

# FINANCIAL REVIEW

September 22, 2014

## Qantas frequent flyer changes ‘bewildering’ for customers

By Jamie Freed

*This article is based upon a report issued by IdeaWorksCompany.*

Qantas Airways may have marketed recent changes to its frequent flyer -program as “simpler and fairer”, but in reality the airline added “daunting -complexity” to its loyalty scheme, according to a new report from US consulting firm IdeaWorksCompany.

In March, Qantas announced it would switch to awarding more points to those paying for more expensive fare classes from July 1, rather than allocating them on the number of miles flown. The Qantas changes were announced weeks after US carriers Delta Air Lines and United Airlines moved to reward higher spenders.

The carriers all initially launched -frequent flyer programs in the days when airlines were regulated and fares were based on the distance flown. Over time, as the industry deregulated and more fare classes developed, very low fares for long trips and very high fares for short trips began to appear.

The IdeaWorks report said awarding points on revenue made sense for airlines, but it noted the US carriers gave far more notice to customers than Qantas. The Delta changes start on January 1, the United changes on March 1.

### Hey big spender

Comparing Qantas accrual using old and new methods\*

City pair examples (distance)	Method	Discount economy	economy	Flexible economy	Premium economy	Flexible premium economy	Business	Flexible business	First
Sydney to Perth (4,080 miles)	Old**	2,040	2,040	2,040	2,040	2,040	3060	3060	n/a
	New	1,450	1,450	2,200	2,700	2,900	3,300	3,600	n/a
	Change	-29%	-29%	8%	32%	42%	8%	18%	n/a
Sydney to Los Angeles (14,980 miles)	Old**	7,490	7,490	7,490	9,363	9,363	11,235	11,235	14,980
	New	4,500	6,750	9,000	11,250	12,400	13,500	15,750	18,000
	Change	-40%	-10%	20%	20%	32%	20%	40%	20%

\*Change row represents new method compared to old (all figures for one way travel).  
\*\*Includes class of service bonus. Data collected from Qantas website Aug 2014.

SOURCE: IDEA WORKS COMPANY

Qantas's changes in some ways brought it in line with rivals Virgin Australia and Air New Zealand, which have used revenue-based accrual systems since 2005 and 2004 respectively.

Under the Qantas system, points are not linked directly to fare prices. Instead, the airline offers a system of 15 travel regions which are combined with eight fare categories to eventually define how many points are received.

"The result is a bewildering array of 120 defined accrual levels," IdeaWorks said. "The challenge faced by customers is the daunting complexity of the new method introduced by Qantas."

Qantas moved to the new system, which also awards more points and status credits for flights booked with the carrier rather than oneworld alliance partners, to help encourage customers to book more expensive fares.

"It makes sense that when you pay more for a ticket, you would earn more points," a Qantas spokesman said.

"In our discussions with members, they've understood why we've made the changes and for those who were already in the habit of buying the more flexible fares, they appreciate the extra points earned."