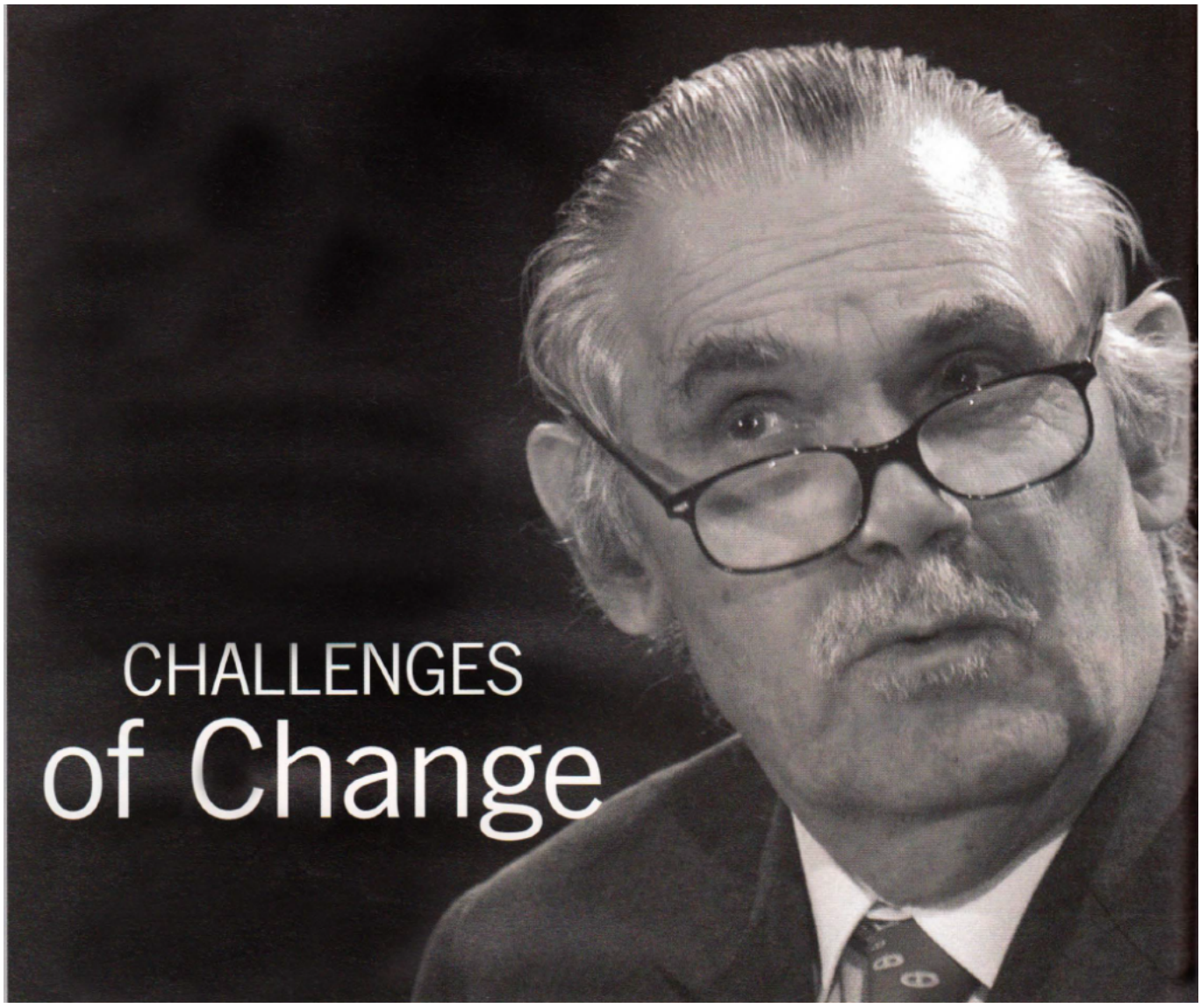
Challenges of Change



Mike Simon, Divisional Senior Vice President, Corporate Communications, Emirates Group

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defined as meeting customer demand, profitably, then Dubai is marketing heaven at the moment. Demand is high and growing fast, consumers are hungry and profits are aplenty for the right brands. Those who have witnessed even the last four years in Dubai have seen a huge surge in marketing spend. Its influence on launching new brands, n;iising the profile of Dubai and opening up Jew markets has been profound. Before I continue, it would be negligent of me as a marketeer not to introduce my company and to provide you with a sense of what we are about.

The Emirates Spirit
"If I'd asked my customers what they wanted, they'd have told me a faster horse." Henry Ford.

As Business Week recently said, we are moving from 'the knowledge economy' to the 'creativity economy'. The idea is to give people what they want before they realise they need it. Henry Ford.

This has and remains the spirit of Emirates – and why we don't rest on our laurels, but continue to innovate and pioneer in our sector:

■ We have have ordered 45 double decker A380s
■ We were the first to offer mini-suites in First class
■ We have over 600 channels of lnflight
■ We were the first to introduce mood lighting on board
■ We even have mini-bars

Ad, PR, Web Agencies
You don't need me to tell you that agencies, like marketing itself, are going through yet more transformation. At Emirates we believe that agencies need to think beyond the consumer and provide a new range of holistic services if they want to reclaim their seat at the top table. How prepared is the average agency to offer a wider scope of services: brand definition, organisational design, internal engagement, environmental design, training – as well as more traditional creative and media products. Emirates view is that there are very few agencies geared like this – the few that are become close partners and grow their billings. So how do we choose a new agency or select one for a project within the virtual model?

A virtual agency network
■ A virtual agency network
■ Marketing organisation

■ When is an ad not an ad 7
■ Media – innovate or be ignored

The Emirates Agency philosophy
For six years now Emirates has run what we call a ‘virtual’ agency network. We don’t have a ‘lead’ global agency, although we’ve looked a few times. Instead we deploy a network of partners (roster and sometimes non-roster) to work on local and global briefs. It’s a marketing communications ecosystem. This makes life interesting and difficult. But it works. The Corporate Communications department controls strategy and consistency across media and markets – but with a focus on exploiting centres of creative excellence or lower cost. Agencies are appointed on the basis of being optimal for the market and on their ability to contribute to the virtual system, not because they are part of a global network. We like working with so many agencies – it exposes us to different strengths and thinking – we can benchmark agencies against each other and spread our options. And the current media revolution makes us think that large clients had better get used to working with lots of agencies.

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■ Can they argue logically and passionately?
■ Can they transform our business?
■ Will they inspire our team?

Regional Agency Clusters

As we have grown into a global airline brand the need for agency ‘clusters’ has emerged. The scale and level of integration required for our global brand communications is now such that we work with regional clusters to absorb co-ordination, balance global and tactical messages, but still nurturing ‘competitive tension’. At the current stage of our development, I do not foresee a merging or morphing of these clusters, but who knows …

www.emirates-empower.com

We couldn’t run a virtual network without an engine. Our engine is called EmPower – a global brand management website that manages the administration and control of Emirates brand plans. It provides agencies, sales teams and my staff with information and inspiration to deliver marcomms (marketing-communications) at Internet speed. The web has transformed the way we communicate with customers and we are using is to transform the efficiency of our global marcomms.

EmPower facilitates the massive flow of information between my dept, business units, outstations and over 100 local agency partners. The vast majority of briefs, development, approvals and invoicing are handled by the site. It eliminates duplication of creative and production effort by better sharing successful campaigns and information about our brands. EmPower is a strategic focus within my department – the site currently attracts 30,000 visits per month by 300 staff and 150 agencies.

360 degree performance appraisal system

The performance of our agency network is extremely important to us. We are growing quickly, in an extremely dynamic sector and need highly motivated teams in all markets. Our appraisal system measures all key competencies and with so many agencies we have a useful bank of data to cross-reference and reward performance. Whilst we incentivise the teams we sponsor, we do not currently pay our agencies by results, due to a lack of a common currency. Airline marketing is extremely complex and we have not yet defined a formula to reward an agency for impact – to isolate advertising from distribution, pricing, sales promotion and wider market dynamics has so far been difficult.

Market Organization

You've heard a little about how we organise our agencies. But how do we organise ourselves – and what trends do I see in my role at Emirates.

Corporate Communications at Emirates

With the Emirates Corp Comms team we have strategy and support units based at Head Office in Dubai. The department is centralised and there is no intention to devolve brand strategy, core creative development, sponsorship decisions or PR messaging. For us the advantages revolve around consistency of approach, fast decision making and leveraging the global power of the brand. The pressure to achieve all three is rising. Our brand portfolio is now much wider, competition is healthier, consumers have higher expectations and are far more 'marketing-savvy'. Strong growth in our geographical footprint has, however, required us to review how best to balance global and local activity, manage campaign volumes and local input into CC activity.

We now have, and intend to carefully grow, local market Corporate Communications

staff in key markets. HQ manages brand strategy, synergies, supplier relationships, standards and guidelines, media direction. But local co-ordinators bring market and media insights and recommend what's right for the local business.

Brand investments effects

As you have seen, brand communications play a pivotal role in driving growth of revenue and profitability at Emirates.

Revenue because we are growing by 30% a year – from a high base – so this requires substantial investment in awareness-driving measures in new markets, international brandbuilding as well as tactical advertising in mature markets. And profit because we believe that brand building is about sustaining price premiums. Sales volume is less of a yardstick of advertising performance – our experience is that advertising influences price more than sales. And yield improvements go straight to the bottom line. Last year Emirates was the second most profitable airline in the world and brand investment has been instrumental in achieving this position. We also believe that advertising investment needs to be seen in the context of shareholder value – the airline industry is complex and our communications signal intent – and strategy to a wide spectrum of stakeholders: the travel trade, industry partners, banks, governments and employees as well as, of course, our customers.

When is an ad not an ad ? Integration of our Corporate Communications activities is core to what we do at Emirates.

Integration starts from the top, what we say, how we structure the team, how you partner with agencies. Not just integration between communications channels but also between sales and marketing. Rather than a stand-alone cost centre, marketing is required to be a major contributor wl_thind:he overall sales process. Data, consumer insights, stakeholder feedback must be made available to all relevant functions in the company. Calls centres, Ticketing offices, Cabin crew, Sales teams – the list goes on

Procurement – here to stay

The role of Procurement in the client/agency relationship is still evolving but we believe that if handled correctly, Procurement's contribution can be beneficial, clearly more for the client than the agency months later that they are not making a profit. We must strike a balance.

We work with a new, professional breed of negotiators at Emirates and they have played a positive role in all our sponsorships negotiations, major campaigns and agency appointments. All of my team are highly professional marketing people, but we recognise that procurement is a specialist discipline. And remember it is not always about shaving a percentage from the commission – most of the conversations I have with our procurement team relate to ADDED VALUE.

That said we need to be careful that great deals for the company do not become millstones for the agency, who realise twelve months later that they are not making a profit. We must strike a balance.

Key issues facing Corporate Communications

So here are some of the brand issues we are facing at the moment.The underlying trend is that there has been a dramatic transformation in the role of marketing communications in brand building, particularly as Emirates is a service business. In short, it's the overall behaviour of the organisation that creates the consumers' perception of the brand, not just the communications activity of the marketing dept. This sounds like common sense but the implications for our brands are huge – employee engagement and behaviour is as important to brand experience as marketing communications. This is why more of my time is being spent on internal awareness and brand engagement. As brand moves from 'promotional activity' to 'everything the company does and says' brand leadership, by definition, moves up the chain so that leaders drive brands. This is what happens at Emirates. Our Chairman and Chief Executive, HH Sheikh Ahmed bin Saeed Al Maktoum, stays very closely in touch with all brand investments and activities, often taking a personal involvement for route launches, major campaigns, press interviews and much more. Marketing leading the business, as well as supporting it. The so-called 'decline of the marketing department' – from having the ear of the Board to just another support division – has not happened at Emirates and Brand remains one of the key recurring themes of board level discussions. When is an ad not an ad ? Integration of our Corporate Communications activities is core to what we do at Emirates.

■ Media : innovate or be ignored Through our global sponsorships, PR plans and advertising campaigns, Emirates places great emphasis on media innovation.

FIFA World Cup Finals 2006 By way of a very short illustration, this is what Emirates is doing to activate the FIFA sponsorship, our biggest ever.

■ Advertising

We've obviously created a major international advertising campaign – four TV commercials (you saw one at the opening of the presentation), print ads, and outdoor. The campaign has run in over 50 countries so far.
■ Large outdoor billboards – FIFA logo on Emirates aircraft
As ever, we used our own media channels
■ Brochures and customer material
We've produced a range of direct mail and operational collateral
■ Online
Emirates is the sponsor of FIFA.com itself and we will have a branded scorecard during the finals
■ Packages and online
We've created exclusive sales packages – promoted heavily on and offline
■ Merchandising
And we have merchandised our involvement
■ Corporate Communications investment strategy '97-'05
Now, the FIFA partnership is one of many sponsorships we have undertaken in recent years – as anyone who follows sport
This means there has been a marked decline in the percentage of our communications invested via paid for advertising. We now feel enough is enough and future years will see Advertising grow at a higher rate than sponsorship so we move towards a 60/40 split. One interesting by-product of this chart, of course, is that traditional share of voice measures are meaningless for a sponsorshipdriven brand. We now use a new definition of share of voice – one that formally takes into account the media value of sponsorship investment.

Media Proliferation
Innovation is a direct answer to clutter. Many media commentators now estimate that consumers spend more on media than advertisers. What this means is that the balance of power has shifted, probably forever, in favour of the consumer. The average American now spends 70 dollars per month on things like cable TV, Internet, books, magazines, cinema and clearly there is a lot of room for growth. There is less room for growth in the time we spend with media. This is because there are only 24 hours in the day. In developed nations the average persons spend over eight hours per day with media, more than he/she spends sleeping or working. With less potential to grow, clearly the challenge for brands is to cut through, make a difference, entertain and surprise.

Some statistics from Admap that brought this home to me recently:

In the late 70’s in the UK, 80% of 18-44 ear olds could be reached with just three – second TV spots.
Today it would take 70, at 23 times the cost.
In 1978 the Saturday London Times had 30 pages. Now it has 338. We are bombarded with messages and in· novation, however you define it, media creativity is now a mandatory, not a bonus.

Creative media
So Emirates is delighted to see the rapid rise in the number of ‘creative media awards’ – and not just because we sometimes win. They begin to give the media department more equal status with their creative counterparts. There are now 50 major awards recognising creativity in media planning and buying. We spend a lot of our time motivating our agencies to think more creatively about media – this example is from here in Dubai where Emirates created the tallest billboard in the world: three times taller than the real Statue of Liberty.

More creative media
But unlike creative awards, this is no beauty contest, and it’s not just about being the biggest. We insist on a scientific analysis of the impact of innovative media campaigns, whether it’s outdoor advertising, ‘Fly Emirates’ on foot-ball shirts or any of our other sponsorships.

Emirates channels
When I hear my team talk about ‘media planning’ I correct them. We practice channel planning. Not just because of the evolving nature of media, but because we ourselves are a media owner. Each Emirates campaign looks at ‘traditional’ media such as TV, radio, print and on line but we also use our own properties such as:

■ the airport

■ the aeroplanes

■ the lounges

■ limos

■ events

■ the airport

■ the aeroplanes

■ the lounges

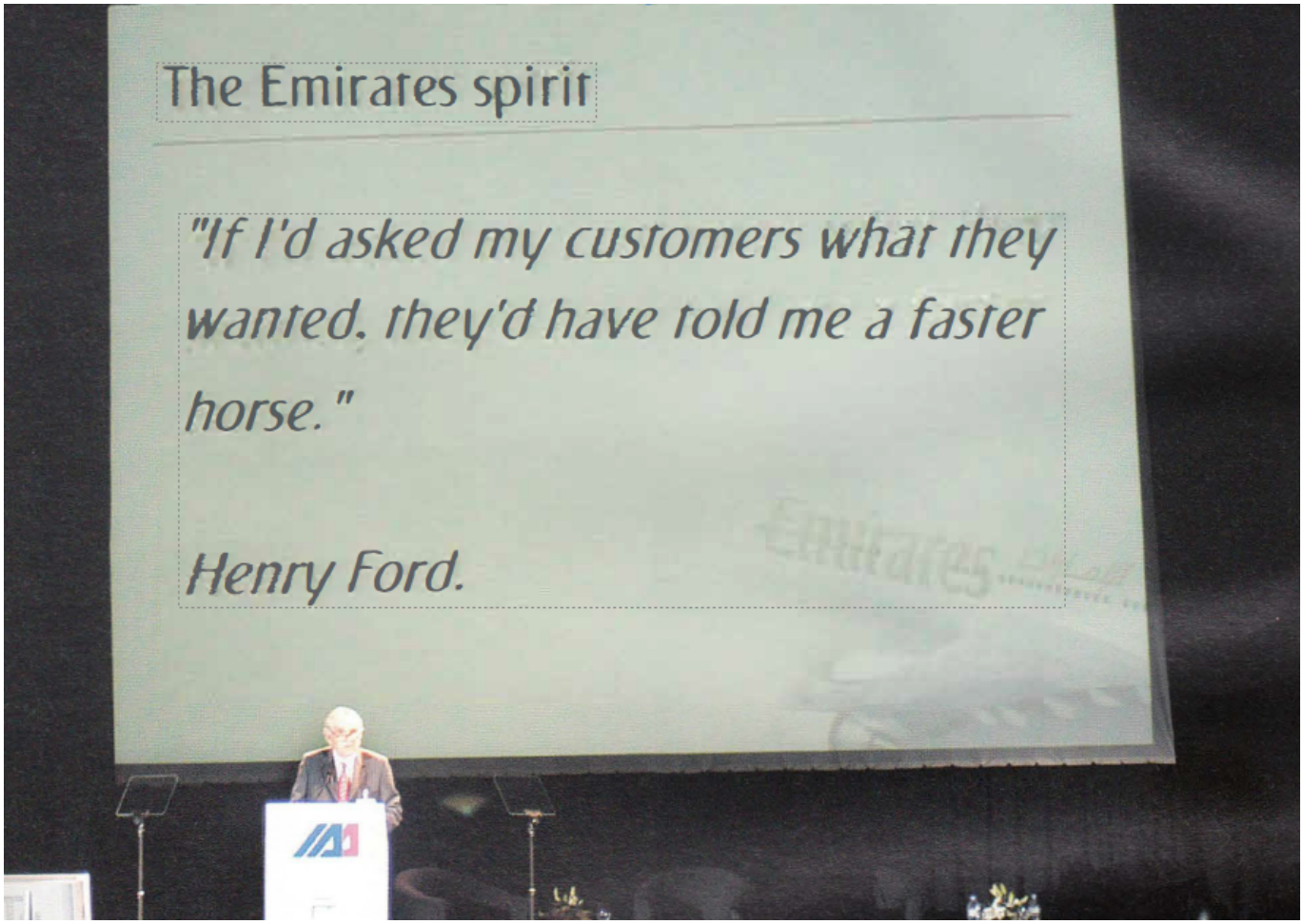
■ limos

■ events

In order to drive awareness and affinity with the brand.

Summary

In summary then, Dubai is a great place to base an airline. It’s also a wonderfully dynamic and unquestionably booming place to be a marketeer. I’m in the fortunate position of being in both sectors and loving every minute of it.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