

Chapter 4

Enhancing National Reputation and Competitiveness in the Global Market Through the Use of Soft Power: A Case Study Approach to Asia and Oceania Airlines

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ABSTRACT

This chapter explores the rising importance of soft power in the fiercely competitive airline industry. Since the deregulation of the industry in the 1970s, governments have utilized their airlines to promote their culture, economy, and political influence to other nations. Soft power, coined in the 1990s, refers to non-coercive means through which an organization can shape customer perceptions. Airlines leverage soft power by portraying a positive image of their country to influence how people perceive and engage with it. This strategy helps airlines maximize their capacity and generates economic benefits for the tourism and trade sectors. The chapter introduces a soft power assessment framework that considers various factors to evaluate the soft power of airlines, including customer service, brand image, social responsibility, innovation, safety record, financial stability, and accessibility. A case study is conducted using this framework to analyze airlines in the Asia and Oceania regions.

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INTRODUCTION

Since the 1970s deregulation of the airline industry, airlines have become a crucial tool for projecting a country's public diplomacy and enhancing its national reputation. Governments have recognized the importance of leveraging their airlines to promote their culture, economy, and political influence to other nations, particularly amidst the fiercely competitive airline market. In the early 2000s, airlines began to place greater emphasis on the concept of soft power, acknowledging that building brand recognition and delivering outstanding customer services were crucial for retaining customers by creating a positive and memorable experience for their passengers. Globalization has significantly transformed the airline industry, creating an open market with many airlines competing for market share (Button, 2008). As a result, airlines have been identifying ways to maintain their position, and the soft power concept has become increasingly important. The term "soft power" was first proposed by Nye (1990), revolves around the idea that an organization can shape customer perceptions through non-coercive means, and this has been adopted by airlines for decades. One approach airlines use to exercise soft power is by portraying a favorable image of their country and influencing how people perceive and engage with it. This strategy not only helps airlines maximize their capacity as more travelers are motivated to visit their country, but it also generates economic benefits for the tourism and trade sectors.

Using the airline industry as tools to promote soft power was used by the governments much earlier than Joseph Nye's proposal in the 1990s (Nye, 1990). In fact, in the early years, many airlines were owned or partially owned by governments and were viewed as symbols of their country's aviation industry, representing their nation. These national carriers were considered crucial tools for promoting a country's soft power (Bauer, 2020). Through their brand reputation, customer service, cultural exchange, and diplomatic initiatives, these airlines played a vital role in promoting their nation's soft power (Kobierecki, 2021). By leveraging soft power, airlines could promote their country's culture, history, and tourism industry through their marketing and branding efforts, generating a sense of national pride and obtaining support from both local and international travelers.

In the early days of aviation, governments often established airlines as part of their national transportation strategies, due to the high costs and risks associated with setting up airlines. Private companies were hesitant to invest in this new and untested industry, which required significant investment in aircraft, infrastructure, and personnel. As a result, many airlines had close connections with their respective governments. For instance, in 1939, the British government established the British Overseas Airways Corporation (BOAC) for defense and economic development, and to promote British influence and prestige around the world (Watson, 2013). During World War II, BOAC played a crucial role in transporting troops, supplies, and equipment globally, and helped establish air routes to underdeveloped regions of the British Empire (Singh, 2021). Conversely, in the United States, Pan American Airways was established by private investors in 1928 and expanded rapidly over the next two decades, becoming one of the largest and most well-known airlines in the world during its peak in the 1960s. Pan Am played a significant role in promoting American tourism and trade by flying passengers and cargo to various destinations worldwide, connecting the United States with other parts of the world and promoting the country's cultural and economic interests. The airlines launched the "Round the World Flights" program in the 1960s to allow passengers to travel to multiple countries on a single ticket and encouraged tourism and cultural exchange between different countries (Ash, 2021). The airline became a symbol of American influence and prestige worldwide and reinforced the country's position as a global superpower. During the Cold War, the Soviet Union's national airline Aeroflot used its extensive international network to

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