

INDUSTRY FOCUS

Airlines' Reputations Hinge on the Basics, Study Shows Dependability, Low Fares, and Financial Stability Are Key in Travelers' Minds

By SCOTT MCCARTNEY

Staff Reporter of THE WALL STREET JOURNAL

Airlines have been trying to boost their much-maligned reputations by removing seats to increase legroom, hiring celebrity chefs and televising soothing, conciliatory ads.

But what really impresses travelers, according to a new online study of 20,867 U.S. adults, is dependable, no-hassle transportation at a reasonable cost, plus happy employees and strong financial performance.

Southwest Airlines, which offers nothing but bare-bones domestic service at budget prices, topped the list with the best reputation among the 10 major U.S. airlines, according to the study by Harris Interactive Inc. and the Reputation Institute, a New York research group. Despite its weak coffee and sparse snacks, respondents liked Southwest's industry-leading on-time record, its low fares and its friendly employees who often employ humor in the cabin.

"When you fly coach, you know you're going to be sandwiched in. But it's more enjoyable on Southwest," says Nancy Miller, a senior business manager at the University of Arizona in Tucson, Ariz., who participated in the survey.

Ms. Miller said on one Southwest trip, flight-attendant gags had passengers laughing so hard that several passengers were in tears. "It's the only airline I've flown where it looks like the people are enjoying their jobs," she said.

The study, made available exclusively to The Wall Street Journal, found the top three drivers of reputation for airlines were the quality and reliability of its services, the workplace environment and the financial performance. Late flights, surly flight attendants and even bankruptcies from earlier decades tarnished carriers. Passengers pay attention to labor troubles. And they don't want to have to worry about financially strapped carriers that may be working maintenance on the cheap.

"People do notice if someone is happy on the job," says Joy Sever, a senior vice president at Harris.

That Southwest enjoys such a strong reputation is hardly a surprise — the Dallas-based airline consistently ranks at the top of the airline pack in travel surveys and rankings of the most-admired companies, and has the lowest rate of complaints filed at the U.S. Department of Transportation.

Effect of a Crash

But what was surprising was how devastating the crash of an Alaska Airlines MD-80 off the California coast was to that carrier's once-glowing reputation. Alaska, a unit of Alaska Air Group Inc., Seattle, ranked last among U.S. carriers, even though it historically has enjoyed strong customer loyalty and high marks for quality service.

The survey was taken March 3 to March 10 — about five weeks after the Jan. 31 crash of Flight 261. Subsequent scrutiny of Alaska's maintenance practices swayed respondents, according to comments participants made. And 88% said they recalled mentions of Alaska in the media in the past year, nearly double the recall of any other carrier.

"Alaska is not a familiar airline to most people, so the crash created doubt," says Charles Fombrun, director of the Reputation Institute and a professor at New York University's Stern School of Business.

A spokesman for Alaska said the airline was concerned about the crash's impact on its reputation, but confident the reputation would rebound. The airline also noted that after an initial dip in traffic, passengers had returned to Alaska, and airplanes were fuller than last year.

Airlines with longstanding reputations for quality overcame recent operating problems. AMR Corp.'s American Airlines ranked third behind Southwest and Delta Air Lines in overall reputation among U.S.-based carriers, even after a year of customer service woes as a result of a devastating pilot sickout and numerous operational problems last summer. Likewise, UAL Corp.'s United Airlines, which recently placed last in one airline quality survey, placed fourth in the reputation study behind American. "Reputation may have a strong halo effect not necessarily grounded in immediate results," says Dr. Fombrun.

In comments explaining their responses, travelers showed they have long memories. Many based a carrier's reputation on their

Rating The Airlines

The top domestic and international carriers rated in a survey of airlines and their services. Top reputation rating = 100.

Domestic			International		
RANK	AIRLINE	RATING	RANK	AIRLINE	RATING
1	Southwest	75.0	1	Singapore	80.3
2	Delta	70.0	2	Lufthansa	74.7
3	American	69.5	3	Scandinavian	74.4
4	United	67.2	4	KLM	74.1
5	Continental	66.0	5	Qantas	73.1
6	Northwest	65.9	6	British Airways	72.5
7	America West	64.8	7	Virgin Atlantic	72.3
8	Trans World	63.3	8	Swissair	72.0
9	US Air	62.9	9	Japan Airlines	69.6
10	Alaska	61.6	10	Air Canada	68.8

Source: Based on a study by Harris Interactive and The Reputation Institute

own experience, even if it was decades earlier, and some said they were influenced by travel nightmares suffered by friends or family.

Indeed, the survey also shows how difficult it is for airlines to change perceptions. Continental Airlines, for example, has won travel kudos in the past few years and is on solid financial footing since its dramatic turnaround in the mid-1990s. But many participants in the Harris survey still rated its reputation low because of two past bankruptcy filings and memories of lousy operations.

Low Rating, Strong Stock

Continental ranked fifth out of the 10 major U.S. carriers in overall reputation. Asked their perception of Continental's financial performance, investors in the survey ranked the Houston company next to last among U.S. airlines, ahead of only struggling Trans World Airlines. Yet Continental's stock has skyrocketed to \$40 a share from \$3 in the past four years.

"Clearly a case of perception lagging reality," a Continental spokesman said, "as evidenced by the amount of recognition and awards we've received over the last five years from our investors, employees and customers."

Among non-U.S.-based carriers, Singapore Airlines enjoyed the highest reputation quotient of any airline. Like Southwest, Singapore was dominant in its category. Even though only 124 respondents had actually flown the carrier, many others were influenced by its legendary reputation for attentive service and its consistently high standing in rankings by travel magazines.