

# EUROPE BY EASYJET

## HOW MARKETING BECAME A CATALYST FOR EASYJET'S EXTRAORDINARY TRANSFORMATION

### Executive Summary

From 2010 onwards, easyJet boldly repositioned from a pure low cost proposition, to a customer-centric, affinity-driving brand. Our media strategy also radically shifted, from a historically effective traditional price/response model to a longer-term brand building strategy centred around the campaign theme “Europe by easyJet”.

Resulting improvements in brand perception, consideration and conversion reaped extraordinary commercial dividends as a result.

The less well-known aspect of the story is how marketing would lead the way in delivering rapid transformation across all aspects of the customer journey experience, from the creation of a class-leading Mobile App to booking tools such as Inspire Me, whilst more complex operational changes such as punctuality improvements would take longer to come to fruition.

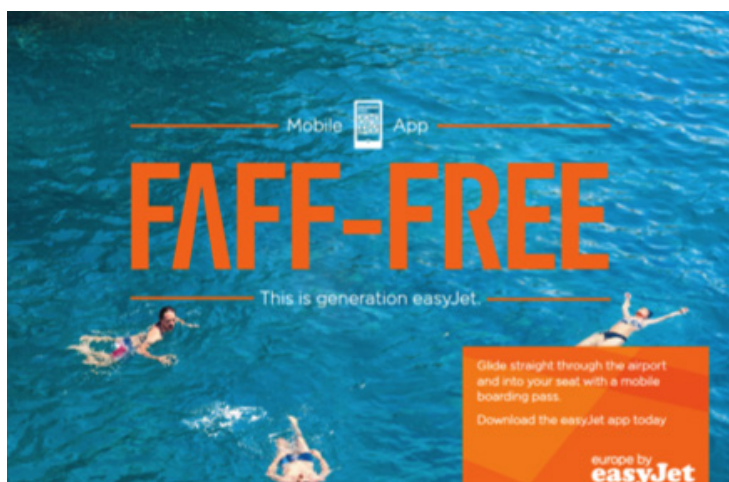
It was to have a profound impact on two critical audiences:

- internally, it set a highly visible benchmark for easyJet’s commitment to a new customer-centric mindset
- externally, marketing’s ability to provide early evidence of the exceptional potential of the new direction to City analysts and investors would create positive sentiment that set easyJet on a path towards an eventual tripling of its share price

But in typical easyJet style, all these changes were achieved with zero net additional budget assigned to marketing. Funding for the new brand TVC was raised by identifying £6m in savings through efficiency improvements in every aspect of the media mix from CRM, to PPC and ATL executions. ATL spend was actually reduced by 16% YOY in 2013.

The combined impact of the “Europe by easyJet” campaign and efficiency improvements meant that by 2013, marketing’s annual financial contribution to easyJet had increased by 134% to £203m, a return on investment of 6:1.

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# Award Entry

## A SOARING SUCCESS

By the end of 2013, easyJet's share price had seen unprecedented growth, rising by almost 150% in the last year alone. All of our biggest competitors have been forced to overhaul their marketing strategies and operations models in response to our success.

Now, at the start of 2014, we're poised for even more growth with operational changes such as market leading punctuality, our network of primary airports and allocated seating continuing to attract more business and leisure travelers alike.

In hindsight, it seems almost inevitable that this innovative and efficient airline would become the popular choice of customers and investors alike.

However it wasn't always such a certain fate.

Fig 1: Positive coverage of easyJet's commercial success in late 2013/14

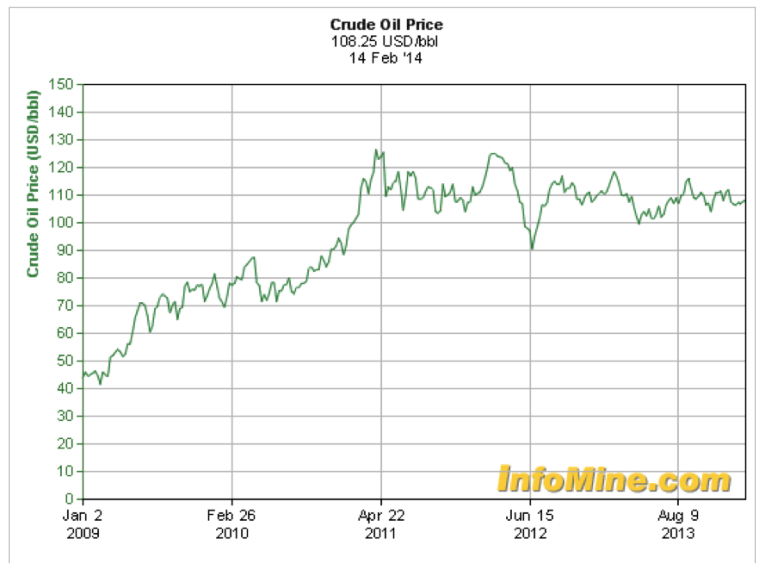


Fig 2: World crude oil price in US\$ 2009-2013

## A BUSINESS MODEL UNDER THREAT

In 2010 we were facing the deepest Europe-wide recession in living history, at a time of sky-rocketing fuel prices. Our operational costs were therefore increasing, just as customers were demanding the lowest possible fares for their holiday flights – or worse, not taking holidays at all.

Alongside this, we were caught in a fierce competitive battle from both sides. The traditional flag carriers were cutting their prices and stripping back services as they attempted to adopt the same low cost model we had pioneered. And at the bottom of the market, price promotion was rife.

## AN OPPORTUNITY TO RE-POSITION THE BRAND

When we launched in 1995, we promised to make flying “as cheap as buying a pair of jeans”. As a result, marketing had necessarily spent fifteen years communicating price at the expense of almost anything else. Our brand personality ranged from the controversial, to the downright boring, reinforcing consumers’ “cheap” perceptions.



Fig 3: Historical easyJet advertising, 1999 and 2007

A brand positioning based solely on cost-leadership and discount flying was no longer viable when we were increasingly no longer the cheapest.

Change became an imperative.

We recognised that this situation could be an opportunity, not a threat. Our current marketing represented a significant disconnect from the reality of the brand experience. Correcting this disparity represented a sizeable chance to build a significantly more positive brand image with long-term equity, and the potential to attract a much wider audience.

### DELIVERING PROOF OF CONCEPT

Airlines are extraordinarily complex organisations and easyJet was no exception. Spanning more than 40 countries and 8,500 employees, major initiatives to transform punctuality and roll out Allocated Seating would take time to come to fruition.

Marketing however, could be refreshed relatively quickly and this became an advantage of exceptional importance.

From an external perspective, the migration to a customer-focused brand building strategy needed to rapidly prove that it could not only still do the job of driving short term sales targets, but also generate higher revenue and profit.

From an internal culture perspective, it needed to be an important symbol for radical shift in mindset and set the tone for the brand's new personality and behaviour.

We needed to demonstrate our transition to a brand that was closer by association to premium flag carriers, whilst maintaining our democratic challenger spirit appeal and pride in our low cost heritage.

To deliver this, we created an internal proposition: "to deliver ease and affordability to our customers" which would guide every new customer experience improvement over the next 3 years.

### SO HOW ARE WE GOING TO PAY FOR THIS?

The shift in focus from tactical DR advertising to a more emotional brand building approach necessitated a radical change in our media mix. We had traditionally been a heavy print, outdoor and digital advertiser, with cost efficiency as the primary objective. However TV, with its strength as an emotional brand building channel, became an obvious ambition, particularly as we sought to widen our reach and increase penetration outside of our usual customer base.

The tricky part was that adding TV would be expensive. With no extra marketing investment on the table, the options were to sacrifice another channel, which could risk day to day sales performance, or to find the budget through ingenuity.



## CUTTING OUT THE FAT

The solution was to apply rigorous hypothesis testing, particularly to our digital advertising spend which represented 76% of the media investment.

The key actions we undertook included:

1. Testing the hypothesis that bidding on brand terms in Google Search delivered zero incremental sales. This hypothesis turned out to be correct, with the result of saving us £3.97m per annum.
2. Reducing digital network partners from fourteen, to three, eliminating unnecessary duplication and resulting in an annual spend reduction of £2.09m and a cost per sale improvement of 81%.
3. Developing a “search playbook” to match our commercial data with PPC keyword data, ensuring that PPC investments were only made for keywords that support routes under plan.
4. Trialing a new personalized approach to CRM newsletters, which resulted in 30% more revenue from a marketable contact.

(all data BrandScience/easyJet Econometrics 2010-13)

The resulting efficiency savings of more than £6m per year created a war chest to assign to brand building activity. Television would become the lead comms channel, but we now also had sufficient funds to use high impact outdoor, sponsorship, promotions, experiential and social channels.

The next challenge, was what to say.

## A UNIQUE OPPORTUNITY TO BE DIFFERENT

Whilst low cost competitors such as Ryanair continued to create low price centred advertising, we recognized that our premium flag carrier competitors continued to fixate on the inflight service experience (partly to continue justifying the price premium), which by nature made for quite a functional messaging focus, despite the gloss. As a no frills airline, we would never be able to compete on this level, which freed us up to talk about something much more interesting.

After all, the real benefit of easyJet was to help more people travel to more places, more often. We weren’t just selling seats, we were selling Europe and all the exciting experiences it had to offer. This became the focus of our advertising: championing the experience at the destination.

It led to the development of our new long-term brand platform “Europe by easyJet” which allowed us to create emotional affinity with our target audience and be more aspirational in our look and feel.

Fig 4: Marketing communications from the launch of “Europe by easyJet”, 2011

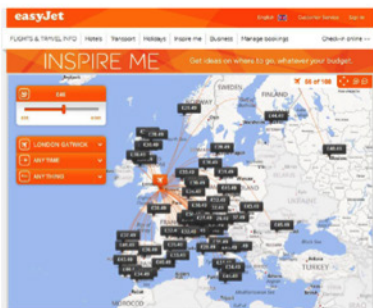


At the same time, we were keen to avoid appearing self-indulgent and weaken the sales-driving role of our marketing activity. A mandatory feature of every execution was that we would continue to reinforce our low cost credentials by promoting a low price.

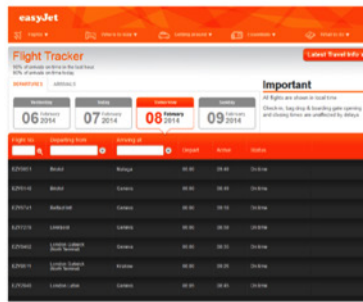
**MAKING TRAVEL EASIER - NOT JUST SAYING, BUT DOING**

Marketing’s ambition was not simply limited to showing through our advertising, a warmer, more customer-centric side of the company. easyJet was committed to proving, as quickly as possible, that its commitment to transforming the customer experience was both genuine and achievable.

Whilst punctuality improvements and the trial of allocated seating would take longer to be fully operational, marketing were able to develop a number of tools, whose level of innovation and quality far outstripped expectations of what a low cost airline might deliver. From our award-winning Mobile App, to choosing and booking tools such as “Inspire Me”, we created a series of seamless and inspiring interactions which did much to widen easyJet’s appeal. Also within the first 12 months of the campaign, easyJet invested heavily in a website re-design, which transformed the user experience, but also delivered a category-leading level of transparency around pricing and additional charges.



The “Inspire Me” App is a filtered shopping system which allowed customers to choose a price or an airport or a time period, and then see what easyJet had on offer to match these criteria.



“Flight Tracker” aggregates all departing and arriving flights so that people can check the live data from their mobile or PC. It also includes live punctuality statistics for the last hour and day.



easyJet launched a newly revamped website in 2011 which made the booking experience easier and more efficient, as well as providing more inspiration and ideas for travel.

Fig 5: A selection of the enhanced user experience initiatives launched by easyJet

**BUILDING EARLY CONFIDENCE IN THE VISION**

Within six months of rolling out these new marketing-led customer experience improvements, easyJet were able to provide evidence to investors that this new strategy was already delivering an instant return on investment. In the 2011 Annual Report, CEO Carolyn McCall stated:

easyJet launched its new advertising campaign "europe by easyJet" [and] We have seen promising initial results from the campaign with a 250% increase<sup>2</sup> in customers describing themselves as “much more likely to buy from easyJet”

In the same report they were also able to point to a 8.5% YOY increase in unique visitors to their website of 213 million. (Source: easyJet plc Annual Report 2011)

### INTRODUCING GENERATION EASYJET

The first important step in easyJet’s evolution to emotional equity building advertising was now well established. The first two years’ results were clearly indicating that this shift had been successful, both from a brand and business perspective.

However, we weren’t done yet.

The next phase in our brand journey was moving from a territory of championing the experience at the destination, which was emotionally powerful, but category generic, into something which easyJet could own.

We took inspiration from the easyJet staff and their customers, who had become increasingly diverse as the brand attracted more business travelers, empty nesters and affluent second home owners. We identified amongst them a common spirit despite their differences in age, nationality and background – a “get up and go” mindset that had seen them embrace the opportunity of low cost air travel to do more, see more, and go more often.

We called them “generation easyJet” and created a new, evolved campaign that shifted its focus away from just the destination, to the mindset and attitudes of this newly emerged generation.

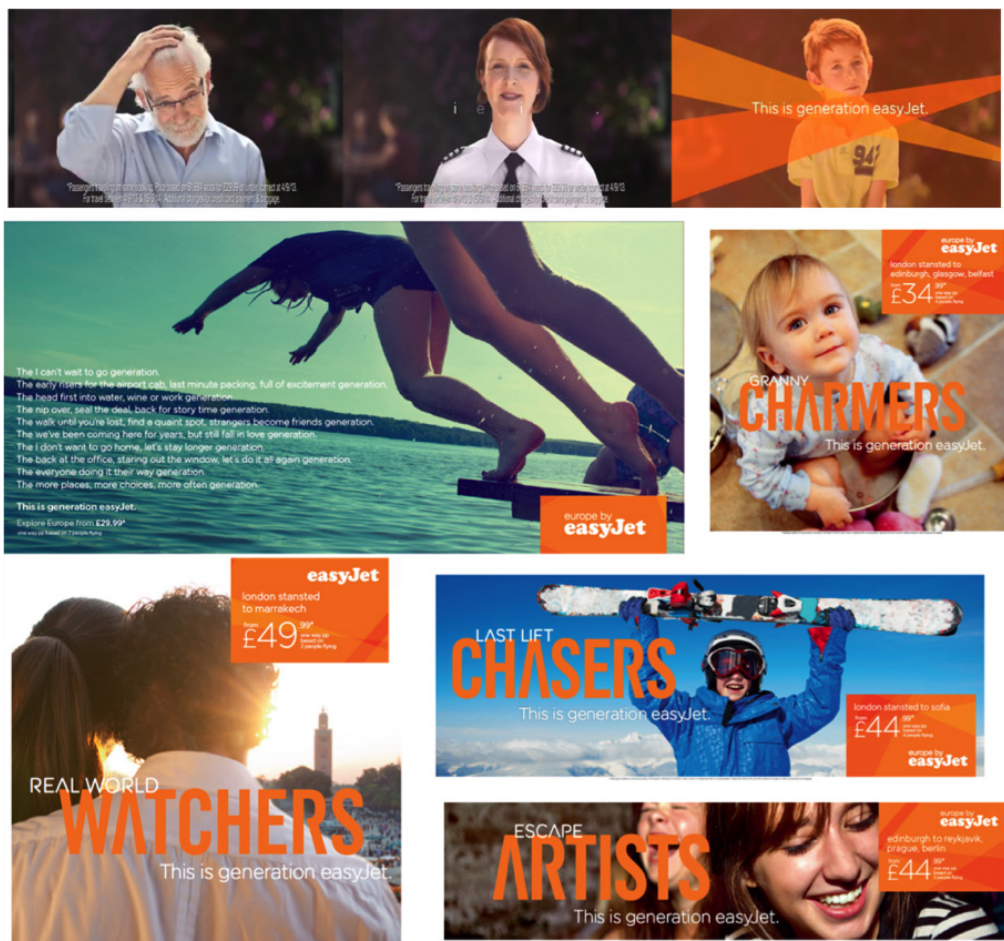


Fig 6: The 2013 Generation easyJet campaign, which celebrated the mindset and attitude of easyJet’s passengers, and also championed new proof points such as mobile boarding and allocated seating.



Fig 7: Press executions from easyJet's "Business Sense" campaign 2012/13

Now that we had Allocated Seating fully rolled out and outstanding punctuality figures to promote, we also created a dedicated campaign targeting business travellers. Called "Business Sense" it alluded to the tension between the old establishment and the modern generation of agile businessmen and women, those who valued punctuality and value far more than getting a gin and tonic onboard.

## THE RESULTS

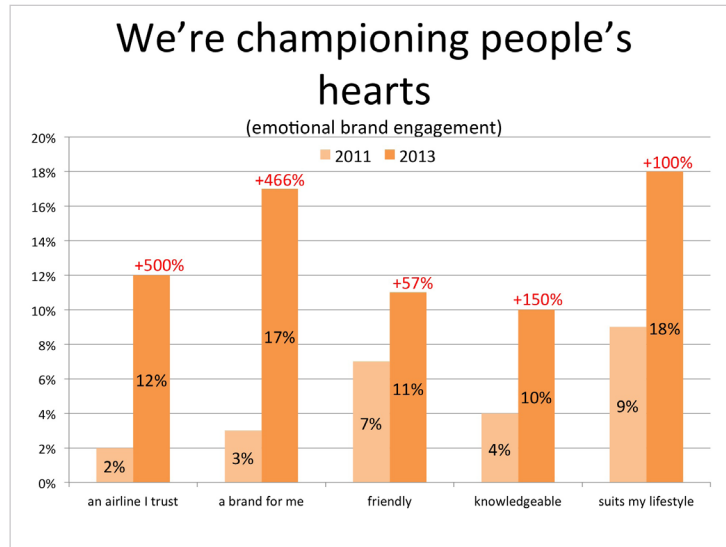
easyJet's brand journey has been phenomenally successful in delivering tangible results for both the brand and business.

### Brand

Perceptions of the brand have improved exponentially:

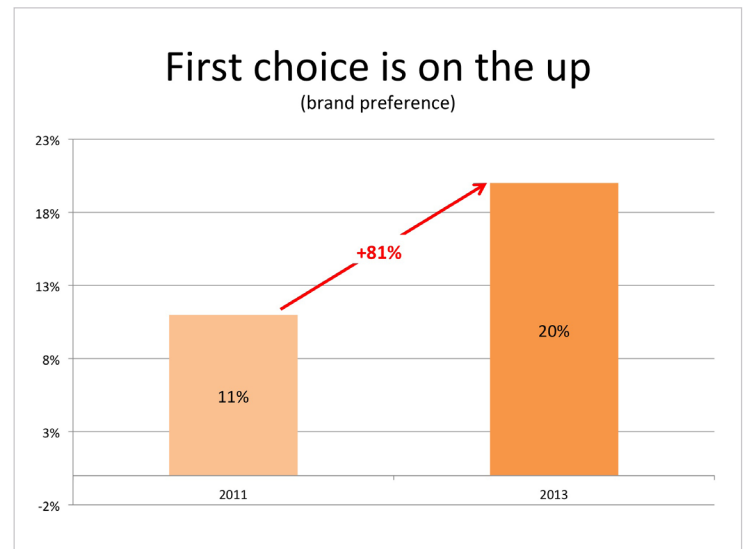
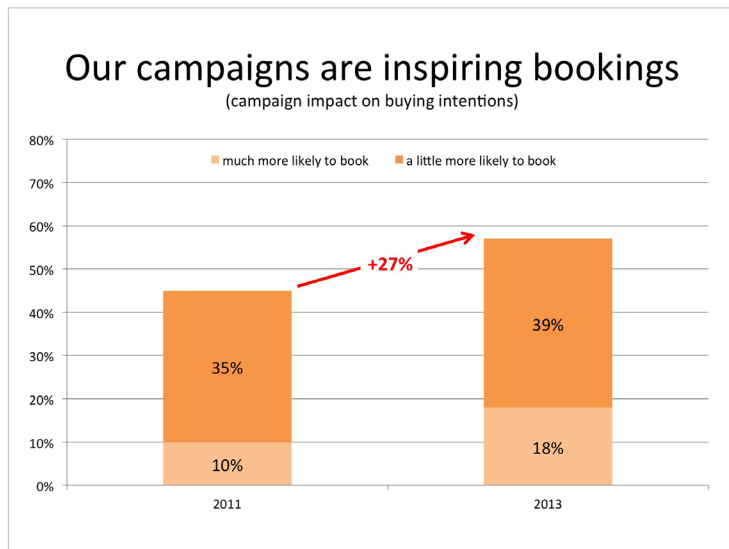
- easyJet has nearly doubled its consideration score
- Twice as many people consider easyJet "a brand for me", say they care about the airline, express loyalty and believe that easyJet "understands why I travel"

Source: Millward Brown brand tracking 2011-13



Source: easyJet Brand Tracker/Millward Brown

This shift in perception directly pushed brand preference and propensity to book: upon seeing our campaign almost +27% more people say they're more likely to purchase from easyJet.

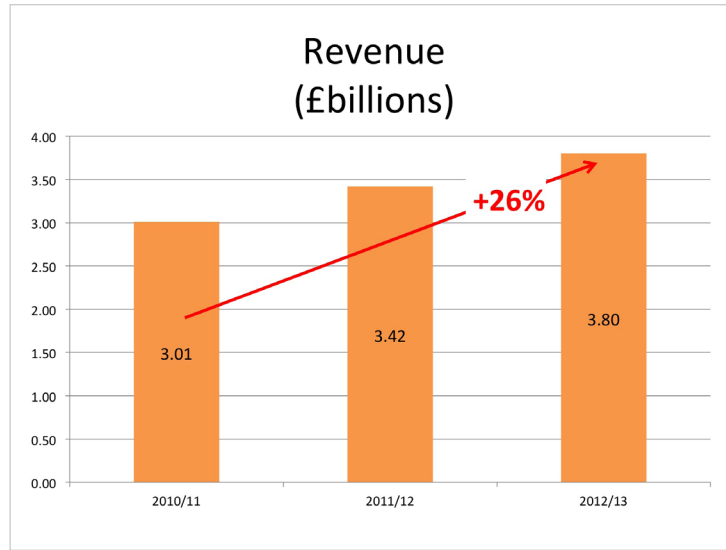


Source: easyJet Brand Tracker/Millward Brown

Overall, across our markets, 1 in 5 now consider easyJet as their first choice airline, a significant jump from just 1 in 10 in 2011.



## Revenue

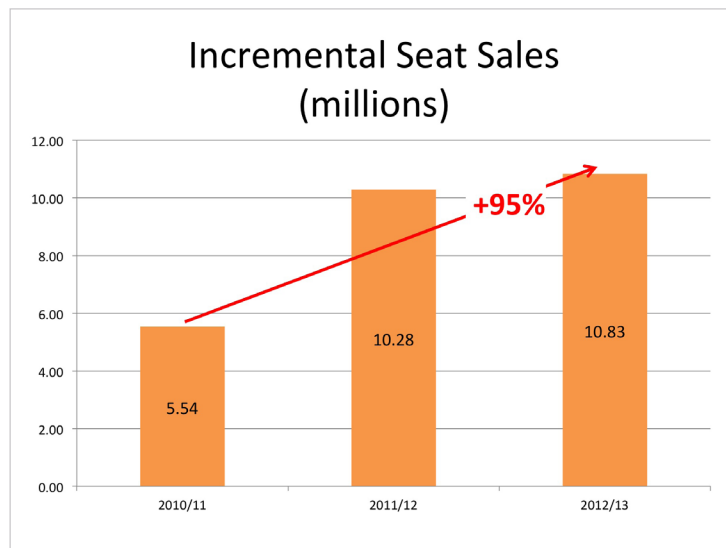


Source: easyJet Annual Report 2013

Since 2010, easyJet’s overall revenue has grown an impressive +26% against a market growth (by passenger numbers) of just 10%. This is not just a function of increased capacity (circa +15%) but also the willingness of the customers attracted to pay more, with revenue per seat growing over the period by +13.2%.

In particular, it is a reflection of easyJet’s success in attracting an entirely new segment of customers, the business traveller. Accounting for just 5% of their customer base in 2010, business now represents over 20% - and it’s growing.

## Incremental seat sales



Source: BrandScience Econometrics 2013

The number of passengers flying with easyJet has increased every year, reaching a record high of over 60 million in 2013.

Econometrics has demonstrated that the new communications approach delivered +95.5% growth in incremental seat sales via paid media across the period, despite a decrease in overall media investment (2010 - 2013).

## RETURN ON INVESTMENT

Marketing activity has become significantly more efficient.

Increases in consideration and revenue have been achieved despite a 16% reduction in ATL media spend between 2010- 2013, resulting in a 23.5% reduction in marketing spend per seat booked.

The decision to invest in development of category-leading mobile app has paid off, with 7.7m downloads now contributing 6.4% of easyJet's total e-commerce revenue. Development of a simpler, more customer friendly websites has delivered +11.4% increase in easyJet.com conversion rate over past 2 years.

CRM activity has also proved highly effective in driving higher revenue per individual. By 2013, people in our marketable database were delivering 25% more revenue than those who aren't.

Overall, this led to a 134% increase in annual financial contribution by marketing to £203m in 2013, a return on investment of 6:1.

*Source: BrandScience Econometrics 2011 - 2013*

## SHARE VALUE AND PROFITABILITY

The combination of all these factors has contributed to an extraordinary period for the easyJet share price, which has risen from 420p to 1,644p as at the 31st January 2014, and unprecedented dividends for shareholders.

Such has been easyJet's financial performance that 2013 saw us propelled into the FTSE 100 and deliver a record breaking £478m profit before tax (+51% year on year).

## IN CONCLUSION

It is clear that this is no ordinary case study of long-term marketing effectiveness. The catalytic ripple effect of easyJet's marketing strategy created an impact far beyond our traditional remit of altering customer perceptions and increasing brand consideration, but stretched across the company and drove investor confidence in easyJet's radical new direction. To achieve such gains whilst actually reducing marketing spend in many areas is perhaps the most astonishing feat, but one that is, in many ways, utterly faithful to easyJet's original low cost heritage.

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