

January 12, 2007

AirTran campaign gets low marks
PR executives say it misses shareholder target

By Rich Kirchen

AirTran Airways' campaign to win support for its bid to buy Midwest Air Group Inc. receives low marks from Milwaukee-area public relations executives because the effort fails to focus directly on Midwest's largest shareholders.

Since going public with its unsolicited \$290 million offer Dec. 13, Orlando, Fla.-based AirTran Holdings Inc. has run full-page newspaper ads, met with government officials and sent letters touting the benefits of a takeover to Milwaukee-area business leaders. The last of those letters arrived in executives' offices on Jan. 10, the same day that management of Midwest Air reiterated its position that remaining independent will provide the best value to shareholders.

The problem with AirTran's campaign, which the airline's executives created in concert with the Chicago office of Cramer-Krasselt, is that it targets the general public and the Milwaukee business community at large, PR executives said. If AirTran is to succeed, it needs to convince Midwest Air shareholders to pressure the Oak Creek-based airline's board, which rejected AirTran's bid because it "significantly undervalues" Midwest. When AirTran executives flew into Milwaukee in mid-December, they generated "good sound bites" by holding press conferences and meeting with newspaper editorial boards, Milwaukee Mayor Tom Barrett and embattled Milwaukee County Board chairman Lee Holloway, said Craig Peterson, president of PR firm Zigman Joseph Stephenson. However, the opinions of the general public and politicians are not important on this issue, Peterson said.

"This is not a retail or consumer project -- this is investor relations 101," Peterson said. "And that's where they're missing the mark."

Financial Decision

Midwest shareholders will decide whether to back AirTran based on financial considerations, and not on community support for a takeover, said Marilyn Vollrath of Vollrath Associates Inc., Milwaukee.

"It seems like they're talking to the wrong audience," she said.

Even in terms of swaying public opinion, Carl Mueller of Mueller Communications, Milwaukee, said AirTran and Cramer-Krasselt have underestimated the Milwaukee area's support for Midwest Air. No amount of advertising and public relations will convince Milwaukeeans to give up two-across seating, direct flights and, of course, chocolate chip cookies, he said.

"As a citizen of Milwaukee, I believe the AirTran campaign insults my intelligence and shows they really don't understand how people here think of Midwest," Mueller said.

Evan Zeppos of Zeppos Associates said advertising and public relations won't succeed for AirTran unless it increases its bid of \$11.25 per share. Midwest Air stock has traded higher than that price ever since AirTran went public with its offer, and closed at \$12.90 on Jan. 10.

"Until they put more money on the table, nothing is going to change," Zeppos said. AirTran executives reiterated their position this week that they would not increase the offer unless Midwest Air allows AirTran to review Midwest's internal financial documents and projections.

An executive with Midwest's largest shareholder, Heartland Advisors of Milwaukee, declined to comment on AirTran's campaign, as did Midwest Air spokeswoman Carol Skornicka.

Making the decision

For their part, AirTran executives said their campaign is, contrary to local PR experts' take, changing opinions in the Milwaukee community. The most recent full-page ad in the Milwaukee Journal Sentinel Jan. 2 quoted Milwaukee residents who back AirTran. Each of the two full-page Journal Sentinel ads cost AirTran between \$30,000 and \$40,000, depending on the terms of the airline's contract with the newspaper. AirTran officials declined to disclose the expenses of their campaign, which also includes hourly or monthly fees paid for Cramer-Krasselt's PR services.

AirTran executives believe Cramer-Krasselt has "done a wonderful job" on the campaign, said Ted Hutcheson, the airline's vice president of marketing.

Hutcheson said the idea behind the newspaper ads and meetings with public officials was to convey AirTran's case to individual Midwest Air shareholders rather than targeting institutional shareholders. Forty-two percent of Midwest Air stock is held by institutions, such as pension funds, and mutual funds, according to figures on Yahoo Finance.

"A lot of Midwest shareholders and investors are in the Milwaukee area," Hutcheson said. "They're the ones who ultimately will make the decision if our plan is a good one or not."

The letters to Milwaukee-area business leaders and executives presented AirTran's case that a takeover of Midwest would benefit the business community in terms of the number

of flights and destinations, the amenities on AirTran's aircraft and airline employment in Milwaukee.

The letter from AirTran CEO Joseph Leonard also details the community involvement of AirTran and its employees in its hub community of Atlanta as well as in Baltimore, Orlando and Indianapolis.

"We are active participants in the communities that we serve," Leonard said in the letter. AirTran has no immediate plans for more advertising or public relations pushes in Milwaukee, Hutcheson said.

AirTran's campaign may be neutralizing some of the public opposition to its bid for Midwest, but AirTran's main challenge at the moment isn't public relations, said Ron Miller, a managing partner at Cleary Gull, a Milwaukee investment banking firm. Midwest Air shareholders and its board can simply watch Midwest's stock and see that AirTran's bid is falling short.

"The market is saying it's worth more," Miller said. "If they (AirTran) were to raise the offer, it could put pressure on Midwest."