

AIRLINE REVENUE AND TRANSFORMATION SERIES



Transformation 2021: Consistency and Innovation Will Save the Airline Industry

This CarTrawler sponsored report evaluates how innovation can create the consistency sought by consumers and the revenue needed by airlines.

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Jay Sorensen's research and reports have made him a leading authority on frequent flyer programs and the ancillary revenue movement. He is a regular keynote speaker at the annual MEGA Event, spoke at IATA Passenger Services Symposiums in Abu Dhabi and



Jay and son Aleksei hiking in the Santa Monica Mountains National Recreation Area in California.

Singapore, and has testified to the US Congress on ancillary revenue issues. His published works are relied upon by airline executives throughout the world and include first-ever guides on the topics of ancillary revenue and loyalty marketing. He was acknowledged by his peers when he received the Airline Industry Achievement Award at the MEGA Event in 2011.

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Eric, at his favorite summer retreat, Steens Mountain, Oregon.

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Transformation 2021: Consistency and Innovation Will Save the Airline Industry

We are creatures of habit

Consider and contemplate a paradox of travel. Consumers seek new experiences away from home. But we want these travels to be protected by a cocoon of predictability and consistency. The flight should be safe, comfortable, and on-time. The hotel is expected to be clean, pleasant, and provide sanctuary. Of course there are travelers who prefer excitement in the style of Marco Polo, Freya Stark, or Richard Branson. But these intrepid few do not represent the giant portion of the market that ensures financial success for network carriers, global hotel chains, and big-fleet car rental companies. The airline industry has been tasked by the pandemic to restore confidence and consistency to the travel experience. This report describes the many methods deployed by airlines to boost traffic and revenue during the recovery.

There is a delicate balance between fun and boredom. The destination should be fun and the flight should not be boring. The secret sauce here is meeting the expectations of the consumer at every step. The pandemic, and the long tail of its hoped-for demise, has thrust more work into the arms of airlines. Not only does an airline represent the first step for booking a trip, it now must act as advisor for the array of restrictions associated with travel. The rest of the industry, and its recovery from the pandemic, relies upon airlines to restore consumer confidence and reestablish consistency.



*Freya Stark was a British explorer, writer, and vagabond specializing in Arabia.
Image: National Portrait Gallery London*

Starbucks built an empire on consistency and innovation

Starbucks generated \$21.5 billion store revenue in 2020 at 32,660 locations in more than 80 countries.¹ Each week, the company has more than 100 million transactions. It's a global icon of consistency for consumers all over the world. Very predictably, you can expect a good cup of coffee made to your specifications along with a tasty pastry or sandwich. You could board a jet today in Chicago and arrive tomorrow in Chennai, Cairo, or Cordova and expect to find a local Starbucks to meet your expectations.

¹ Statistics from Starbucks.com website and 2020 annual report reviewed April 2021.

Consumers embrace consistency when the experience is predictably positive. When a brand name is part of the transaction, the goodwill can extend to every location in the world. There is a multiplier effect that encourages consumers to focus their spending with the brands that consistently meet expectations. But when uncertainty is injected, the dynamics of consumer loyalty fall into disarray. That's why it's truly stunning when a business delivers good service over a far-flung empire of locations. Consumers need not be aware of supply chain issues, local business regulations and licensing, and training a culturally diverse workforce. These challenges are invisible to the patron stepping into a Starbucks. The airline industry shared the quality of consistency before the pandemic.



Always experimenting: "Borrow a Cup," which charges customers a \$1 deposit for a reusable (washed and sanitized) cup, is being tested in Seattle.

As for innovation, Starbucks began in 1971 as a place just for coffee. Among its company-operated stores, food now represents 20 percent of revenue.² Starbucks Reserve Roastery is being developed as an upscale coffee experience with locations all over the world; the Chicago location dedicates 5 floors to this. The company has also become a leader for digital commerce. The Starbucks Rewards loyalty program has more than 19 million active US members (activity within a 90-day period) and is responsible for 50 percent of US revenue.³ Mobile order and pay app are now used for 25 percent of US transactions. Starbucks is adapting to the new pandemic-era habits of customers with a tiny new Pickup store format in population-dense urban areas which relies on order and prepay through the mobile app. Consistency and innovation is a powerful combination. Airlines have an immediate need to recreate the consistency lost during the pandemic and embrace innovation as a tool to recover lost revenue.

We asked a question on LinkedIn about traveler concerns

Once upon a time, consumers could book a ticket to practically anywhere and with almost complete certainty expect safe and efficient travel to their destination. There might be occasional delays and a missed connection to interrupt the journey, but these were rare. For international journeys, some countries might require a visa to be arranged before departure, or perhaps purchased on the day of arrival. But the certainty of yesterday contrasts with today's fear of being barred entry into the country of your destination or denied the ability to return home.

Will he or won't he let me in? That's the question in the minds of would-be travelers. Image: US Customs & Border Protection



² Starbucks Fiscal 2020 Annual Report for the period ended 27 September 2020.

³ Starbucks Biennial Investor Day 2020, COO and group president - Americas presentation.

Consumer comments on this topic were gathered from a question posted in the LinkedIn feed of IdeaWorksCompany: “As a traveler, what concerns you about travel restrictions, health passports, and Covid tests for international travel?” It was a popular post generating more than 8,800 views and 39 comments. See the below table for a sampling of responses from all over the world. The question clearly touched a nerve with travelers expressing very real fear and concern regarding the stability of the travel process. These outcomes are not evenly distributed. For large countries such as Australia, China, and the US, purely domestic travel is becoming predictable again. Elsewhere, the assurance of consistency is elusive, and is punishing the recovery of travel.

As a traveler, what concerns you about travel restrictions, health passports, and Covid tests for international travel?

- “The lack of coordination and knowing whether my testing and vaccination will be accepted at the destination, as well as the possible need to quarantine back home upon arrival.” - *Ireland*
- “The ever changing rules and lack of coordination between countries.” – *Sweden*
- “My concern is the lack of visibility or predictability in the end-to-end process, which comes when you experience new things.” – *Netherlands*
- “One concern would be how airlines, hotels, and car rental companies will adhere to guidelines in a seamless fashion . . . how can I expect all of them to meet the same standards and do so in a way that will keep me happy and confident in my travels and doesn’t disrupt the experience?” *USA*
- “When you travel by yourself it’s manageable, when it’s 4 people in a family, it becomes complicated and expensive. Consider PCR tests at \$130-150 and antigen tests at \$50. With 4 people, it’s \$800 roundtrip, and that’s before airfare.” – *Panama*
- “The goalposts are changing all the time; there is a risk of being stranded overseas. I also worry about not having the correct Covid protocols covered for my trip despite my best efforts.” – *United Arab Emirates*
- “The ongoing lack of clarity and standardization might just overwhelm the whole passenger experience.” – *Netherlands*
- “My concerns are informed by the current realities, namely a disjointed and therefore dysfunctional process from country to country that makes it unintelligible to the passengers and confusing for those that are required to police it.” - *Israel*
- “As a traveler, I am most concerned about fraudulent versus valid credentials.” – *Canada*

Question posted on LinkedIn during April 2021 by IdeaWorksCompany; responses edited for clarity and brevity.

It’s so very frustrating for travelers and those in the airline and travel industry – none of these issues existed before the pandemic. And now, these overwhelm the industry. The complexities are huge and will only be resolved bit by bit and rather slowly. For example, the pandemic has unfortunately wedded airlines to the health care business. If one is hoping for quick tech-based solutions, a health care expert provides this foreboding news, “Health care is a paper-based, manual, terrible industry riddled with inefficiency . . .”⁴ That’s hardly the industry one would eagerly “hitch their wagon to.”

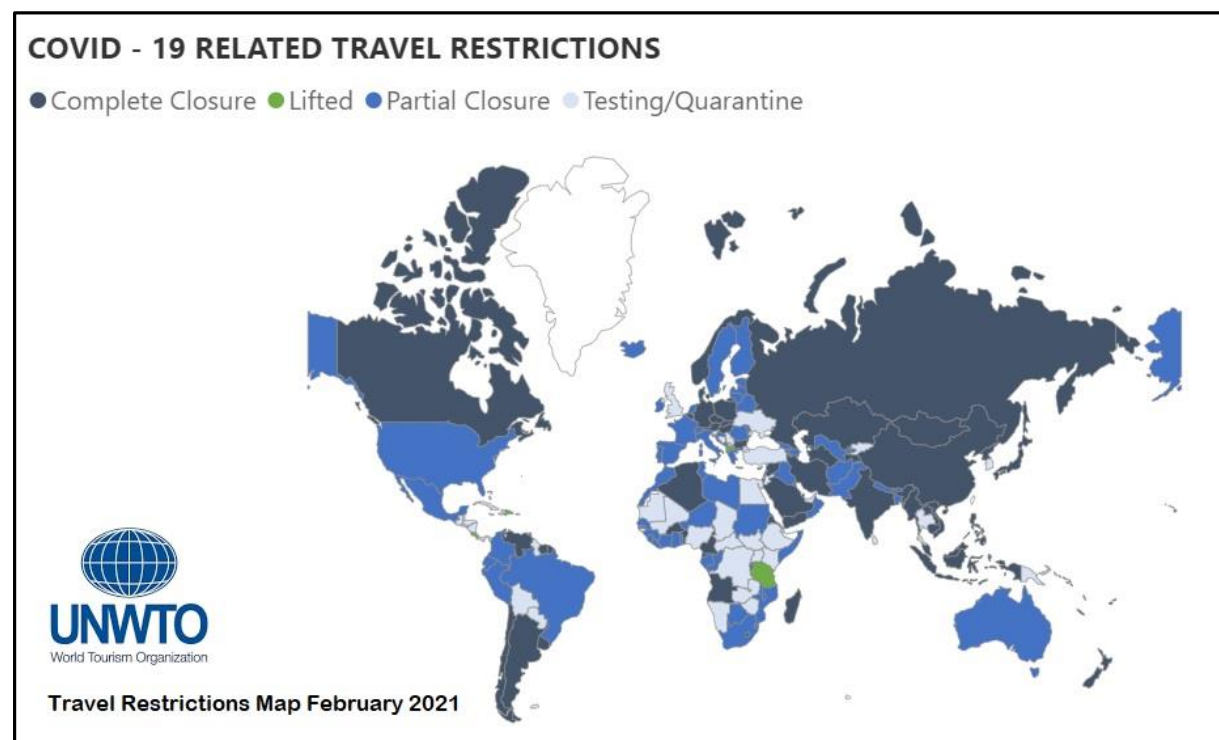
⁴ Microsoft’s Nuance Gambit Shows Healthcare Is Shaping Up as Next Tech Battleground” 13 April 2021 article in the *Wall Street Journal*.

Global mistrust has become an impediment to travel

Antonio Guterres, Secretary General of the United Nations, prior to the pandemic identified “four horsemen” (of the apocalypse) posing the greatest challenge to the world: “These four horsemen – epic geopolitical tensions, the climate crisis, global mistrust, and the downsides of technology – can jeopardize every aspect of our shared future.”⁵ He would later add the pandemic as a fifth threat. The entire list has applicability to the challenges faced by the global airline business. But among the original four, global mistrust looms as the largest threat to the travel recovery.

Secretary Guterres said more on the challenge of global mistrust: “Disquiet and discontent are churning societies from north to south . . . More and more people are convinced globalization is not working for them.” In short, connecting with people in other countries is no longer desired, but rather interpreted as a threat. Nationalism has trumped global cooperation. This stabs at the heart of international travel. Never in recent history have countries so readily closed their borders. While governments struggle with infections and deaths within their borders, it’s a politically expedient solution to block international travelers who add to the task. Normally, tourism interests would effectively lobby against these measures, but the pandemic has overruled their former influence.

The most recent UN World Travel Organization (UNWTO) report on travel restrictions dated 08 March 2021 revealed deteriorating results from the earlier December 2020 report. Partial or full border closures increased to 142 destinations from 118 in the earlier report, and 140 destinations were found to require negative Covid-19 test results for arriving international tourists, which is up from 126 destinations. Rather than declining in number, border closures and testing requirements increased.



A world that's more blue. Darker shades of blue are more prevalent compared to the November 2020 map.

⁵ Remarks by Antonio Guterres, Secretary General of the UN to the General Assembly on 22 January 2020.

What is an airline to do?

The preceding pages of this report offer a clear-eyed assessment of the obstacles facing the travel industry as it struggles with the pandemic. There is new worry the disease of Covid-19 will be a forever thing. There are indeed plenty of challenges to be faced, but fortunately a lack of desire for travel is not one of them. Allow this thought to be repeated – in markets all over the world, when consumers are free of pandemic-era restrictions they are ready and oh-so-willing to travel. Consumers will travel when they have confidence in health safety protocols and believe consistency will ensure no disruptions.

The foundation for the recovery of travel is adherence to Covid-19 safety protocols. This will be boosted by continued vaccination to create confidence. Travel restrictions are largely determined by governments and are now influenced by local and global politics. This requires the travel industry to lobby strongly for stable and appropriate measures. Airlines can also do more and the measures described in this report fall into three categories:

- **Provide travel advice and create consistency:** IATA Passport, American/Sherpa travel restrictions tool, and Delta Discovery Map.
- **Boost booking confidence:** easyJet holidays Protection Promise and Emirates inclusion of insurance.
- **Redefine revenue in the pandemic era:** Lufthansa buy-on-board and Qantas Mad Paws investment and partnership.

This is not a comprehensive list of tools airlines can deploy to recover from the pandemic. But these products do emphasize providing advice, building confidence, and adding revenue through innovation. Please remember, innovation is not invention. Innovation is changing an existing product to improve it. Think of it as the milder cousin of invention.

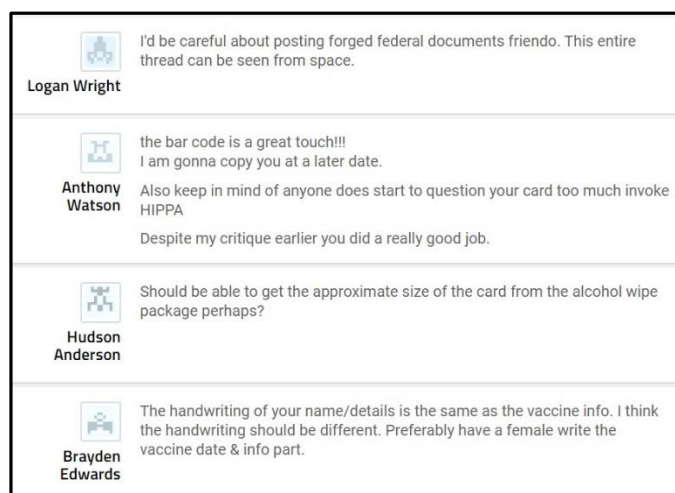
Health passports are a long-term necessity for international travel

Country-based travel restrictions are here to stay. They won't go away as this pandemic recedes. Never before in the modern era of travel have countries so easily and repeatedly closed borders to foreign travelers and their own citizens. The reasons behind closures are largely dictated by public health policy but politics are also influencing these decisions. The long tail of the pandemic will include flare-ups of infection and other unfortunate events. Let's consider passengers on a flight from the fictitious "Republic of Utopia" who all provide negative Covid-19 test results prior to departure. Later on, secondary testing after arrival reveals dozens have the disease. Countries all over the world are alarmed by the incident and place Utopia on a do-not-fly status. This is happening today.

The rationale for a closure can be based on science, abundant caution, or a lack of diplomacy. Tourism-dependent countries, many of which are less developed, will close their borders less and will likely be relaxed in the enforcement of travel policies. However, many countries in the world have already demonstrated a rigid approach to travel rules and enforcement. This new world can't rely upon the exchange of paper certificates, just as the global economy no longer relies on paper money. Unfortunately, the airline industry will struggle for the rest of 2021 largely using paper-based credentials and certificates to verify infection and vaccination status. Technology is a must-have solution for the future as cross-border traffic approaches to pre-pandemic levels.

The travel industry has now entered the era in which fake Covid-19 test certificates are a worry. Border control staff in the UK disclosed they see about 100 fake certificates a day and that it's nearly impossible for agents to decipher documents in languages other than English.⁶ All of the checks required for UK arriving passengers have generated waiting times as long as six hours at London Heathrow Airport.⁷

This is just the tip of the iceberg because these issues will jump in number as traffic returns to pre-pandemic levels. Health passport mobile apps offer the promise of using technology to support the consumer, speed passenger processing and possibly reduce fraud. Passport types fall into two broad categories: 1) Upload and Verify and 2) Digital Network.



Fraudsters post commentary on how to create fake vaccine certification cards on an online forum in the US.

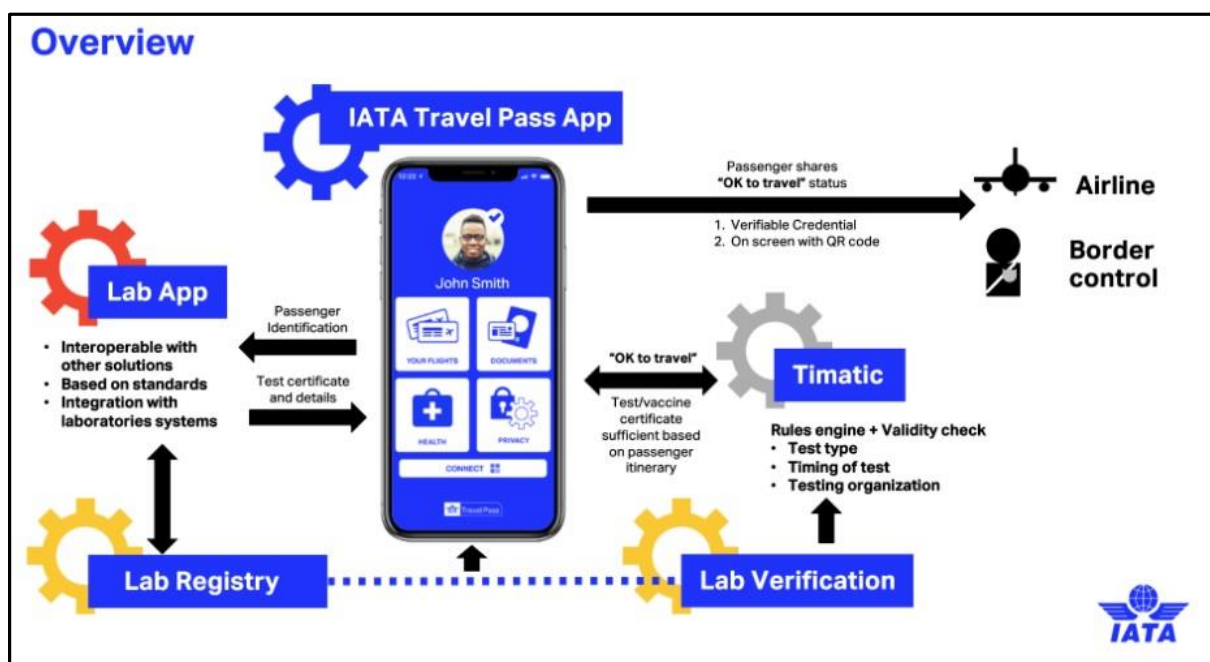
Summary of Health Passport Mobile Apps		
Data Collection (Provider Examples)	Methodology & Features	Advantages & Challenges
Upload and Verify (Verify and ICC AOKpass)	<ul style="list-style-type: none"> App defines documents required for a trip, such as Covid-19 test and travel forms. Traveler uploads information to app and documents are manually reviewed. Some app operators will have medical provider verify authenticity of event. Approval of documentation transmitted as a QR code displayed by the mobile app and/or digitally transmitted direct to airline. 	<ul style="list-style-type: none"> Consumer may use any health care provider; no defined network. Manual verification method which can be labor intensive. Document fraud will occur.
Digital Network (IATA Travel Pass and CommonPass)	<ul style="list-style-type: none"> App defines documents required for a trip, such as Covid-19 test and travel forms. Traveler visits health providers defined by the app network. Health records are automatically captured through connections with providers. Authentication occurs within the network; no manual review required. Approval of documentation transmitted as a QR code displayed by the mobile app and/or digitally transmitted direct to airline. 	<ul style="list-style-type: none"> Consumer limited to health care providers in a defined network. Secure digital transmission from providers prevents document fraud. Significant effort required to create network of providers.
Source: IdeaWorksCompany research and review of online materials conducted April 2021.		

⁶ "COVID-19: At least 100 fake coronavirus test certificates are used by UK arrivals every day" article dated 21 April 2021 at SkyNews.com.

⁷ "Fake Covid-19 Certificates Hit Airlines, Which Now Have to Police Them" article dated 13 April 2021 in the Wall Street Journal.

The Upload and Verify style has been favored by US domestic airlines such as American, Delta, and United. As described in the preceding table, it offers a quicker, self-administered solution but causes worry because documents uploaded by consumers can be fake. Perhaps these carriers plan to evolve this method into a digital platform in the future. The Digital Network style, best represented globally by the IATA Travel Pass, offers the best long term solution for all of the reasons identified in this report.

The folks at the International Air Transport Association (IATA) are not inclined to jump into a completely new business unless there is an overwhelming industry-wide need. The preceding commentary demonstrates why a global solution is required. IATA announced Travel Pass in November 2020 and has been busy building the platform, adding laboratory test locations, and implementing airline trials with airlines and countries.



The IATA Travel Pass app is designed to deliver results to the consumer, airline, and border control in a secure manner.

It's a herculean task that includes a global list of airline participants such as Emirates, Etihad, IAG International Airlines Group, Japan Airlines, Korean Air, Qantas, SWISS, and Virgin Atlantic. The IATA website reveals it is implementing trials with border control agencies in Panama and Singapore for providing digital traveler documentation for arriving passengers. Lab relationships have been established with Unilabs and Eurofins offering more than 1,000 laboratory locations combined. In addition, IATA is working in the home markets of participating airlines to add local test locations and networks.

There is a gold rush fever in the travel industry to develop quick solutions and there are suppliers large and small rushing to fill the need. Airlines, governments, laboratories, and consumers should tread carefully. Some of these solutions are built on dreams of an economic windfall rather than the reality of linking hundreds of airlines, thousands of labs, and millions of travelers. There are abundant privacy concerns too. The terms and privacy document for one would-be supplier contained more than 7,800 words. Even though the app promises travelers "complete control" over their personal information, the text clearly protected the provider from any and all liability (to include where it is at fault) and revealed information could be shared with third parties. "Caveat emptor" (Latin for "let the buyer beware,") is fair warning for this wild west environment.

American Airlines and Sherpa defines restrictions at-a-glance

There was a time when the information expected from an airline was limited to the travel tips offered in the inflight magazine. My how times have changed. Today's environment of uncertainty requires far more hand holding. This is where easy-to-use travel information engines can power consumer confidence. Health apps by definition will guide travelers on the path of completing the tests, documents, and forms required for a trip. American Airlines selected Sherpa to provide this information before a booking is made. IATA offers a similar tool called Timatic, but you may find the visual presentation offered by Sherpa is more user friendly.

The screenshot shows the Sherpa interface for a trip from England to Singapore on July 1, 2021. At the top, a dark banner titled "Your trip summary" states: "Most travellers from England are not allowed to enter Singapore yet." with a "View Restrictions" button. Below this, "Quick Facts" are listed: Covid Test, Quarantine, and Document Required. The main content area is divided into two sections: "Travel restrictions" and "Required documents for your trip".

Travel restrictions:

- Business travel corridor [See Details >](#)
- Entry restricted for international travelers [See Details >](#)
- Mandatory COVID-19 test on arrival [See Details >](#)
- Mandatory 21-day quarantine [See Details >](#)
- Proof of negative COVID-19 test results [See Details >](#)

Required documents for your trip:

- Proof of negative COVID-19 test results [See Details >](#)
- Mandatory travel declaration form for departure from England [See Details >](#)

A button labeled "Complete online" with a right arrow is visible between the document lists.

This is a portion of the Sherpa data display for a July itinerary from London to Singapore viewed at AA.com April, 2021.

A recent review of top airlines reveals the haphazard manner in which information related to travel restrictions, Covid-19 test requirements, and health insurance requirements, is presented to consumers. Too often this crucial advice is pasted to a web page in a manner that reduces confidence. Third party services can provide suspect information. For example, SafeTravelBarometer.com indicates virtually every airline in the world conducts thermal screening – that's wildly untrue.

Similar to our past recommendation to provide online calculators to define baggage charges for individual itineraries, the same need exists for travel restrictions. Easy-to-retrieve, clearly presented information creates consistency and organization for a topic which represents a significant source of confusion and frustration for consumers. Travel restrictions are a permanent part of the travel landscape, so airlines are well advised to add tools to guide passengers on this path.

Delta deploys technology to advise and inspire

The best retailing entices product purchase to meet a consumer's needs. That's the magic behind the Delta Discover Map. It's a work-in-progress with Delta defining what it wants to promote across its global network. Travelers visit the page and enter an origin point and select various display elements. Destinations can be shown with airfares, reward pricing in miles, or as vacation packages. Selecting a particular region orients the map to that part of the world.

The very timely attribute displayed by the map is pandemic accessibility: 1) open to visitors, 2) open with restriction, and 3) restricted entry. Alternatively, consumers can be very precise and exclude destinations with any of six requirements including quarantine, Covid-19 test or vaccination, and health insurance. The map displays destinations and low prices which Delta wishes to feature. A slider feature excludes destinations by lowering the rate below the highest price displayed on the map. You can even sort based upon holiday style, such as beach, city, and outdoor experiences. The map currently has a US origin bias and likely represents Delta's immediate marketing objective.

The screenshot displays the Delta Discover Map interface. At the top, the Delta logo is followed by navigation links: BOOK, CHECK-IN, MY TRIPS, FLIGHT STATUS, Travel Info, SkyMiles, and Need Help?. On the right, there are links for SIGN UP and LOG IN. The main section is titled TRAVEL PLANNING CENTER. Below this, there's a section for SELECT YOUR ORIGIN, where 'New York-Kennedy, NY (JFK)' is entered. A checkbox for 'Include Trip pricing' is checked, with options to display featured flights in USD, miles, or as vacation packages. A 'FILTER YOUR RESULTS' section includes a 'Total Price' slider ranging from \$150 to \$1,351, and dropdown menus for 'To' (Destination Airport), 'Region' (Europe, Africa, Middle East), 'Travel Availability', and 'Open with restriction'. The map shows Europe with price tags for various destinations: Dublin, Ireland (\$689), Amsterdam, Netherlands, Frankfurt, Germany, Zurich, Switzerland, Barcelona, Spain (\$379), and Lisbon, Portugal (\$367). A pop-up window for 'New York, NY to Venice, Italy' shows a 'Basic Economy Round Trip Starting at: \$595' and a 'SEARCH FLIGHTS' button. It also notes 'Flights Departing Sep 4, 2021 - Sep 12, 2021' and lists requirements: Quarantine (May be required), COVID-19 Test | Vaccination (May be required), Forms or Applications (Required), and Health Insurance (Not required).

Delta's Discovery Map (viewed at Delta.com April, 2021) is powered by a price searching engine developed by xCheck.co with travel restriction data sourced from Smartvel.com.

The Discovery Map acts as a shopkeeper carefully guiding the consumer to the right destination. This retail method offers tremendous versatility because it so easily accommodates new features. For example, weather could be added to allow destination searches by seasonal average temperatures and rainfall. Clicking on "View More Requirement Details" opens a box with ten requirements populated with information about the specific destination. As designed for Delta by xCheck, the map displays destinations offering "reasonable availability" to ensure consumers have a good chance of booking the price promoted.

EasyJet holidays boosts booking confidence

Similar to Delta, easyJet has developed a reputation as a very forward-thinking airline. It has created a separate Protection Promise for the airline and the package holiday business. It's a smart move to remove barriers erected by the pandemic because it encourages consumer confidence and brand loyalty. Savvy airline management teams recognize generous change and cancellation policies are the best form of advertising in today's pandemic environment. Consumers are eager to buy, but they have lost confidence in the travel process. Yes, airlines and holiday package companies must accept the risk of spoiled inventory if they wish to see a robust return of booking flow.



EasyJet has used bold banners to proclaim protections offered to travelers without all the usual asterisks associated with temporary promotions; the easyJet holidays Protection Promise was announced without an expiration date.

The Protection Promise created by easyJet holidays has a branded feel that isn't coupled to an expiration of the policy. There are six policy components, of which three are crucial for the pandemic: 1) Covid commitments, 2) refund guarantee, and 3) freedom to change. The press release announcing the policy said, "And this isn't a short-term move, this is a fundamental change to what customers can expect whenever they book with easyJet holidays."⁸

EasyJet modified the original policy to accommodate the UK government's system of green, amber, and red destination categories. For example, amber and green destinations require quarantine in addition to Covid-19 testing upon return to the UK. EasyJet offers a no-fee change, refund as travel credit, or a full refund to the form of payment, based upon the category assigned by the government and timing before departure. Regardless of the category, full refunds are offered for any cancellation made 28 days before departure. Holiday deposits are refunded as future holiday credit. Changes can be made 28 days before departure with no fee if made online, or a flat call center fee of £25 per booking.

There are unfortunate pretenders in the market. One US airline package product was found to promote this policy: *No change or cancel fees & no worries*. That's a pretty clear promise. But upon closer inspection, the small print reveals the separate change fees charged by hotel and car rental firms are not waived. It's a caveat that erases consumer confidence once discovered . . . which hopefully occurs before the booking is made. Consumers will remember easyJet's distinctive policy for a long time, making the easyJet holidays Protection Promise a wise investment in the future.


⁸ "Protection Promise launches" press release dated 24 September 2020 at [easyjet.com](https://www.easyjet.com).

Emirates ensures and insures with free insurance

The inclusion of free trip insurance during a period of great uncertainty for cross-border travel is a smart thing to do. But few airlines agree with this assessment. In our survey of 25 leading airlines released 16 March 2021, just three airlines were found to include free-of-charge trip insurance for travelers. Of these three, only Emirates offers the trip insurance inducement without an expiration date for this free benefit.

The policy provides robust coverage for risks associated with the Covid-19 era. Up to \$500,000 is available for overseas medical expenses and emergency evacuation. There is a \$7,500 benefit if a trip is cancelled due to Covid-19 (or other listed reasons) or if a traveler fails a Covid-19 test at the airport and can't travel. The risk of quarantine is covered with \$150 per day for up to 14 consecutive days of a mandatory stay while overseas. This is a partial description of the benefits, and the full policy is available for review at Emirates.com.

As the recovery continues, Covid-19 exemptions for cancellation and change fees are gradually expiring for more and more airlines. Major US airlines announced with great fanfare the “permanent” end of change fees during 2020. This is not quite true, as the fees continue for their lowest priced “basic economy” tickets. This fare category could easily represent 40 percent of a major carrier's traffic. Airlines are attempting to shift financial responsibility for travel disruption back to the consumer. However, the first half of 2021 is teaching us the recovery will have a long tail with unexpected disease outbreaks.



The insurance is automatic – all you have to do is purchase your flight

Check our current destinations and search for flights to find out travel requirements, flight schedules, our services and more.

[Book now](#)

Emirates automatically includes insurance for travel booked through call centers, travel agents, and online.

Emirates clearly understands this threat and continues to provide layers of protection for its customers. Travelers may change tickets within a 24-month period after booking without change fees. They may even request a full refund. Plus, each ticket purchased after 01 December 2020 includes trip insurance through AIG (American International Group). These policies are clearly designed to remove any impediment to booking a trip with Emirates. In effect the carrier is saying “We will always be here for you.”

Lufthansa, SWISS, and Austrian change course during the pandemic

The pandemic created two certainties for airlines: fewer passengers and less revenue. Many airlines used this period to reconsider business models with a special focus on life after Covid-19. The almost complete loss of traffic allows for a reset of traditional methods. Lufthansa has long been pressured by low cost carriers within Europe which have far lower operating expenses. EasyJet, Ryanair, Wizz Air, and Vueling have redefined travel for younger consumers – and that definition no longer includes the expectation of free drinks and snacks on intra-Europe flights. This is combined with a legacy of lower economy class food standards by Europe's network airlines brought by years of budget cuts. No airline claims complimentary food is a compelling competitive advantage on short and medium-haul flights. For Lufthansa, the time arrived for a major change; buy-on-board would be introduced on flights within Europe.

Lufthansa is set to make the change this summer. SWISS and Austrian made the move in March. Lufthansa Group allowed each airline brand to create a unique offer linked to local firms known for high quality food and drink. It's very clear the group is promoting the message of higher quality over the prior practice of free and skimpy snacks.



Shown here is Austrian's buy-on-board offer associated with the Henry brand of restaurants in Austria.

The company made the big decision to convert to an a la carte menu, with the exception of bottled water offered free of charge. Chocolates will remain as a signature item distributed by cabin crew. Food will be offered as salads, bowls, wraps, and sandwiches; longer flights will include hot meals such as Austrian's fried crispy chicken schnitzel. Charging for beverages encourages consumers to "get their wallets out" which naturally generates a higher overall level of guest spending. The price of snacks and meals on Lufthansa will range from €2 to €12, with beverages such as coffee, tea, and juices starting at €3.⁹

Catering will use a forecasting system to estimate item demand on each flight. Pre-order will not be offered which simplifies delivery and may permit roundtrip catering. However, matching demand and supply at 30,000 feet has always been a tremendous challenge. Travelers may find the certainty of takeaway on the airport concourse a better option. Changing course during the pandemic is a smart move by Lufthansa Group. Selling high quality food rather than giving away cost-cut leftovers provides consumers more control in an era when they feel they have none.

Qantas monetizes the loyalty of dog owners

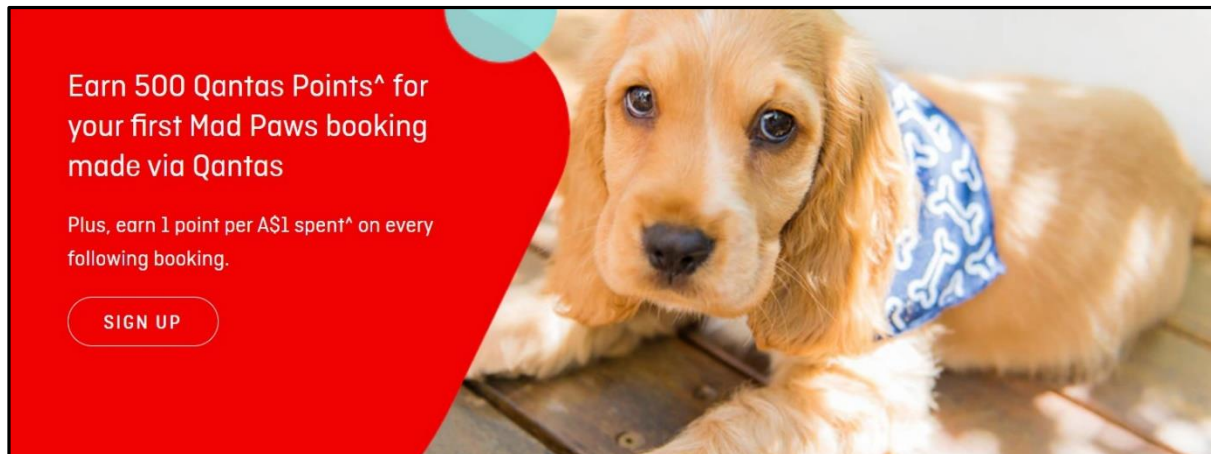
It's always good to end a report with an image of a puppy (see the next page). Back in 2018 Qantas, through Qantas Ventures, was among the investors in an AUD 5 million start-up round of funding for Mad Paws.¹⁰ The Australia-based company operates an online marketplace connecting pet owners with those providing services such as pet sitting, walking, day care and grooming. The company also operates a pet food subscription service and offers Mad Paws branded pet insurance.

Almost 66 percent of Qantas customers are pet owners, according to Rob Marcolina, of Qantas Group Executive Strategy, Innovation and Technology. The connection between an airline and a pet service makes even more sense during a pandemic when stay-at-home orders led to a leap in pet ownership. Qantas leveraged the power of the Qantas Frequent Flyer Program by including points as an incentive for customers.

⁹ "Fresh, sustainable and high quality" press release dated 25 January 2021 at LufthansaGroup.com.

¹⁰ "Pet services marketplace Mad Paws raises \$5 million Series A from Qantas and Scale Up Media Fund" article dated 06 March 2018 at StartUpDaily.net.

The Mad Paws prospectus dated 12 February 2021 reveals an extensive relationship between the company and airline. Beyond the 2018 funding, Qantas has multiple opportunities to benefit from its investment. Qantas receives commissions for pet service bookings made through links and promotional materials associated with its websites and frequent flyer program. Mad Paws and Qantas may not enter into competing relationships during the term of the agreement.



What's not to love? As of June 2020, Mad Paws had a database of more than 19,000 pet service providers ready to serve an estimated population of 29 million pets in Australia.

Source: Mad Paws Prospectus

More money will arrive courtesy of the investment in Mad Paws. The airline is entitled to performance payments rights with a cash payment of AUD 28.57 per fully vested right. The potential payout for Qantas is in excess of AUD 461,000. The rights are awarded on a bi-monthly basis based upon the number of first-time customers introduced by Qantas and Jetstar along with the gross merchandise value booked by referred customers. The deal attractively ties the everyday event of dog care to a service that can be linked to loyalty members away on travel. With all the turmoil of the pandemic era, it's comforting to close a report with a warm and furry ancillary revenue example.

Travelers want to reverse the loss of control

So much about the air travel experience is connected to a consumer's loss of control. From the moment you step into an airport, you undergo an experience where your body and possessions are inspected, you are told where to go, and how to behave. Then after stepping onboard, the door is locked and you are captive in an aluminum tube for hours and commanded by cabin crew to follow instructions. Let's then add the restrictions of the pandemic to remove even more control. When all of this is considered, it's amazing that more passenger pandemonium is not captured and displayed on YouTube. The vast majority of passengers have accepted these new conditions with grace.

This report focuses on consistency and innovation. It lists many methods deployed by airlines to boost traffic and revenue during the recovery. But if you were to identify the single hunger which people seek most to satisfy, this would be the sense of control the pandemic has taken from their lives. If you as an airline executive can create policies and products to allow consumers to reclaim what has been lost . . . the world will beat a path to your jetway door.

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