaign's impact on employees. All too often, advertising creates fantasy workers not to be found in reality. The dissonance can be deafening when customers discover that the reality of the service is a far cry from what they expected. In the case of Canadian Airlines, the employees used the advertising as a source of inspiration and motivation. They worked harder to live up to their public image.

JUDGE'S COMMENTS

This case deals with the airline's relaunch program and the advertising campaign that conclusively contributed to a significant turnaround. The case rightly led with the inevitable question of how successful the advertising could have been, given the company's business challenges at the time; but then it went on to clearly demonstrate marketing success fuelled by a provocative, original and simple campaign idea and excellent execution.

Cogent identification issues and marketing objectives enabled bold, consumer-focused strategic thinking and breakthrough creative. Results were convincingly linked to the fully integrated advertising campaign's commercial results: increased market share, improved awareness, usage, preference and image measures; and improved employee morale and productivity.

EXECUTIVE SUMMARY

This case deals with the relaunch of Canadian Airlines and the advertising that contributed to its success. It covers the 12-month period from the launch of Canadian's advertising under the theme *The Dawn of Civilized Air Travel* in February 1991 through to the *Wingwalker* campaign in February 1992.

At the time, the nation's attention was focused on the expected merger of Canadian and Air Canada. For some, the idea of a bold advertising campaign that amounted to a relaunch of the company seemed pointless. The

question will inevitably be asked as to how successful can Canadian's advertising possibly have been? The fundamental issues, of course, lie outside the scope of this paper. Suffice it to say that Canadian's marketing success - as demonstrable as it has been - is in no way a panacea for an ailing industry, a deepening recession and insupportable debtloads.

The case also provides a rare opportunity to examine a unique competitive situation. The current duopoly with the two carriers virtually matched product, pricing and sales systems makes this a near-optimal test case, allowing the isolation of advertising as the most significant variable in the marketing mix.

In its position as second place carrier going into 1990, Canadian Airlines had found itself in a do-or-die situation. By virtue of familiarity and longevity, Air Canada was the dominant domestic carrier with deeper financial reserves. From a business perspective, Canadian badly needed to grow its share of the fiercely competitive domestic market and to improve yields by reducing its dependency on discounted and seat sale tickets.

In an industry where the power of brands is all-important, Canadian had little potency. Strategically, Canadian needed to revitalize itself domestically to compete with Air Canada and internationally to capture high-yield traffic and position itself in anticipation of future alliances. By repositioning itself as responsive to the needs of travelers, with a core target of high-yield, full-fare business travellers, Canadian believed it could revitalize itself.

The resulting advertising demonstrates the combined power of breakthrough creative and bold, consumer-focused strategic thinking. Until *The Dawn of Civilized Air Travel*, no other airline acknowledged the reality - much of it unpleasant, none of it glamorous - of business travel. *Wingwalker* brought this thinking further, by dramatizing the airline's recent successes and suggesting some of the reasons for them.

After one year the results of the campaign were conclusive. Canadian had increased market share, generated higher yields and dramatically improved awareness, usage, traveler preference and image measures.

SITUATION ANALYSIS

GENERAL

The air travel market in Canada is overwhelmingly dominated by the two national, regularly scheduled carriers: Air Canada and Canadian Airlines. Between them, they control over 90% of the domestic market. Since 1989, that market has contracted significantly. One out of every five passengers had, effectively, dropped out of the market. In the early 1990s, the recession and the Gulf War took big bites out of travel budgets, both leisure and business. At the same time, it was a period of tremendous corporate reorganization for the airline. There was a deepening corporate conflict between Air Canada and Canadian that was spilling over into the financial pages of the newspapers. All these factors had their effect. By mid-1990, Canadian Airlines' market share had stalled at 39%, compared with 53% for Air Canada.

BUSINESS TRAVEL

Business travel was a key component of this trend undergoing significant changes. Business travelers who fly at least six times a year account for 55% of all business trips made in Canada. They are the elite market segment of the airline industry for obvious reasons. Around-trip business fare from Toronto to Vancouver might cost about \$1,200 versus an economy fare of half that or a vacation charter fare at \$400 or less.

While the so-called 'back of the plane' passengers are expected to cover the operating costs of an airline, business travelers typically represent the profit. Unfortunately business travel was coming under close scrutiny in the years leading up to the case. Corporations were cutting back in absolute terms and almost as critically (for the airlines), those who were traveling were downgrading their ticket purchases. Those who formerly traveled business class started going economy and some were starting to take advantage of bargain charter flights and seat sales.

MARKETING

In establishing its leadership position, Air Canada had a 25-year head start over Canadian. Exacerbating this, Air Canada was the historically dominant advertiser. In 1990, Air Canada outspent Canadian Airlines \$17.3 million to \$15.3 million - see Table 1.

TABLE 1: ADVERTISING EXPENDITURE FOR YEAR PRIOR TO CASE - 1990

	(\$000)	
	CDN	AC
TV	3,717	5,312
Newspapers	7,337	9,030
Magazines	2,523	1,721
Outdoor	1,446	443
Radio	255	785
Total	15,279	17,292

Source: Media Measurement Services

In the year directly preceding the case, Air Canada outspent Canadian by 13%

As the new carrier on the block, Canadian had neither the credentials nor the resources to compete aggressively with Air Canada. In 1990, Canadian Airlines was just two years-old, the result of a series of mergers between Pacific Western, Canadian Pacific and, finally, Wardair. All of these had been carriers with very distinct images, regional strengths and cultures.

As a western-based (Calgary) airline, Canadian suffered from an undefined brand-image among business travelers in eastern Canada. This contributed to and worsened the airline's unhealthy dependency on discount fares and seat sales. To be competitive in the short term, Canadian had to capture an increased share of the lucrative business travel segment.

Over the long term, Canadian needed to dramatically reposition itself as a 'world class' airline with a strong brand-image to realize its goal of becoming a credible player in the industry.

Research indicated that the opportunity for Canadian Airlines lay in exploiting its latent service and customer satisfaction strengths. Canadian Airlines was improving its overall customer satisfaction and service quality. Focus group interviews among both Canadian employees and loyal fliers revealed a belief that the airline's actual performance on the ground, over the phone and in the air was superior to its prevailing image among the traveling public at large.

Out of this situation emerged the advertising challenges. First, how to use Canadian's under-appreciated service quality advantages to reposition the airline against the core target of business travelers and develop a long-term platform for the airline's marketing? Second, how to accomplish this on an advertising budget down 30 percent from the previous year?

STRATEGY AND EXECUTION

STRATEGIC DEVELOPMENT

The February 1991 opening of Pearson Airport's new terminal in Toronto (Terminal 3), with Canadian as its anchor tenant, provided a window of opportunity for Canadian Airlines. The airline was already committed to exploiting the launch of this state-of-the-art terminal as a major marketing event. The job of the advertising, however, was to give the opening of Terminal 3 relevance nationwide (not just to the Toronto market) and make it meaningful and symbolic in terms of Canadian's overall consumer positioning.

The solution? The official opening of Terminal 3 was used as the first tangible evidence of Canadian's

commitment to 'Civilized Air Travel.' Rather than promote the building's facilities per se, the advertising for the terminal was used to relaunch the airline itself.

Underlying this strategy was a new understanding of Canadian's key target market from which arose a core set of consumer values. Extensive pre-campaign research had uncovered the degree to which travelers felt frustrated and disenchanted with business travel and the clichés of airline advertising. Business travellers complained they were sick of conventional airline advertising which portrayed travel as fun and glamorous when the reality of business travel was quite the opposite.

Business travellers complained of the wide gulf between how airlines typically presented business travel in their advertising and the reality actually experienced by the travelers themselves. 'Complete nonsense' and 'credibility gap' were some of the comments elicited during the research. This information created a problem. Could this information be used in the advertising? In an industry in which advertising typically showed happy, refreshed and satiated passengers, it was a tough call to acknowledge publicly (and during a relaunch campaign at that) that things can go wrong.

The creative thinking was that by acknowledging the problems and hassles of business travel, even admitting that things will go wrong, could create empathy and a bond with business travellers.

'Civilized' would become shorthand for straight talk and honesty, a customer service-driven culture with genuine solutions, not fine china, false smiles and empty promises.

A second phase of research involved testing creative concepts based on that perception. Internal and consumer research was undertaken. Business travelers responded well to the real-life situations (delays, lost luggage, line-ups and so on). Employees also responded positively. The advertising involved them and recognized their contribution as 'part of the solution.' The test commercials helped establish levels of behaviour that were expected of them in dealing with the passengers.

EXECUTION

Phase 1: *The Dawn of Civilized Air Travel*

The opening of Pearson's Terminal 3 was the springboard event for *The Dawn of Civilized Air Travel*, and by extension, the relaunch of Canadian Airlines to the entire Canadian travelling public. The design, functionality and superiority of Terminal 3 became the proof of Canadian Airlines' commitment to civilized air travel.

MEDIA

A heavy burst of television advertising began with 30-second teasers, leading up to the 60-second 'Jungle' spot airing nationally on the eve of the terminal's opening. This coincided with an informational, eight page FSI (free-standing insert) in major dailies nationwide.

To drive home the importance of the event, Canadian Airlines Chairman and Chief Executive Officer, Rhys Eyton, delivered a corporate message in a specially produced, two-minute commercial. This spot was broadcast one night only, the eve of Terminal 3's opening, as part of the media strategy of owning the airwaves during the Grammys. Targeted primarily at the investment community and the airline's 16,000 employees who were asked to tune in, Eyton's speech publicly relaunched the airline.

Following this was a three-month cycle of television and print-advertising, explaining the principles and meaning of civilized air travel. These ads dealt with concrete issues, from scheduling and baggage-handling to customer care and meal choice as well as efforts to keep passengers informed.

Phase Two: Extending the Positioning to Leisure: *The Great Canadian Summer*

Heading into the summer of 1991, all-time low consumer confidence was having a major negative impact on the airline's leisure bookings. Filling the back of the plane was critical for the airline to meet its financial goals.

Again, an event was created - The Great Canadian Summer which successfully introduced the airline's civilized commitment to the leisure traveler. Taking a leadership role, Canadian assembled an unprecedented program of flights and vacation packages in conjunction with a variety of marketing partners. The goal was to remind consumers about the core benefits of a holiday and to stimulate interest in travel again by bringing across a message of great added value (not just seat sale prices). Tackling the root causes of consumer malaise head-on, the advertising raised the argument from a rational discussion about deals and prices to the higher level of the intrinsic rewards of a holiday. 'Even in a recession, some things never lose their value,' was the message.

Phase Three: *Wingwalker*

With the launch advertising having articulated and introduced Canadian's credentials as the airline promising civilized air travel, the next phase was to communicate Canadian's improving market performance and build momentum. The advertising cited market share gains achieved in the first two phases as demonstrable proof of Canadian's success. This was to be the airline's rallying cry, both internally for staff and externally for passengers. With Air Canada now outspending Canadian Airlines at a rate of almost three-to-one (Sept. to Dec. 1991, see Figure 4), it was also important to obtain bonus leverage from the media, by creating hoopla and news around the advertising itself.

TABLE 2: ADVERTISING EXPENDITURE - MARCH 1991 FEBRUARY 1992

	(\$000)	
	CDN	AC
March-May	4,838	5,011
June-August	1,678	1,210
September-November	1,858	6,354
Dec-Feb	1,446	3,021
Total	12,725	15,596

Source: Adscan

During the 12-month duration of the case, Air Canada outspent Canadian by 23%

Backed by a continuous tracking study illustrating the clear advantages established by Canadian - in terms of best domestic service ratings and of ratings of employees - this next phase of advertising was bold and assertive. Launched nationally during the 1992 Winter Olympics, *Wingwalker* dramatized the growing preference for Canadian by showing passengers crossing over to Canadian via the wing of an aircraft flying in mid-air.

RESULTS

BUSINESS PERFORMANCE

With airline travel down 20% entering the 1990s, neither airline could rely on expanded volume to achieve business growth. In an environment of market contraction, the most indicative measure of business success is market share. Of necessity, the airline's strategy was to capture share from Air Canada.

At the second quarter of 1990, before its relaunch, Canadian Airlines' share of the domestic market was 39 per cent, an all-time low for the airline. By the second quarter of 1991, after the launch of *Dawn of Civilized Air Travel* in February, share had climbed to 43 per cent. By July 1992, after *Wingwalker*, Canadian Airlines' share had climbed a further three points, to 46 per cent of the domestic market. (In the airline industry, a single share point is equivalent to an estimated \$26 million in passenger revenue.) Except for a brief period in 1989 during which Air Canada crews were on strike, this represents an all-time high market share for Canadian Airlines ([Figure 1](#))

Revenue Passenger Miles (RPMs) are the industry's most reliable measurement of yield, representing the revenue generated per passenger mile. Canadian's increased share of RPMs during the period had to beat the expense of Air Canada's ([Figure 2](#)) because the business travel market was not growing.

ISOLATING VARIABLES

Advertising Expenditure

Canadian's advertising successes have come in spite of consistently lower advertising expenditure and share of voice. Compared with 1990, spending by both airlines was down approximately 16 per cent. In the 12-month period from March 1991 through to February 1992, total media spending for Air Canada was \$15.6 million versus \$12.7 million for Canadian Airlines - a 23 per cent difference (Table 2).

EVALUATION

Quantitative Research

Nowhere is Canadian Airlines' success as apparent as in the quantitative evaluation of its communications. Advertising is monitored primarily through two independently conducted research studies, an annual business traveler survey, and a continuous tracking study. Since the launch of the 'Civilized' campaign in February 1991, key measures directly relating to the advertising awareness, usage, preference and image have all undergone significant positive shifts.

Among the core target of frequent business travellers, Canadian's top-of-mind brand-awareness has increased 20% (July 1991 to July 1992).

This growth has come at the direct expense of Air Canada ([Figure 3](#)).

Canadian took over first place from Air Canada in terms of top-of-mind advertising awareness. Canadian's top-of-mind ad awareness increased 21 per cent ([Figure 4](#)).

Canadian advertising has consistently captured a share of positive impressions at least 70% greater than Air Canada advertising ([Figure 5](#)).

Loyalty to Canadian Airlines has increased. Claimed primary usage of Canadian grew 19% on long-haul and 11 per cent on short-haul flights. Corresponding decreases in Air Canada primary usage were claimed by business travellers ([Figure 6](#)).

For the first time, Canadian surpassed Air Canada as the preferred airline for domestic business flights, both short-haul ([Figure 7](#)) and long-haul ([Figure 8](#)).

On virtually all soft (service-related) image attributes, perceptions of Canadian moved further ahead of Air Canada ([Figure 9](#)). On all hard image (schedule and destination) attributes, Canadian reduced its deficit position ([Figure 10](#)).

Employee and Trade Response reactions to Canadian's advertising among its own employees, both union and management, have been nothing short of overwhelming. Comments about *Wingwalker* illustrate the pride of employees:

This new ad makes me very proud to be a Canadian employee ... This ad brings in my heart courage, energy and determination to work hard providing the best quality service to our customers.

(Flight attendant, Montreal)

Crews were so motivated by *Wingwalker* that new passengers were spontaneously welcomed as wingwalkers and the phrase was routinely used during in-flight announcements. The message proved so inspirational that, at the suggestion of crew members, buttons were actually produced bearing the slogan, 'Wingwalkers Welcome Here'. Twenty thousand buttons have since been distributed by staff.

The absolutely unprecedented volume of congratulatory letters, faxes and telexes to Canadian's marketing

communications department from staff and the travel trade provide some of the most illuminating evidence of the campaign's success.

MEDIA COVERAGE

No advertising in recent memory has been as talked about or received as much attention by the Canadian media as *Wingwalker*. The commercial itself, and Air Canada's subsequent legal challenge (dismissed in the Quebec Superior Court) received extensive coverage in the press, including reports in the *Globe & Mail* and *Financial Times*, in addition to daily newspapers across the country. In a light-hearted vein, *Wingwalker* was spoofed by the Royal Canadian AirFarce, and has been the subject of numerous cartoons. All this attention helped *Wingwalker* achieve a 92 per cent aided recall level despite the relatively short, four-week flight in which it initially aired.

CLIENT

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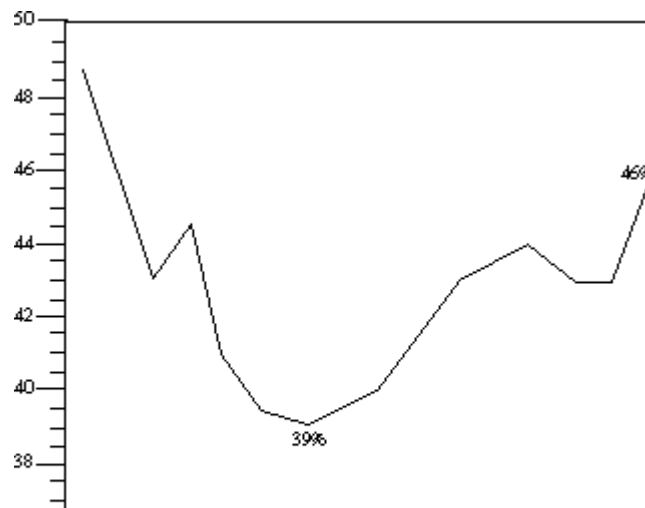


<http://www.warc.com>

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NOTES & EXHIBITS

FIGURE 1: DOMESTIC MARKET SHARE

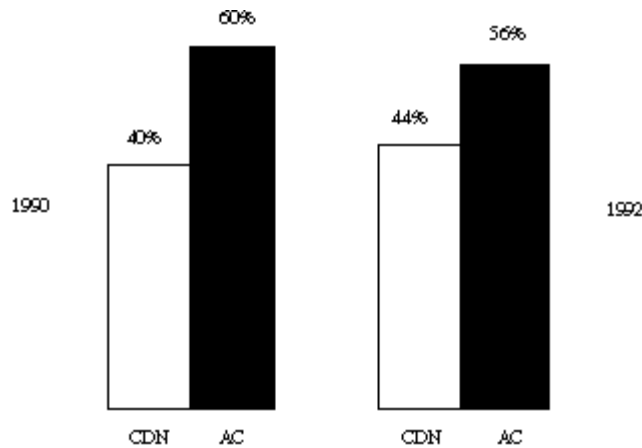




Source: Bank Settlement Plan, 1992

Market share for Canadian Airlines increased 18% (7 points) between 2nd Q 1990 and July 1992

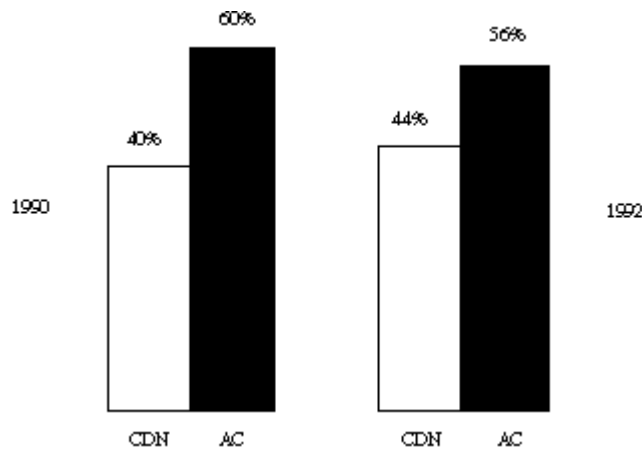
FIGURE 2: REVENUE PASSENGER MILES - SHARE OF DOMESTIC RPMS



Source: Bank Settlement Plan and CAIL Marketing

In addition to gaining market share, Canadian has been capturing high yield traffic directly from Air Canada

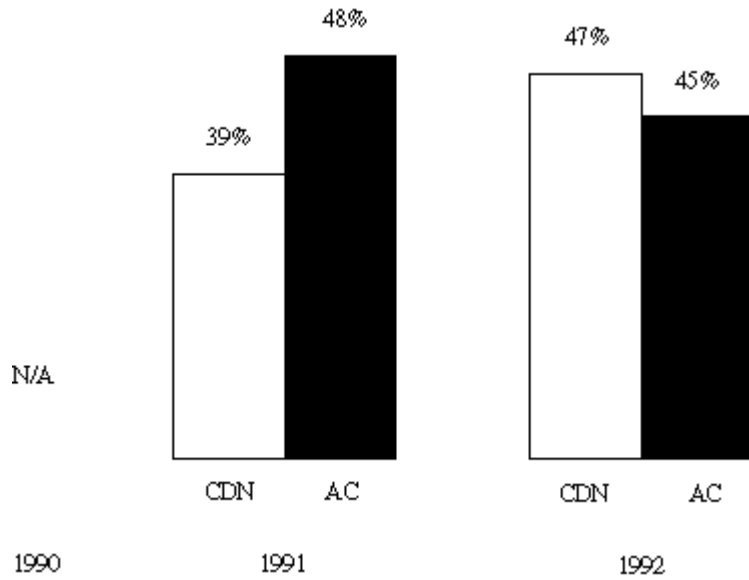
FIGURE 3: BRAND AWARENESS - TOP OF MIND BRAND AWARENESS - NATIONAL



Source: ISL annual business travelers study

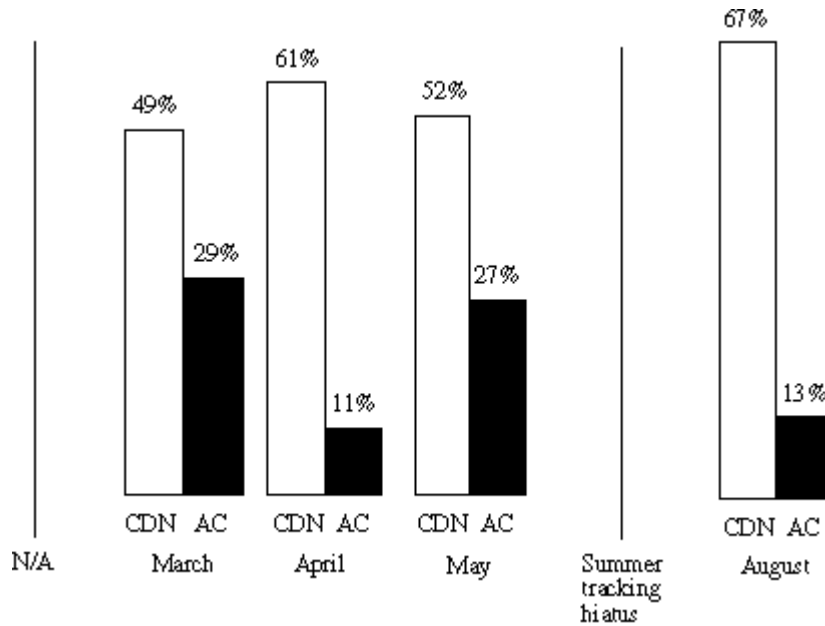
In 1992, the 7 point rise in top-of -mind brand awareness represents a 20% increase for Canadian over 1991

FIGURE 4: ADVERTISING AWARENESS - TOP OF MIND ADVERTISING AWARENESS - NATIONAL



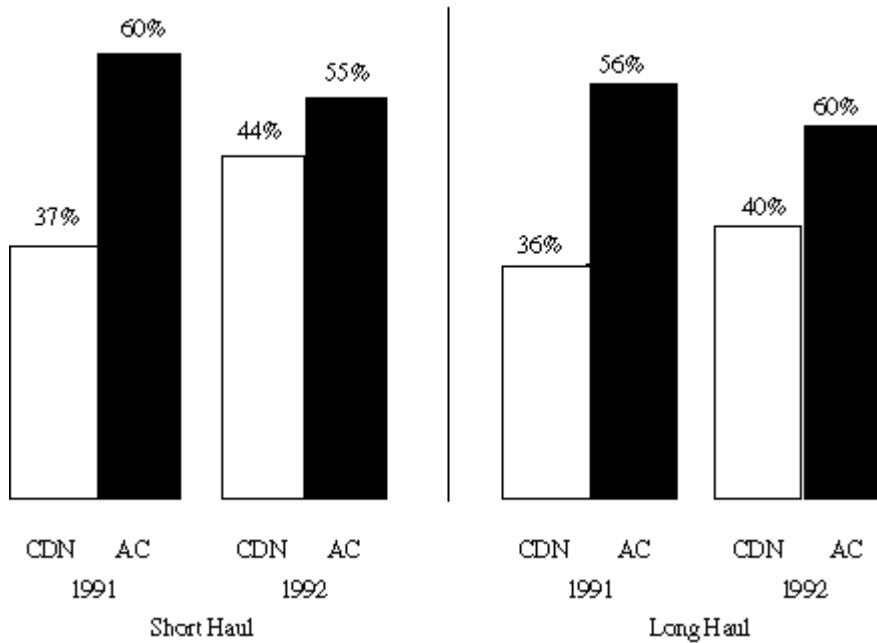
Source: ISL annual business travelers study
 Canadian's top-of-mind ad awareness increased 21% over 1991

FIGURE 5: IMPRESSIONS OF ADVERTISING - AIRLINE ADVERTISING HAVING A POSITIVE IMPACT ON INTENT TO USE



Source: ISL continuous tracking study
 Canadian advertising has consistently captured a share of 'positive impressions' at least 70% greater than Air Canada advertising

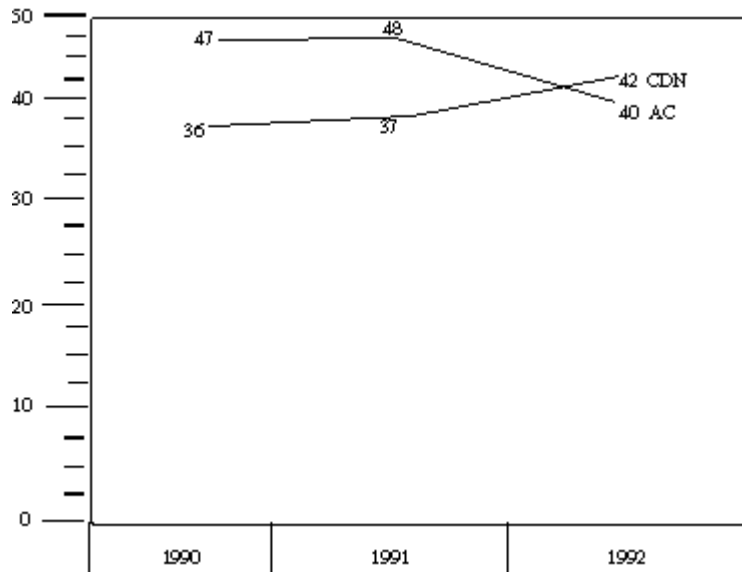
FIGURE 6: 'LOYALTY' - WHICH AIRLINE USED MOST OFTEN?



Source: ISL annual business travelers study

Most often usage of Canadian has improved 19% on long haul and 11% on short haul flights over the past year

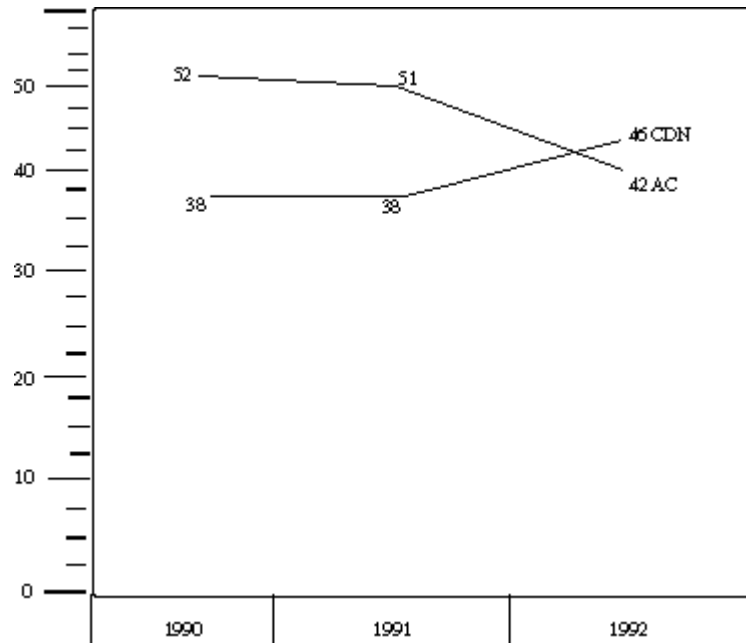
FIGURE 7: SHORT HAUL PREFERENCE - Q: WHICH AIRLINE DO YOU PREFER TO FLY WITH FOR DOMESTIC BUSINESS FLIGHTS OF LESS THAN 2 HOURS?



Source: ISL annual business travelers study

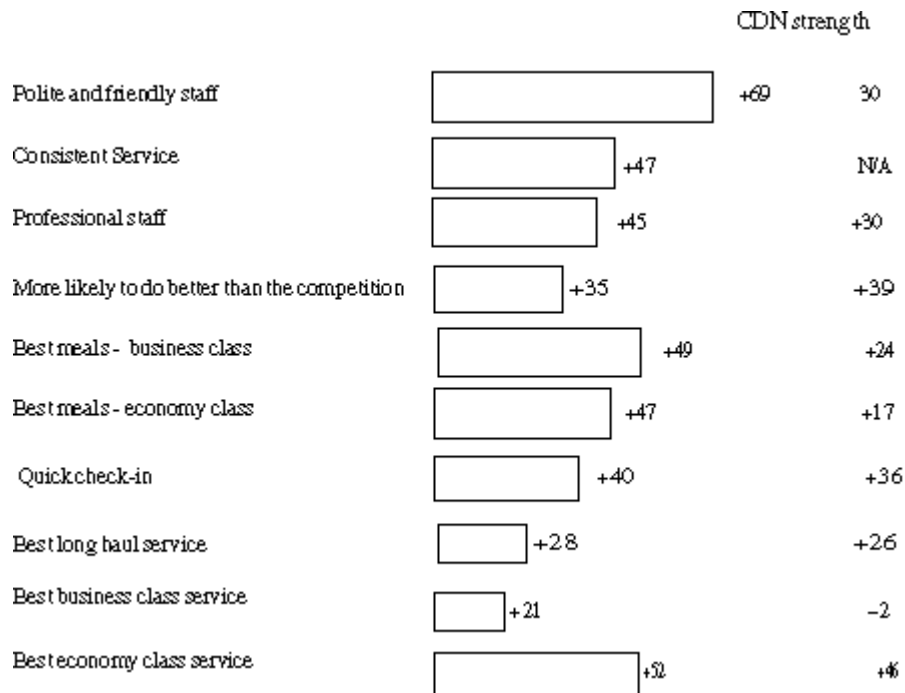
For the first time Canadian now leads Air Canada in terms of overall preference on short haul flights

FIGURE 8: LONG HAUL PREFERENCE - Q: WHICH AIRLINE DO YOU PREFER TO FLY WITH FOR DOMESTIC BUSINESS FLIGHTS LONGER THAN 2 HOURS?



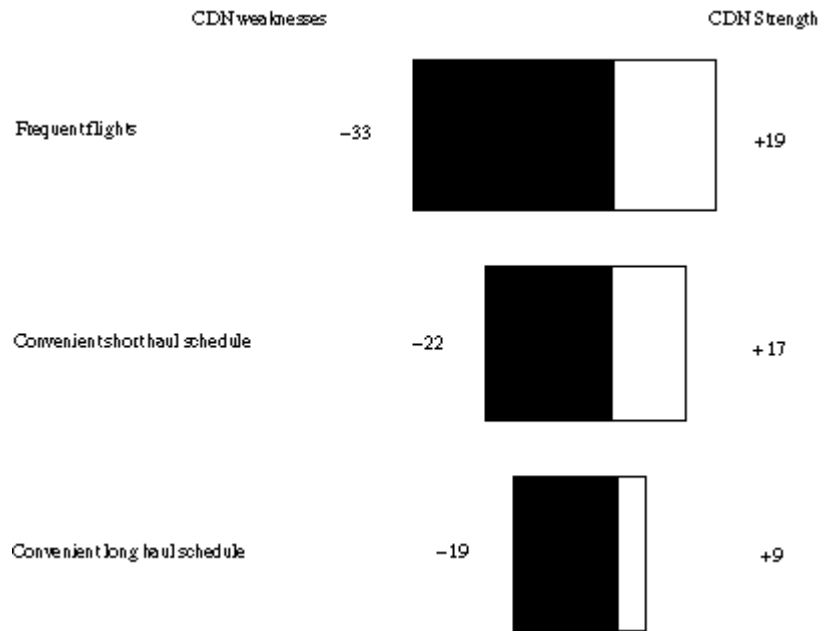
Source: ISL annual business travelers study
 Canadian also leads Air Canada in terms of long haul preference

FIGURE 9: SOFT IMAGE - 1992 MEAN GAP ANALYSIS: CDN VS AC - CHANGE VS 1991



Source: ISL annual business travelers study
 Canadian leads Air Canada in perceptions of every service related attribute, and has gained ground on virtually all of them

FIGURE 10: HARD IMAGE - 1992 MEAN GAP ANALYSIS: CDN VS AC - CHANGE SINCE 1991



Source: ISL annual business travelers study
 Since 1991, Canadian has improved on every 'hard image deficit versus Air Canada
