

BRAND HEALTH CHECK

YOU CAN TAKE THE KANGAROO OUT OF THE BUSH BUT YOU CAN'T TAKE THE BUSH OUT OF THE KANGAROO

**Qantas Airways is facing mixed**

reactions on the proposed takeover bid worth almost AUD\$11 billion (\$13.2 billion) by Macquarie Bank and Texas Pacific Group.

Many Australians have already voiced their concerns to what they perceive as a local iconic brand falling into the hands of foreign investors.

Financially, the airline reported a 30% drop in annual profit to AUD\$479.5 million in the year to 30 June which Qantas attributes to rising fuel prices that have since fallen but predicted net profits for 2006-07 are expected to be similar. Since news of the takeover emerged, Qantas stock seesawed – rising as high as 20% at one point.

Perhaps the biggest issue that needs to be addressed in terms of the brand is public perception – will the brand lose its 'Aussie' identity because of a successful takeover?

When the government privatised the airlines in 1995, ownership rules set in place prevented more than one stakeholder having more than 25% of the company and limited foreign ownership to 49%.

Early media reports coming out of Australia indicate a deal involving Macquarie taking a 25% stake while other Australian interests take a further 25% and senior Qantas management take 1%, leaving Texas Pacific and other foreign investors with the remaining 49%.

"Qantas is a major Australian company and a takeover by a foreign buyer is perceived to be politically sensitive. Federal elections are due next year, making the issue extra sensitive for the government," reports a recent *BusinessWeek* article.

Should the deal stall and remain under public scrutiny for a long period of time – what sort of effect will this have on the brand?

**VITAL SIGNS** - (year ended 30 June, AUD\$'000, unless otherwise stated)

	2002/2003	2003/2004	2004/2005	2005/2006
Revenue	11,400,000	11,400,000	12,600,000	13,600,000
Net Profit After Tax	343,500	648,400	763,600	480,000
Total Expenditure	10,800,000	10,400,000	11,600,000	12,900,000

**DIAGNOSIS**



**Neil Hudspeth**  
CEO Asia Pacific  
Enterprise IG

The reality is there's nothing (largely) wrong with the Qantas brand at the moment – it's proudly Australian, and it's powerfully associated domestically and internationally as 'the Spirit of Australia'.

Notwithstanding the current financial downturn, it's a quintessential Aussie operator – that is, no-nonsense, no fluff, focused on a winning performance so whilst the inflight experience is nothing unique the core branding of the airline has huge cache as the most iconic and renowned Australian brand in the world.

So what's the issue? That overseas ownership is going to undermine the Australian-ness of the brand? What about Vegemite? Now owned by Kraft, but still regarded by Australians as a fiercely protected symbol of our culture – and not at all undermined by multi-national ownership.

So the real issue is what would an international suitor do to convert the fear of takeover into if not enthusiasm – at least support.



**Samuel Chai**  
Group Account Director  
Chameleon Media

My concern would be the brand impression Qantas will receive after the change in ownership. Will there be the same support from the Australian government? Will Qantas still be regarded as Australia's national carrier? Despite the many voices and perspectives that will emerge after a takeover, consumers want the assurance that the brand promise still stands and they can still feel that affiliation and pride.

The owners must value the strong heritage behind the brand and be mindful of the vast impact the brand has on its consumers. Failure to do so may result in a considerable loss of faith in the brand.

Therefore, it is imperative that the owners keep the brand in shape and ensure a continuous process of brand building. Study the communication lines between stakeholders and owners and do not let that brand equity, which is the amount of mindshare of the target market and owners, fail.

**TREATMENT**

- The potential owner must demonstrate clear appreciation for the equity in the brand as a key part of the purchase.
- They must state a clear intention that this equity is to be leveraged even more, for example, "We're going to take a great Aussie brand and make it even more famous in the world".
- The new owner must inject a freshness into the brand that increases its relevance and competitiveness locally and overseas – and consequently increases local pride in the brand and support for its owner.
- It is important for the owner to believe in his or her own brand. The brand consultants make the first move but the owner must take over from there and do the rest.
- Walk and talk the brand. Branding is a process where you decide how things are to be done. That process is unique to every company. Try looking at the processes even after your branding is completed and see if there's anything you can improve on.
- Don't be afraid to educate your customers on what you have done.