

How Service Brand Equity can be Built Up: A Case Study on the Branding Strategy of Cathay Pacific Airway

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Abstract. Cathay Pacific Airway builds strong market brand through presenting its brand in a unique way, such as offering the excellent services to the customers, creating an emotional connection with customers, and internalizing its brand with internal employees. With the strategy which integrated with brand promotion, CPA has demonstrated better than other airlines in branding building. This process which well-demonstrated marketer-controlled communication leads to good uncontrolled brand communication is an excellent explanation of the “Service-Brand” Model.

1. Cultivating Service Brand Equity

Branding plays a special role in service companies because strong brands increase customers’ trust of the intangible product. The brand of service are different from that of product, the product itself is the primary brand of package goods while the company is the primary brand of services (Berry, 2000).

A brand usually consists of 6 principal components: the presented brand, brand awareness, external brand communications, brand meaning, customer experience, and brand equity. The presented brand is the brand image the company conveys to its customers through its advertising, service facilities, and the appearance of service providers. External brand communications refers to information customers absorb about the company and its service that essentially is uncontrolled by the company. Brand meaning refers to the customer’s dominant perceptions of the brand. As customers experience the company’s total product, these experiences become disproportionately influential. Controlled and uncontrolled communication exerts influence on brand awareness and brand meaning understanding in different extent. Brand awareness and brand meaning both contribute to brand equity for experienced customers but not to the same degree. The influence of branding meaning on brand equity is stronger than the brand awareness. Brand equity can be positive or negative. Positive brand equity is the degree of marketing advantage a brand would hold over an unnamed or fictitiously named competitor. Negative brand equity is the degree of marketing disadvantage linked to a specific brand.

Service companies build strong brands through branding distinctiveness and message consistency by performing their core services well, build up customer’s emotional love and loyalty. There are four approaches to build a service brand; firms with the strongest brands typically use all four approaches:

1.1 Dare to Be Different The brand strategy goal is to reinforce a demonstrably different service experience with a demonstrably different brand presentation.

1.2 Determine Your Own Fame A strong-brand service company stands for something that is important to targeted customers; the brand conveys the company’s reason for being. It provides the service that customers truly value; perform it better than its competitors.

1.3 Make an Emotional Connection Great brands transcend specific product features and benefits and penetrate people’s emotions that reflect customers’ core values. The company’s true values emerge in the customer’s actual experience with the service.

1.4 Internalize the Brand Service performers are a powerful medium for building brand meaning and equity. Their interactions with customers transform brand vision to brand reality – for better or worse. Involving employees in brand awareness and understanding are important in cultivating brand equity.

2. A case Study on the Branding Strategy of Cathay Pacific Airway

2.1. Company Background Cathay Pacific Airways is an international airline company built in Hong Kong in 1946 and take Hong Kong as its “Super Hub”. The name Cathay Pacific Airways means - Cathay, the ancient name for China; and Pacific, because the far-sighted Farrell speculated that one day the embryonic airline might fly across the Pacific Ocean. Cathay Pacific Airways grew from small beginnings. The company was first started by two air-force cargo pilots. They used two DC-3 aircraft in running passenger and cargo charter flights. Two years later, the Swire Group bought into the airline, following with rapid expansion afterwards.

Cathay Pacific Airways is now a leading international airline that offers scheduled passenger and cargo services to 174 destinations worldwide. The airline employs more than 20,000 people and operates 146 aircraft. With an average aircraft age of just seven years, Cathay Pacific has one of the youngest and most technically advanced fleets in the skies. The fleet of close to 60 operational aircraft has an average age of just over 4.7 years, and features some of the most technologically-advanced aircraft from the world's leading aircraft manufacturers Boeing and Airbus Industries. Cathay Pacific was the launch customer for the new B777-300, the longest commercial aircraft in the world (Sources: The Cathay Pacific Story). Like most major airlines, Cathay Pacific maintains a range of different aircraft with different capacities and ranges to give it flexibility and serve the different routes in its network. The airline's routes are divided into regional routes around Asia, and long-haul routes to places such as Europe, North America, South Africa and Australia.

As one of the most experienced tour operators, Cathay Pacific offers the best traveling experience to the customers and is well known as “The heart of Asia” (Source: Cathay Pacific Fleet - Hong Kong's Flag Carrier). Nowadays, Cathay is expressing the essences of brand as “Now you are really flying”.

2.2. Branding Strategies Cathay Pacific builds strong market brand through presenting its brand in a unique way, i.e. offering the excellent services to the customers, creating an emotional connection with customers, and internalize the brand. With this effort, it creates a satisfying experience to the customers so that lead to good word of mouth.

First, Cathay Pacific presents its brand according to market segmentation and exact positioning. Seventy-five percent Cathay customers were Asian, with increasing numbers from Taiwan, Hong Kong, Singapore and Japan (Source: Cathay Pacific Airways Limited Interim Report 2013). Moreover, mainland Chinese customers represented Cathay Pacific's fastest future growth segment. Regarding to the customers characteristics, the logo of Cathay expresses Cathay Pacific's modern values and corporate positioning: an international airline with a distinctly Asian element reflects the unique nature of Hong Kong as a place where East meets west. Unique logo is its successful way in branding.

What kind of branding strategy can build up such a strong brand? Instead of taking differentiation strategy, Cathay chooses to copy the product from other airline quickly and make some innovations. Start with the physical layout. Cathay takes example from those western aviations but make the seats larger and more comfortable with a better seat layout. Their food is prepared Cantonese style and with western style for alternative choices. Another example is once the in-flight television introduced, Cathay followed up quickly and even developed personal television in every seat on every aircraft. It is much better and attracts more customers. The quick copying strategy make Cathay keep updated and refresh its brand all times.

Secondly, Cathay Pacific consists with its own fame. The essence of the Cathay Pacific brand is 'the best of modern Asia'. Cathay with strong brand provides a service that customers truly value; perform it better than the competitors. Cathay strengthens brand equity by focusing on market need. They enhance the customers' experience by providing special service to meet customer demand and deal with accidents in a unique way. For example, a customer had missed a connection in Hong Kong once, due to a slow flight on a partner airline from Vancouver to Hong Kong, and was given a free hotel, buffet dinner and a seat on another flight. The combination of continuing updated brand image of CAP also contributes to fame building and brand awareness. Taking the example of television commercials presented as the continued branding strategy of Cathay Pacific after “911”, Cathay Pacific rejuvenates its branding with refreshing ideas as a phoenix rises from ashes (Source:

Rejuvenating Aging Brands). As for their safety record, they haven't had an incident since 1972 (Source: Cathay Pacific Airways Limited Interim Report 2016), making them one of the safest airlines in Asia. Their safety record, incidentally, is far better than that of their fiercest competition.

Cathay Pacific makes an emotional connection to the customers and potential customers. Their brand strength is consistently good service and sophistication congruent with the world's greatest city, ties in with Hong Kong image faultlessly. Association is the jingle you hear at the end of the trip when the planes landed and the flight attendant's voiceover is telling you how much they've enjoyed having us on board. Cathay goes for politeness, efficiency and thoroughness. To Cathay Pacific, a great flight isn't just about a smooth check-in, good food and comfortable seat; it's about anticipating what a customer wants before they need to ask for it. Cathay also held some campaign such as fund for the children, which makes Cathay more familiarized and welcomed to the customers. What is more, there is a "customer board" program quarterly. Some of Cathay old customers will be invited to make a trial of the new products and their feedback will be contributed to the product development. A statistics department in Cathay will conduct the survey among customers and use the result to tailor advertisement and branding strategy. All these connect the brand with customers.

Lastly, an overall view of what makes Cathay Pacific a unique airline. Cathay Pacific internalized its brand with its internal customers—its employees. It was fascinating to discover how Cathay recently changed their company focus from a product orientation to focus on people and service. Cathay has realized that to effect change you have to build a creative enterprising workforce, business environments need to reflect the way people live their lives in this day and age. For example, "The World's Biggest Welcome" campaign, where Cathay organized a sweepstake to revitalize the Cathay Pacific brand and stimulate the ailing Hong Kong economy. The attendance of employees in this campaign stimulates their love of Cathay and helps them to realize themselves. Many other culture-change programmes, cross department activities are being developed at a knowledge level.

In a consumer world that is ruled by brand names, it has never been more important for an airline to have the right public image. Cathay Pacific has realized that branding is a science of its own and proven to take successful strategies.

2.3. A Service Branding Model

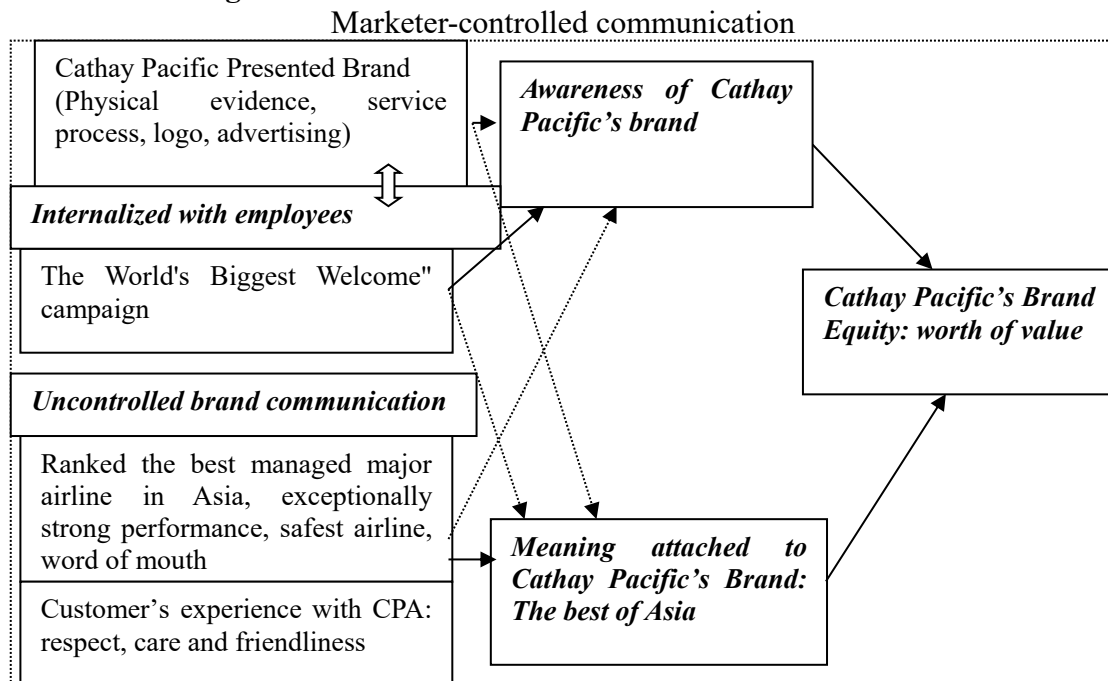


Fig. 1 How communications and Experience Create Brand Equity in CPA

2.4 Evaluation of the Branding Strategy in Cathay Pacific The evaluation on the branding strategy of Cathay Pacific is based on the two models proposed in the article – the service branding model and the cultivating brand equity model. The comparison with Singapore airline will also be considered in the evaluation process as both regional aviation brands are established brands today.

Singapore Airlines, CPA’s major competitor, The Singapore Airlines (SIA) was planted on 1 May, 1947 and is know as Singapore's best-known company today (Singapore Airlines). Its smiling, willowy cabin attendant, outfitted in tight batik sarong kebaya, and marketed as the Singapore Girl, is now a well-known international service icon (Chan, 2000).

An evaluation (Figure -1) form was designed based on the 2 models. Personal opinion based on authors’ own understanding. So it might be quite subjective. Following is the evaluation form:

STG Perform	S1 Present	S2 Copy & Innovation	S3 Own Fame	S4 Emoti -onal	S5 Intern -alize	Total Level
Awareness	√	×	↑	↑	↑	
Meaning	?	√	√	√	5	
Compare SIA	?	×	≈	√	√	
Brand E.	6 M	6 M	9 MH	11 MH	8 MH	9/12 MH
<ul style="list-style-type: none"> ➤ √ Direct positive contribution 3points ➤ ↑ Indirect positive contribution 2points ➤ ? Not Sure/Clear/depends 1point ➤ ≈ Similar with SIA on positive contribution 1point ➤ × No positive contribution 0 <p>* Meaning: X2 * Highest: 12 * Medium: 6 * Lowest: 0</p>						

Fig.2 Evaluation Form

Following is the detailed explanation of each strategy’s contribution on brand equity:

Strategy 1 is presenting brand, this strategy have a direct and positive contribution to the awareness of the brand. Cathay Pacific use lot of advertisements and promotion in quite unique ways to make it brand easily to be recalled by customers. The continuous updating brand image with consistent philosophy of superior service helps to make its brand image clearer gradually in customer’s mind. But on the other hand, the continuous updating and not specified brand image may reduce its strength and clarity in customer’s mind. So this strategy’s contribution to the meaning of its brand is hard to be judged. Compared with the brand image of SIA, it is always insisting on a consistent image – Singapore Girl. Both strategies has its pros and cons, it’s hard to say which one is better.

Strategy 2 is Quick Copy with Innovation, this strategy do not have any contribution on the awareness of CPA’s brand. Because the strategy relays on the quick copy of what others doing, so even it usually make some innovation but these innovations are not based on unique thing such as know-how, it’s easily to be copied by others. As a result, it’s always following without any unique thing which can distinguish itself, and it’s hard to make people remember its brand. However, because it usually makes some innovations after copy other’s strategy, and these innovations will somehow give customer some different feelings and more or less added values. Considering SIA’s strategy which is also emphasized on superior service and innovation and presented with a tangible symbol - the Singapore Girl, SIA’s strategy is quite unique, hard to be copied and can create deep impressions in customers’ mind.

Strategy 3 is Determine its own fame, this strategy did quite well in providing important & valuable things to customers by special service such as customer requests counter. This contribute directly to enhance customer’s understanding of the meaning of brand because it provided the valuable things to customers, and contribute indirectly to make customer aware the brand, these valuable things contributed to the customers’ satisfaction and then through the word-of-mouth or other ways to evoke the awareness of brand indirectly. In comparison with SIA’s strategy, there is no big difference

between the two airlines, because their service is at the similar level and they both highly emphasizes on service. So CPA doesn't provide different things from its competitive brand.

Strategy 4 is Emotional Connection with customers, this strategy contribute directly to the meaning of CPA's brand successfully. Through a series of strategies on emotional connection with customers such as the "customer board" and "brand statistic department", the customers feels that their opinions and suggestions are valued, and further they may feel they are valued by this airline. The CPA also uses strategies like sponsor charities activities to make customers appreciate their social responsibilities. In this aspect we think that CPA did better than SIA.

Strategy 5 is Internalize brand with employees, in this area, CPA emphasizes on a lot of on its culture by consisting the value and culture between employee and organization. CPA also emphasizes on people, it pay lots of effort on its employees' skills, knowledge, attitudes, and loyalty, etc. CPA also pays a lot of attention to the process. These strategies contribute to the awareness and meaning of CPA's brand both indirectly. For example, the strategy of build employee loyalty may cause positive external communications such as word-of-mouth; this can contribute indirectly to the awareness of brand. The high-quality people may lead to high quality service which will bring customer add-value services, so this will cause the indirect positive contribution to the meaning of brand. Through all these strategies, it built up a competitive advantage which is hard to be copied by other competitor.

3. Conclusion

The article has presented branding strategies which have applied into practices and proved to be practical. With the strategy which integrated with brand promotion, emotional connection with customer and internalized its brand with internal employees, CPA has demonstrated better than other airlines in branding building. Let us take a look on what the Cathay achieved when adopts these branding strategies. Cathay Pacific Airways has been ranked the best managed major airline in Asia and the second best managed major airline in the world by leading airline industry magazine *Aviation Week & Space*. Cathay Pacific was also lauded for the "exceptionally strong performance" of its management. The rankings are based on a combination of asset utilization, productivity and financial health. Except the honorary that Cathay has gained, customers' word of mouth also proved its success. Many customer said that they never seen any incidents worthy of complaint on board any Cathay Pacific flights, and have been treated at all times with respect, care and friendliness. The above uncontrolled brand communication, i.e. media comments, honorary, word of mouth communication are vivid proof of Cathay's successful branding strategy. This process which well-demonstrated marketer-controlled communication leads to good uncontrolled brand communication is an excellent explanation of the "Service-Brand" Model in the article.

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