

Qantas

2023

a business
case study

eBook



by David
Broadbridge

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2023

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case study

by David Broadbridge

B.Com (UNSW), Dip.Ed (UNE)



23rd edition

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DEDICATION

For Jacki & Tara

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FOREWORD

Qantas is a great Business Studies Case Study. No other Australian business fits the NSW Syllabus as well as Qantas. In addition, Qantas is already well known to students. The Qantas Business Case Study represents an integrated 'across topic' approach in applying business concepts and methodology to an actual business with both domestic and international operations. Students are encouraged to read the latest Qantas news on www.businesscasestudy.com.au to gain a greater understanding of the changes taking place within Qantas and the business environment in which Qantas operates. I hope that students and teachers find the case study useful in preparation for the HSC.

I would like to acknowledge:

- Mr Michael Sharp former Head of Public Affairs at Qantas for his advice and guidance in the preparation of this manuscript for publication.
- Rodger Robertson, lecturer in Airline Marketing at UNSW who made available his course notes which were invaluable.
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David Broadbridge
January 2023

CHAPTER 1

The History of Qantas

Qantas is Australia's largest domestic and international airline. Although Qantas is primarily a passenger airline, air freight is also an integral part of its core business. Other Qantas operations include catering, tourism and E-commerce.

Qantas is the world's second oldest airline, and the oldest airline in the English speaking world. It was founded in the Queensland outback in 1920 as the Queensland and Northern Territory Aerial Service (QANTAS) Limited, by pioneer aviators Hudson Fysh, Paul McGinness and Fergus McMaster. The company began its operations with one aircraft providing joyrides and air taxi services. Regular scheduled mail and passenger services commenced in November 1922.



Qantas Poster (1929)



Qantas Poster (1930)
source: www.chariot.net.au

In 1922 Qantas began carrying airmail and by 1930 it covered north eastern Australia with air routes. Qantas moved its headquarters to Sydney in 1938. Qantas and Britain's Imperial Airways (the predecessor of British Airways or BA) formed Qantas Empire Airways in 1934 to fly the last leg of the London to Australia mail route (Singapore to Brisbane).

Qantas bought the British share of Qantas Empire Airways in 1947 and after taking delivery of long range pressurised Constellations, Qantas made its first Sydney to London flight in its own right. Qantas was later nationalised when it was purchased by the Commonwealth Government in 1947.

By 1950 the airline served most major cities in the Pacific Rim. Qantas inaugurated a route to Johannesburg in 1952 and opened the Southern Cross route to San Francisco and Vancouver via Honolulu in 1953. In 1956 Qantas carried the Olympic flame from Athens to Darwin as part of its journey to the Melbourne Olympic Games. In 1959 Qantas entered the jet age when it became the first airline outside the United States to operate the Boeing 707 and added several European destinations in the 1960s.

With a name change in 1967 to Qantas Airways Limited and a vastly expanded network with new jets, the airline placed an order for a new generation of aircraft: the Boeing 747. In 1987 Qantas bought a stake in Fiji's Air Pacific. Later acquisitions included Australia-Asia Airlines in 1989, and 20% of Air New Zealand in 1990, but this share was sold in 1997.

The Australian airline industry was deregulated in the early 1990s and in 1993 the Australian government sold British Airways a 25% stake in Qantas. Qantas was privatised in 1995 when its shares were floated on the Australian Stock Exchange (ASX) for the first time.

In 1999 Qantas joined the world's largest airline alliance – Oneworld. Initially the affiliation comprised of eight world leading airlines: Aer Lingus, American Airlines, British Airways, Cathay Pacific, Finnair, Iberia, LanChile and Qantas.

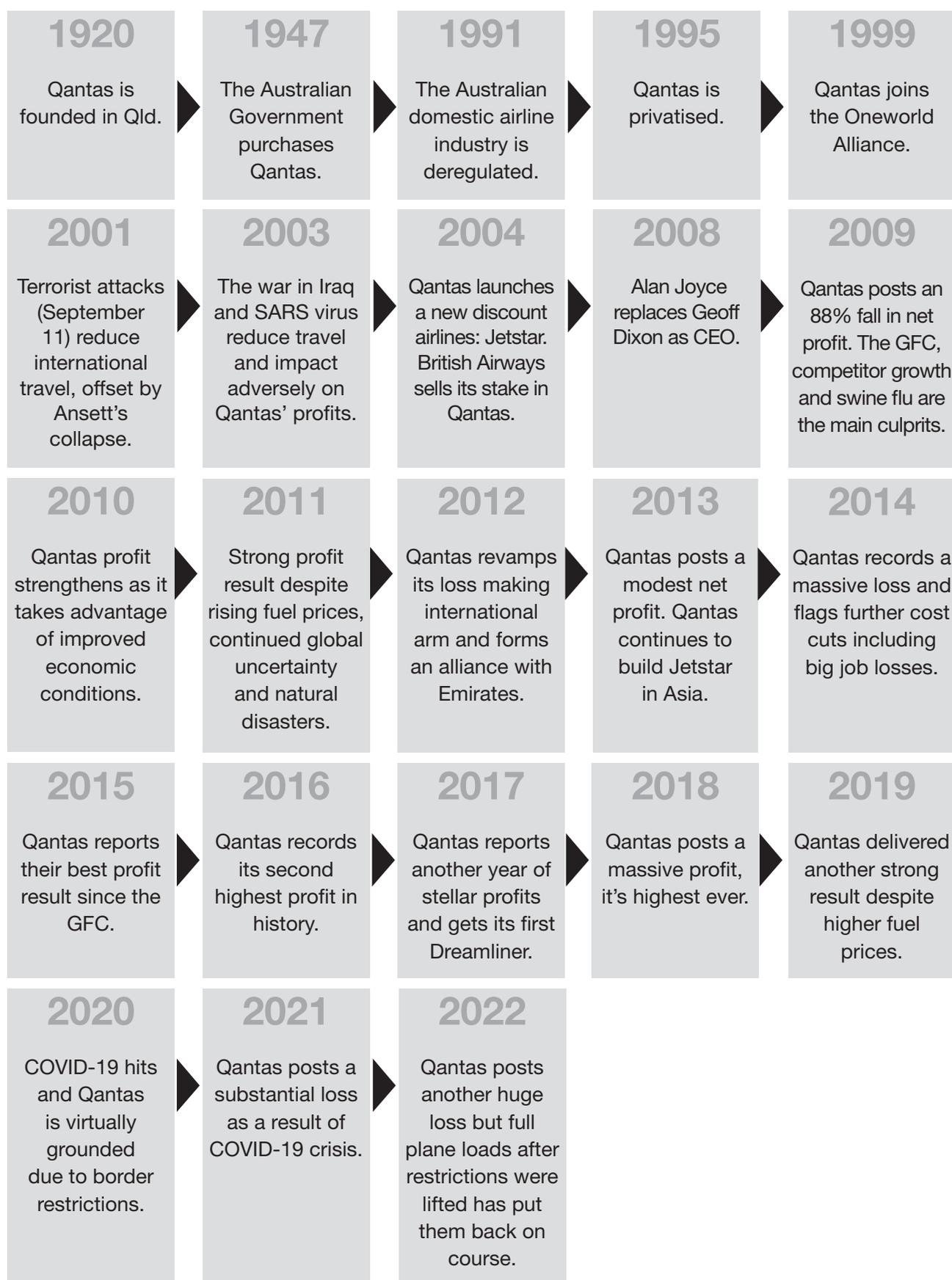
The terrorist attacks in the United States of America on September 11, 2001 had a major impact on Qantas and all carriers by reducing the demand for international travel. The collapse of Ansett Australia on September 12, 2001, spared Qantas financial loss because it instantly increased Qantas' domestic market share from 56% to more than 80%, enabling the airline to increase capacity in Australia, diverted from depressed international routes.

The war in Iraq and SARS combined to decimate Qantas' profitability in 2003. International operations were hit particularly badly, with the number of inbound visitors to Australia falling by more than 20% in some months and up to 45% on some Asian routes.

In 2004 Qantas introduced Jetstar, a low cost domestic airline to compete with Virgin for leisure travellers. Qantas' relationship with British Airways ended the same year, after British Airways sold its stake in Qantas to institutional investors.

In 2006 Qantas axed Australian Airlines and launched Jetstar International and in 2007 a \$11.1 billion takeover bid by Australian Partners Australia (APA) failed.

In 2008 Qantas capitalised on a very positive operating environment to post another net profit record of \$970 million. Qantas finally saw the arrival of the first of its A380s and Geoff Dixon retired as CEO, replaced by Alan Joyce (former head of Jetstar). The severe global economic downturn saw Qantas posting a 88% fall in profit in 2009, despite Qantas' efforts of grounding planes, delaying and cancelling orders of new aircraft and raising \$500 million from investors.



Qantas Time Line 1920 – 2023

In 2010 global operating conditions improved and Qantas recorded a strong profit result with Jetstar's results again the highlight.

In 2011 Qantas' profit increased by 46% over the previous year despite a number of natural disasters and weather events like Cyclone Yasi in Queensland, Christchurch earthquake and Japan's tsunami. Increased outsourcing put Qantas on a collision course with many of its unions including the pilots, engineers and baggage handlers. Industrial action during 2011 caused flight cancellations and delays for Qantas customers.

Qantas reported a profit of \$95 million in 2012, hampered by big losses from its international operations, industrial disputes and intense competition especially from Virgin Australia on its domestic routes. In 2013 Qantas' earnings more than doubled to \$192 million. This was despite tough competition on international and domestic routes and high fuel prices.

However in 2014 Qantas reported a loss of \$646 million and announced that it would axe 5000 jobs. Qantas reported a \$975 million profit in 2015, a stunning \$1.6 billion turnaround. Alan Joyce was named CAPA – Centre for Aviation airline chief of the year.

In 2016 Qantas reported a \$1.53 billion profit confirming it had fully recovered from its losses from two years ago. Qantas reported a \$1.4 billion profit in 2017, a massive \$1.57 billion profit (the best result in Qantas history) in 2018 and a \$1.3 billion profit in 2019.

Qantas was on track to make another considerable profit in 2020 before COVID-19 hit. Due to the global pandemic, Qantas' profit was down 91% and much of Qantas was placed into hibernation to minimise the financial impacts. In 2021 Qantas reported a substantial loss of \$1.8 billion showing the impact of a full year of closed international borders and 330 days of domestic travel restrictions.

Borders were progressively reopened however Qantas' profitability was again smashed in 2022 with Qantas reporting a \$1.9 billion loss as air travel continued to be decimated from COVID. Qantas experienced significant operational challenges as it restarted operations, and its reputation and brand was tarnished from a drop in customer standards. Qantas is now positioned for a vastly better 2023. Domestic and international flights are now packed with passengers and Qantas expects to return to profitability in 2023.

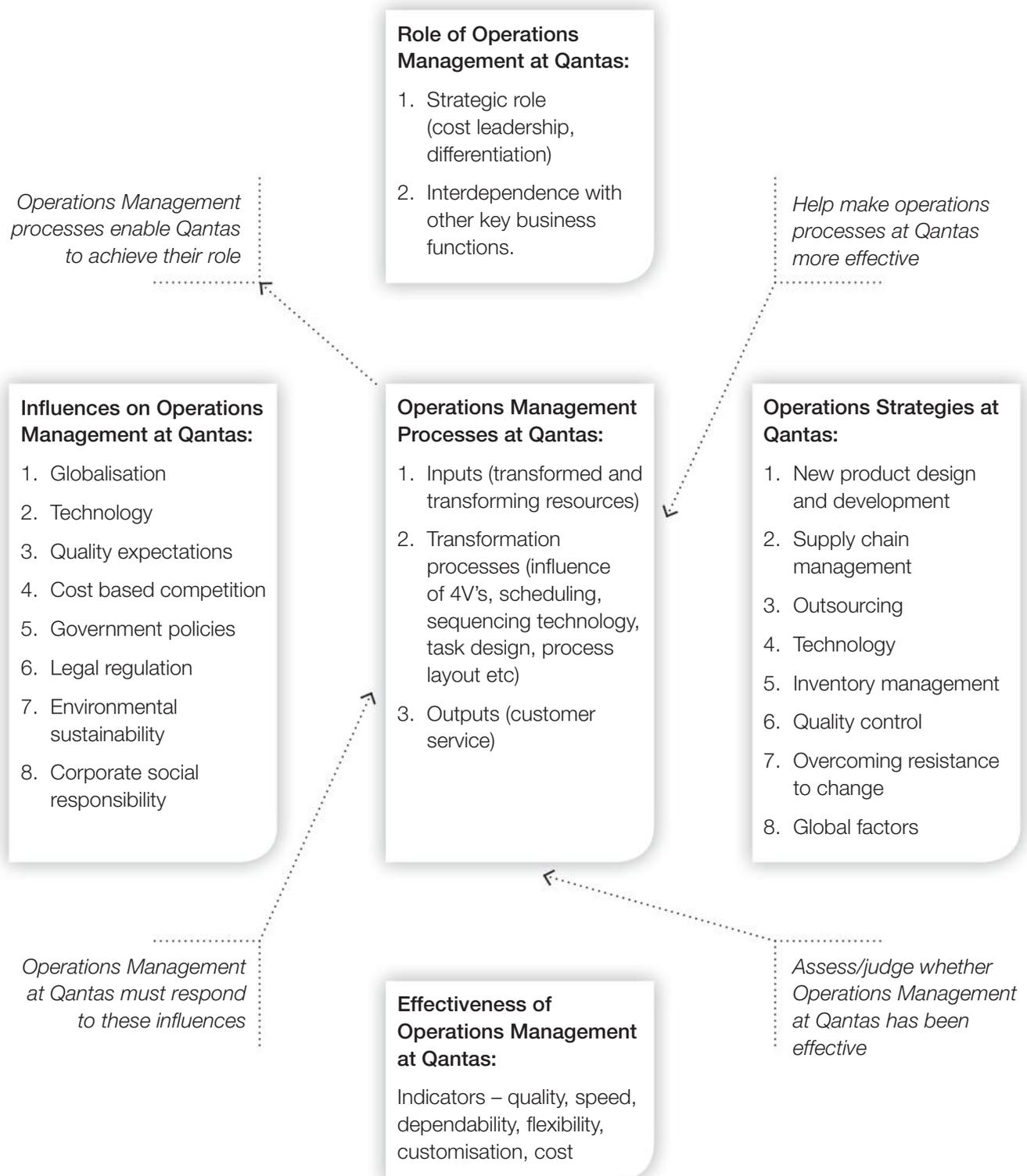


Chapter 1: Review Questions

- 1. When and where was Qantas established?*
- 2. Outline how Qantas expanded its operations domestically and internationally between 1920 and 2022?*
- 3. What is meant by deregulation? How did the deregulation of the Australian airline industry in 1991 impact on Qantas?*
- 4. What is meant by privatisation? How did the privatisation of Qantas in 1995 impact on Qantas?*
- 5. Assess how the events of September 11, 2001, collapse of Ansett, September 12, 2001, SARS in 2003, the escalation in oil prices, the failed APA takeover bid, the GFC in 2009, natural disasters in 2011 and COVID-19 between 2020 - 2022 affect Qantas.*

CHAPTER 2

Operations



The Role of Operations

Operations is about how Qantas gets things done. Operations is the engine room of the business. Of all the functions at Qantas:

- It contributes most directly to business revenue;
- It employs the majority of the labour resources;
- It consumes the majority of the business expenditure;
- It interfaces most directly with the business customers;
- It utilises and is responsible for the largest proportion of the business assets.

Operations management is the real time day to day decision making and oversight of the business. In the case of Qantas it can include the scheduling, cancellation or rescheduling of flights, the monitoring and response to an industrial dispute, determining staffing levels, the reallocation of labour to cover absences in key areas, delivery of new staff training, the arrangement of emergency mechanical repairs to an aircraft, reaction to the late arrival of aircraft and the weather as well as solving customer complaints.

Qantas's Operation management division has responded quickly to challenges such as terrorism, COVID-19, SARS, rapid increase in fuel prices, volcanic eruptions, the global economic downturn and the success of rival airlines.

a) Strategic Role of Operations Management

No matter how grand Qantas' plan its strategy can only become a meaningful reality in practice if it is operationally enacted. The relationship between Qantas' strategy and its operations is a key determinant of its ability to achieve long term success or even survival.

b) Cost Leadership

This is the competitive advantage Qantas has over its rivals by having the lowest production costs. The aim is to use the least amount of inputs to deliver one unit of output. Qantas main costs are historically staff, maintenance, fuel and depreciation.

To gain cost leadership Qantas has cut its costs by \$4 billion over the last five years. Qantas has announced a further \$1 billion cost cutting plan for 2023 as part of its recovery plan to combat COVID-19.

Qantas uses a number of cost leadership methods.

- Economies of Scale. Qantas has just moved into the top 10 of global airlines by size. Size matters in aviation. Big airlines like Qantas enjoy economies of scale (reductions in cost because of their size). The overhead cost per passenger declines as the fixed cost is spread over more passengers. Qantas also gets better deals from a range of suppliers the most important being aircraft manufactures and fuel.

Another main way Qantas achieves economies of scale is through the formation of strategic alliances. Alliances allow Qantas to get the benefits of a larger route network while remaining an independent company. Members also share resources, everything from airport lounges, ground crews and even booking systems.

Qantas is a founding member of the Oneworld Alliance which features 13 of the world's leading airlines in the world in including Alaska Airlines, American Airlines, British Airways, Cathay Pacific, Finnair, Iberia, Japan Airlines, Malaysia Airlines, Qantas, Qatar Airways, Royal Air Maroc, Royal Jordanian and

Sri Lankan Airlines. In addition, Qantas has separate partnership agreements with Emirates, China Eastern and American Airlines. Qantas also has code sharing arrangements with other airlines. This involves one airline selling seats on a flight operated by another airline.

- **Standardisation.** The more variations to Qantas' services like the types and frequency of routes the higher production cost per unit. Qantas has recently cut back on some services to destinations to reduce costs.
- **Technology.** The adoption and application of advances in technology directly impact on production costs. Qantas uses the latest digital computer technology for online booking, ticketing and check-in, eliminating the need for Qantas for available customer facing staff, thus reducing labour costs. Newer planes used by Qantas reduce fuel and maintenance costs. Qantas' Flight Pulse app (flight analytics tool) also helps minimise fuel burn.
- **Waste Minimisation.** Minimising waste helps lower production costs. Qantas has recently achieved electricity, water and waste reductions through various measures such as recycling, energy efficient lighting, water saving devices, energy efficient materials and sustainable design.

c) Differentiation of Product/Service

Through differentiation of products and services, Qantas is able to add features to the airline and distinguish itself from the competition. Key elements of differentiation at Qantas are:

- Qantas is Australia's largest airline offering the most comprehensive domestic and international coverage. Qantas serves 64 domestic destinations and flights depart every 30 minutes in peak periods between the major capital cities in Australia (Qantas City Flyer express service). Qantas also serviced about 32 international destinations in 24 countries.
- Jetstar is aimed at price conscious customers but its level of service is "no frills" whereas Qantas is a full service airline which includes things like meals and inflight entertainment.
- Qantas offers First, Business, Premium Economy and Economy on international flights and Business and Economy on domestic flights,
- Qantas includes comfort based features such as skybeds, special menus, lounges, online check in and self service kiosks.

d) Interdependence with Other Key Business Functions

Operations has a central role at Qantas and must be performed in coordination with other business activities. Human resources, finance and marketing – exist because of and to support the operations function. Operations cannot succeed without their contribution and direct participation in the transformation of inputs into the final outputs.

Operations at Qantas uses human capital (people) as a major input. Operations communicate to Human Resources its human resource needs. In turn Human Resources at Qantas recruits, trains and helps retain the operational staff.

The finance function at Qantas monitors, records, and analyses the financial transactions. It provides regular and periodic reports on the financial performance for operational management and decision making. Operational activities like purchasing and leasing new planes also relies on funds.

The marketing function connects operations with the customer by providing market requirements. Operations in turn effects marketing decisions by determining the capabilities and constraints in pricing, product design, promotion etc.

Influences on operations management

The business environment has a significant impact on operations management at Qantas. Figure 1 below shows some of these influences and current operational responses by Qantas.

Figure 1: Influences on Operational Management at Qantas

Influences on Operational Management at Qantas		Prompting Operational Responses
1. Globalisation	→	Launching new airlines in Asia, cost minimisation to be more internationally competitive
2. Rapidly developing technology	→	Newer planes, newer operational processes, more training required
3. Higher quality expectations Demands for better service	→	New generation check in, new Q Bag Tags, newer planes, specially designed menus
4. Increased cost based competition	→	Outsourcing, reform to HR practices, employing more labour saving techniques, online bookings
5. Government policies	→	Deregulation has placed pressure on operations to minimise costs, mandatory quarantine and border closures due to COVID-19 put Qantas into hibernation
6. More government regulation	→	More resources devoted to compliance
7. Environmental impacts are more transparent	→	Purchasing new, environmentally sensitive aircraft, recycling, fuel conservation
8. Increased ethical and social sensitivity	→	Health surveillance program, energy and water conservation, recycling

1) Globalisation

Operations must source its inputs on the basis of lowest overall cost, consistent quality and timeliness of delivery. There can be cost savings in locating some of the business operations in a different country. Qantas has been increasingly outsourcing some of its functions like maintenance and IT to lower operational costs.

Globalisation has enabled Qantas to access new markets overseas. with more than 70% of Qantas' assets are geared to the global market (50% to Asia). Expansion into new and emerging overseas markets is essential for Qantas to achieve its growth potential, continuing return to shareholders, the service it provides to customers and the spread of Qantas as an internationally recognised brand name. Qantas has recently set up a number of low cost airlines in Asia under the Jetstar brand to take advantage of the growth in that region.

However, globalisation also means that Qantas is exposed to more international competition. In addition Qantas has to compete on an uneven playing field; 70% of the 40 airlines which fly to and from Australia receive financial and bureaucratic assistance from their governments. The subsidised airlines distort the market, making it hard for Qantas to compete.

2) Technology

The adoption and continued technology upgrades are inherent to Qantas maintaining cost leadership and competitive advantage. It allows Qantas to offer a superior level of service. While it can result in lower total labour costs, Qantas may be required to up-skill staff, which will require increased training costs and higher wages for existing staff.

New planes in use by Qantas (Airbus and Boeing) have greater capacity and are more efficient. They use less fuel, carry more passengers and provide a better experience for passengers (bigger windows, quieter, higher humidity and cabin pressure to reduce jet lag). In 2018 Qantas introduced the Perth to London route and will launch direct flights from the east coast of Australia to New York and London (Project Sunrise) in 2025.

Developments in in-flight entertainment systems and seating have made travel more comfortable. Qantas has introduced inflight wifi on its domestic services and plans to extend to international fleets as the technology improves.

New technology developments in data capture and digital transformation allows customers to book and check-in online bypassing queues. This allows Qantas to save money on paper costs and personnel. The collation of detailed data has enabled Qantas to target and personalise communications and marketing. Innovative flight planning technology has delivered operational and fuel efficiency benefits.

3) Quality Expectations

Qantas is certified as a 4-star Airline with Skytrax for the quality of its airport, onboard product, and service. Skytrax ratings are the global benchmark for grading airlines on quality.

The ongoing success of Qantas depends to a large degree on customer satisfaction and loyalty. Qantas recognises that customers make purchase decisions on an expectation of quality. Their customer charter states that they are committed to meet customer expectations every time you fly and strive to provide you with an exceptional level of service.

There is constant pressure on operations at Qantas to ensure that customer expectations are met and if possible exceeded. This includes arriving and departing on time, comfort-based features such as online check in, check in kiosks, in-flight entertainment, food and beverage and service from cabin and ground staff. Qantas is also vulnerable to longer term changes in customer preferences and consumer and business sentiment towards travel including environmental considerations.

Qantas was savaged for the drop in customer standards when it restarted operations post COVID such as chaos at airports, misplaced baggage, marathon waiting times to its call centres and unpunctuality of its flights. These operations issues resulted in a loss of brand preference.

4) Cost-based Competition

Aviation markets in which Qantas operates are highly competitive. Competitors include major foreign airlines (including government owned or controlled airlines) some with more financial resources and lower cost structures than Qantas.

Australian aviation policies favour a highly competitive environment with more liberal rights of entry into Australian domestic and international markets. These policies have attracted foreign competitors which has increased competition for passengers particularly on international routes.

For Qantas this has meant an ongoing focus on cost minimisation. To be internationally competitive Qantas has reduced costs via technology, alliances, outsourcing, reforming human resource practices and restructuring.

5) Government Policies

All businesses operating in Australia are subject to policies applied by three levels of government – Local, State or Territory and Federal. Government policies have a big impact on Qantas. For example, economic policies (monetary, fiscal policy etc) can have a direct impact on the level of national economic activity which can therefore affect the demand for Qantas' services.

Industrial Relations Legislation (the Fair Work Act) has a big impact on the way Qantas operates. For example, it determines the way pay rates and other conditions of work are negotiated between Qantas and its employees. At the time of writing the Albanese government has just introduced 'Secure Jobs, Better Pay' legislation to reform the Industrial Relations system.

The domestic airline industry has been deregulated for some time. More recently the Federal Government has been increasing access to Qantas protected international routes for airlines like Delta, Virgin, Emirates, Etihad, Qatar etc. The increased competition on these routes has resulted in a less profitable outcome for Qantas.

Qantas faced hundreds of millions of dollars in expenses due to the environmental policy change initiative, led by Federal Labor Government in 2012. Under the emissions trading scheme, Qantas was charged \$20 per tonne of carbon dioxide produced. The legislation was repealed by the following Coalition Federal Government in 2014.

The Government response to COVID-19 was focused on stopping the spread of the Coronavirus. The Government (federal and state) implemented measures such as mandatory self-isolation, quarantine and border closures. These restrictions halted the demand for travel forcing Qantas into hibernation resulting in the suspension of international flights altogether and cuts to domestic flights routes.

6) Legal Regulation

To remain in operation, a business like Qantas must comply with regulations and laws created by all levels of government in Australia. Penalties for non-compliance can be severe.

Examples are:

- Qantas is subject to the regulatory control of the Civil Aviation Safety Authority (CASA) and is required to hold operating licences.
- Under the Qantas Sale Act 1992, the Federal Government restricts foreign investment to 49% restricting its access to equity capital.
- The Federal Government requires random alcohol and drug testing for safety sensitive roles.
- Qantas is subject to the regulation of the ACCC whose role is to enforce the Competition and Consumer Act to promote competition and fair trading. Qantas' alliances with other airlines must be approved by the ACCC. Previously Qantas was fined \$20 million for illegally increasing their freight charges in concert with other airlines. The ACCC is watching Qantas closely to ensure its cut-price post pandemic fares don't crush Virgin Australia as it relaunches under new owners.
- The Federal Government has also implemented new security regulations in response to terrorism
- State Government regulations on labour such as OH&S, anti-discrimination, workers compensation etc

7) Environmental Sustainability

There is growing scrutiny over the airline industries carbon footprint increasing pressure on travellers to opt for more environmentally friendly modes of transport. Qantas' recent environmentally sustainable initiatives (called Climate Action Plan) include:

- Plans to cut its net carbon emissions by 25% before 2023 and to net zero by 2050 through fleet renewal, commercially viable biofuels, using lightweight equipment such as slimline seats, carbon fibre food service trolleys, optimising flight planning using satellite technology and its carbon offset scheme. These are one of the most ambitious carbon emissions targets of any airline globally.
- Reducing electricity use by a new tri-generation plant in Sydney, electric ground support equipment to service the aircraft between flights and installing LED lights
- Reducing water consumption by using recycled water to clean aircraft
- Plans for zero single use plastics before 2027 by using products in compostable or recycled packaging.
- Targeting to have all of its Australian based operations completely free of general waste including flights, lounges and office buildings.

8) Ethical and Social Responsibility

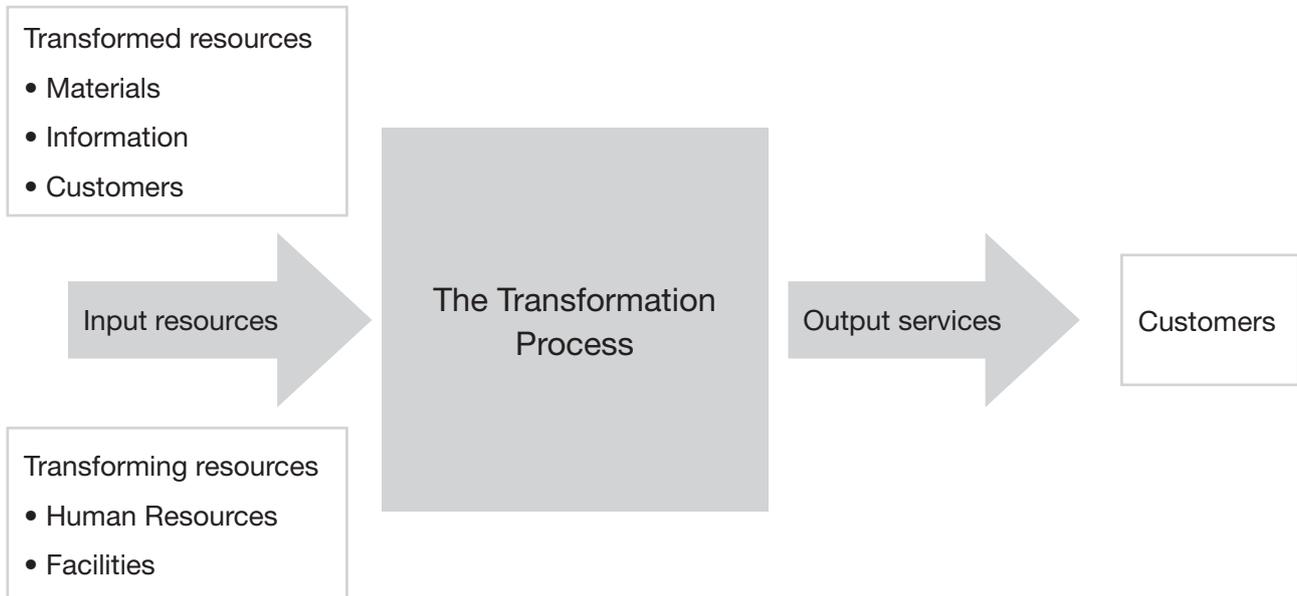
Modern society expects more of business like Qantas than just profitability. It is not enough for management to simply satisfy the requirements of legal compliance. There is an over-riding public expectation as to how the business behaves within society in making that profit. This is the concept of 'ethical and social responsibility'. Operations management must take into account the consequences of their decisions on stakeholders and ensure those decisions are socially and morally responsible. Examples are:

- In respect of quality of working life, Qantas has a health surveillance program which continually monitors workplace conditions; they have flexible work practices which foster work life balance.
- In respect of cultural diversity, Qantas' Reconciliation Action Plan is a program which focuses on employing Indigenous Australians and supporting Indigenous suppliers.
- Qantas has invested millions of dollars in recent years to reduce its carbon emissions including fleet renewal, developing a new bio fuel and giving passengers the option of paying extra to offset the carbon dioxide emitted by their flight.
- Donating millions to charitable causes across the community (Make a Wish Australia, UNICEF), drought relief, environment, education and the arts (Opera Australia, Australian Ballet, National Gallery of Australia).
- Requiring that suppliers will not use child labour, forced labour or involuntary labour.
- Providing support and secondary employment opportunities to staff who were impacted by ongoing stand downs from COVID-19.
- Taking a leading stance on vaccinations and strengthening focus on employee mental health.
- Operating repatriation flights to bring Australians home during COVID-19.

Operations Processes

Operations at Qantas produces services by changing inputs into outputs using an input-transformation – output process shown in Figure 2 below.

Figure 2 Input – Transformation – Output Processes at Qantas



1. Inputs

Inputs are classified as:

- Transformed resources; and
- Transforming resources.

a) *Transformed Resources.*

These are the resources which are changed by the operations processes. The main transformed resources are:

- **Materials.** There are two broad categories of materials used as inputs to the operations process:
 - **Raw materials.** Substances in their natural state such as mineral ore, timber, oil and water. For Qantas the best example is fossil fuel;
 - **Intermediate goods.** Goods which have already undergone some transformation from their ‘raw’ state and become inputs for further transformation processes. For Qantas, examples are the food ingredients for their catering services, stationery and computers.
- **Information.** Qantas relies on accurate information to organise its operations efficiently. A great deal of information is available from both internal and external sources. Externally it might come from government statistics, market and industry reports, media reports and academic papers. Internally it comes from financial and operational statistics, particularly data on previous performance of processes. Information becomes a transformed resource when gathered data is analysed and used to directly input the actual processes in the business. For Qantas the individual bookings (information) made by the customers (online or through Qantas or a travel agent) are analysed and transformed into decisions as to which aircraft to use, which services to offer.

- Customers. The customer becomes a transformed resource by using the product or service of the business. For Qantas, customers are transformed by having their location changed from their starting point to the new destination.

b) Transforming Resources.

These are the resources which affect the changes in the operations process. They cause the transformed resources to be changed. They are:

- Human Resources (Labour). Sometimes referred to as Human Capital, these are the people who assemble the inputs, operate and maintain the machinery and equipment used in the processes, fulfil the sales function, distribute the output and deal with the customers. For Qantas this means everyone from the cleaners and baggage handlers to the pilots and sales managers.
- Facilities (Capital). These are the physical assets owned or leased which are required to produce the business output. For Qantas this includes the terminal buildings and their contents, maintenance facilities, spare parts holdings, aircraft, and even computers and motor vehicles.

2. Transformation Processes

a) The influence of Volume, Variety, Variation in Demand and Visibility

Operational processes must be focused on how much or what quantity of output to produce. The transformation processes to satisfy that requirement will be influenced by factors known as the 'Four V's'.

- V1 – Volume. How much output is produced. High volume routes like Sydney to Melbourne combine large aircraft lowering unit costs. This route is the second highest revenue route in the world.
- V2 – Variety. The mix of outputs produced. The more variations the more complex is the transformation process. The greater the number of destinations Qantas services, the more flexible the transformation process needs to be leading to higher unit costs.
- V3 – Variation in Demand. How demand changes over time. Seasonal change can cause wide variations in demand but the variation is predictable to a degree.

Qantas experiences a predictable major increase in demand for school holidays and special events (World Cup, Olympic Games).

More difficult management problems arise from unpredictable variations beyond Qantas' control. Qantas has had to cope with major decreases in demand following September 11, SARS epidemic, Christchurch earthquakes, Thailand floods, Japanese tsunami and most recently civil disobedience in Hong Kong all resulting in sharp falls in airline bookings. COVID-19 was the biggest shock that global aviation has ever experienced forcing the airline to ground international flights and cut domestic capacity as demand for travel evaporated.

- V4 – Visibility. How much of the process directly involves the customer. Service industries have high visibility while manufacturing ones have low visibility. Qantas has high visibility as customer contact is present throughout the entire process, which leads to higher unit costs.

b) Sequencing and Scheduling

Sequencing is the order in which tasks must be performed. Obviously planes need to be cleaned, refueled and checked by qualified engineers before they can take off. Scheduling accounts for the time duration each of these tasks must take for completion. The Qantas flight schedule that a customer sees shows departure and arrival times. It also includes making sure that each flight has the pilots, cabin crew, catering, airport and engineering support. More flights are scheduled for certain routes and more flights are put on at certain time periods. Qantas uses Sabre Air Flight Suite Systems (complex scheduling software) which automates its flight scheduling to achieve the fastest turnaround times.

c) Technology, Task Design and Process Layout

Research and science develop new tools which, when applied, enable a business to do entirely new tasks or do existing tasks at lower cost. Technology at Qantas has facilitated increased productivity, very often by directly replacing human capital. Examples include online check in, online booking, electronic bag tags etc

Task Design is the breaking down of the full transformation process at Qantas into the individual tasks to be performed. From this breakdown, analysis and assessment is undertaken by human resource and operations to determine the number of operative staff that will be required, the skills needed, whether training or retraining is necessary and, if required, the recruitment of additional or more specialised staff.

A major business expense for Qantas is the terminal, hangar and maintenance space in which the operations process takes place. Optimum process layout at Qantas is where machines and equipment are grouped together by function enabling Qantas to utilise space and labour efficiently and eliminate bottlenecks.

d) Monitoring, Controlling and Improvement

Having created a plan for the operations through sequencing and scheduling, each part of Qantas' operations must be monitored and controlled to ensure that the plan is adhered to. Monitoring and controlling at Qantas involve detecting any discrepancy between planned and actual activity, taking corrective action and intervening to impose new plans if necessary. For example, with sudden border changes and restrictions due to COVID-19 Qantas had to change their schedules accordingly as well as grounding fleet and standing down staff.

Outputs

This is the final service delivered to Qantas' customer.

Customer Service

Customer service refers to how well Qantas meets the needs of its customers. Customer service statistics are a valuable internal input to the planning process and in forecasting future customer needs and expectations. Not only does the feedback support continuous improvement it provides a direct communication between the customer and operations managers.

Qantas continues to focus on delivering the highest levels of customer service. Qantas has adopted the "Net Promoter Score" as a key measure of customer service. Qantas Closed Loop Feedback Program enables direct feedback from its frequent flyers.

Operations Strategies

There are a number of strategies for improving operations at Qantas. These are shown in Figure 3 below.

Figure 3 Operational strategies at Qantas



a) New Product/Service Design and Development

Competitive pressure or an emerging demand in the market place can make it necessary for a business to develop a new product (or service). Businesses like Qantas, to ensure their survival, must find new services or upgrade and update existing services to maintain their competitiveness and profitability. The process of bringing new services to market involves research and analysis to identify the market opportunity, designing the product to satisfy that opportunity and fully testing the product before embarking on production. Factors such as new technology and new markets opening up often trigger new product development.

Qantas has recently launched new airlines Jetstar Asia, Jetstar Pacific (recently sold to Vietnam Airlines) and Jetstar Japan to take advantage of the growth in the Asian aviation market. Pre-COVID-19 Qantas was about to launch new long haul flights from Sydney to London and New York (now put back to 2025).

b) Supply Chain Management (SCM)

Qantas is dependent on third party providers for supplies that are integral to its business. Supply chain management refers to controlling the flow of supplies from sourcing the raw materials like fuel to final delivery to and service of the customer. Qantas uses over 10000 suppliers spending about \$12 billion a year. Inventory is a major expense in the operations process. Raw materials such as fuel must be sourced and purchased, they must be stored and be available, they must be moved and they must be transformed.

Using SCM as an operational strategy involves four key components:

- **Sourcing.** This is basically the purchasing function. A business must forecast its quantity and quality requirement of every input needed in the operations process. Potential suppliers must be assessed for dependability and flexibility.
- **Global sourcing.** Qantas obtains supplies without being constrained to local sources. This has advantages in lowering costs as the materials might be cheaper elsewhere, or not available in Australia. There are some risks involved due to fluctuating exchange rates and the laws and customs which apply in other countries. Qantas has employed some pilots in New Zealand, and some cabin staff in Asia at lower wages than paid in Australia. Some engine maintenance has also been carried out in Malaysia and the US.
- **E-commerce.** This is simply buying and selling on the internet. This technology has had a major impact on SCM. It has replaced time consuming and costly manual processes of the past and it provides for real time information on quantity, quality, availability, source and price. It also provides for payment through electronic funds transfer.
- **Logistics.** This is the task of ensuring that Qantas has all the physical inputs in the quantities needed in the right place at the right time (eg. pilots, cabin crew, baggage handling, maintenance and catering) for the operations process (flights) to take place undisrupted and hence at optimum efficiency.

c) Outsourcing

Outsourcing is the use of external providers to perform some part(s) of the operations process. Outsourcing is based on the expectation that this will be cheaper and more efficient than performing the task in-house. The practice of outsourcing is increasing at Qantas, but it brings disadvantages as well as advantages. Qantas currently outsources nearly all of its IT operations and some call centre operations, flight attendants, maintenance and ground handling operations.

The opposite of outsourcing is vertical integration in which the business performs all the tasks and makes all the inputs in-house with no external contribution. For example Qantas has its own catering division which supplies all its meals and its own travel agencies such as Qantas Holidays, Jetset and recently TripADeal.

Advantages of Outsourcing for Qantas

In using outsourcing as an operational strategy the advantages can be significant:

- Saving in capital outlay – factory space and machinery are provided by another business at their expense;
- Saving in labour – staff management and expenses are born by the other business;
- Increased dependability – more than one external supplier can be accessed, thus ensuring security of supply;
- Saving in cost – the other business can provide the input at a lower price than it can be done in-house;
- Access to higher level skills – the other business contains skills that do not exist in-house;
- Increased flexibility – variations in demand are managed by the other business.
- Saving in management – Having set up the contracts, management can concentrate only on the tasks it does perform in-house.

Disadvantages of Outsourcing for Qantas

There are, however, issues which need to be balanced against the advantages:

- Dependency – the operations process is now dependent on another party for supply of inputs; failures in that external supply chain can cause major internal disruption and expense;
- Loss of control and security – there can be a loss in control of standards and vulnerability to proprietary and patent data and information accessible by the supplier;
- Quality – control is no longer exercised over the inputs used by the outsourced supplier;
- False economy – outsourced inputs can become more expensive over time so constant review of the decision is warranted;
- Cost – the one-off expense of redundancies to staff no longer required is an offset to the savings from outsourcing;
- Industrial problems – can arise from down-sizing as an outcome of the outsourcing.
- Damage to public image – as a result of publicity about jobs going offshore.

d) Technology

Qantas relies on technology and airline technology is complex and continually being advanced and updated. There are two broad categories:

1) Leading edge

Leading edge (also referred to as cutting edge) is technology at the forefront of knowledge and research. The rewards for successfully integrating the latest technology into the business can be very significant in terms of competitive advantage, market share and premium prices.

Recent examples of leading edge technology employed by Qantas include:

- Purchasing new Airbus next generation aircraft A320 neo (domestic) and A350s (Project Sunrise);
- Inflight wifi on domestic routes;

- Embedding fuel analytics (Flight Pulse App) which uses recorded data to enable pilots to reduce fuel and carbon emissions;
- Developing a new biofuel (derived from a type of mustard seed) in partnership with a Canadian agricultural technology company;
- Implementing a digital health passport app so customers can prove their vaccine status and cross borders.

High reward also attracts high risk:

- The decision to adopt might be made too early, before the new technology is fully developed and adapted for the purpose intended;
- Competent technical support might not be readily available because the technology is so new;
- Supporting software may be found to need debugging in the early stages of usage;
- If the wrong or premature decision is made, serious costs and time are wasted with inevitable damage to customer satisfaction levels and competitive advantage.

2) *Established technology*

Established technology is existing technology already well stabilised, well serviced, widely used and proven in the market place. This includes purchasing more Boeing Dreamliner planes to replace the last of the 747s and the use of computer aided design, computed aided manufacture, electronic funds transfer, software for Gantt charts and Critical Path Analysis (CPA). These are all tested applications which attract virtually no risk to the operations process. Due to their universal availability established technologies may not confer competitive advantage, but the absence of their use may well result in competitive disadvantage.

e) Inventory Management

Inventory management is the system that manages the ordering , storage and recovery of the material inputs used in production. Inventory represents a significant capital outlay (cost) which is yet to yield revenue. It is desirable to hold only that amount essential for smooth, efficient operation of the business. To hold excess quantities imposes additional cost on production, but to hold too little can result in disruption to production and loss of sales as customer demand cannot be met. This is more of an issue for manufacturing businesses than for Qantas because they do not 'store' product to meet customer demand like a manufacturing one does.

f) Quality Management

This operations strategy involves overseeing all the activities and tasks at Qantas to ensure the service is consistent, reliable and suitable (maintain a desired level of excellence). It champions the idea that the long-term success of Qantas comes from customer satisfaction. Quality characteristics applied to Qantas are shown in Figure 4.

Figure 4 Quality Characteristics Applied to Qantas

Quality Characteristic	Management at Qantas
Functionality – how well Qantas services do their job	Safety, in-flight meals and entertainment, seat width and comfort, ease of booking and check in
Appearance – aesthetical appeal, look, feel of Qantas services	Décor and cleanliness of aircraft, lounges and crew
Reliability – consistency of Qantas' services over time	On time departure and arrivals
Durability – ability of Qantas to compete over a long period of time	Keeping up with trends in the industry i.e. latest aircraft, in flight technology etc
Recovery – ease with which problems can be resolved by Qantas	Resolution of service failure i.e. natural disasters, industrial action, mechanical failures
Contact – person to person communication	Knowledge, courtesy and helpfulness of staff

There are 3 aspects to quality management at Qantas

- Quality control (QC)

Programmed inspections are carried out to identify and correct defects (focus on defect identification) in particular by the inspection and maintenance of planes after flights. Qantas recently undertook an immediate inspection of its Boeing 737 aircraft after structural cracks were found in one plane during a scheduled maintenance check. It came after global concerns about cracks on some Boeing 737 aircraft that had completed more than 30,000 take-offs and landings. Although none of Qantas planes had completed that many flights, Qantas inspections found cracking in two more of its planes. These planes were grounded before receiving specialist repair.

- Quality assurance (QA)

Establishing and using a set of procedures and processes that will prevent defects from occurring (focus on defect prevention). Rather than solely looking for faults Qantas implements systems that are considered best practice in the industry. Qantas uses the IATA Operational Safety Audit (IOSA) as well as procedures from the Civil Aviation Safety Authority (CASA) as its benchmark (standard) for operational (safety) management.

Qantas had to conduct a deep clean of the aircraft used in the evacuation flights to eradicate the risk of the coronavirus. Blankets, pillows and headphones that are usually cleaned and re-used were destroyed and the cabin was cleaned with hospital grade disinfectants. Qantas has introduced new measures to ensure the safety and well being of customers due to of COVID-19. At the airport contactless check in, self-service bag drop, social distancing with boarding and disembarking, self-scanning boarding passes, hand sanitising stations and regular cleaning of self-service kiosks and other frequented areas. Simplified food and beverage, no inflight entertainment, provision of masks and sanitising wipes and enhanced cleaning of the aircraft were all implemented.

- Quality Improvement (QI)

An ongoing focus on improvement to improve the quality of Qantas service over time (continuous improvement). It requires all stakeholders at Qantas working together to improve the processes and service and the culture of the company itself.

g) Overcoming Resistance to Change

There is a range of factors which encourage, precipitate or even force necessary changes in Qantas' operations such as September 11 terrorist attacks, the SARS epidemic, rapid increases in fuel prices, the GFC, changing customer requirements, the rapid emergence of low cost international and domestic carriers and most recently COVID-19.

There are significant restraints and restrictions to implementing change at Qantas.

- **Financial Restrictions**

Resistance to change at Qantas can arise because of the direct and immediate cost of those changes.

a) **Cost of New Equipment.** Qantas has spent billions of dollars on new equipment such as:

- New and more efficient aircraft;
- New passenger and surveillance screening;
- Upgraded and new information technology and systems;
- New and upgraded engineering facilities.

b) **Redundancy Costs.** Implementing staff reductions incurs mandatory redundancy payments to the workers retrenched. Since 2020 Qantas paid out about \$900 million in redundancy payments as Qantas restructured because of COVID-19.

c) **Retraining Costs.** Significant change incurs retraining expenditure. The adoption of the new security measures and new aircraft are typical examples. Intensive training was needed for Qantas pilots to get them back in the cockpit when flying resumed in 2022.

d) **Plant Layout Costs.** Acquiring new aircraft required the re-organisation of maintenance operations to seek increased capacity and efficiency and to accommodate the larger planes like the A380.

- **Human Restrictions**

Resistance to change at Qantas can arise because of the impact, real or imaginary, on the individual and on the established working groups.

a) **Inertia.** The unenthusiastic response of some managers, some staff and even some of the owners is an impediment to change and will be evident and must be overcome;

b) **Change in skillset.** Staff become apprehensive about what the changes mean. Their current skills may no longer be required. They will be required to learn new skills especially in IT. As a result feelings of personal insecurity and inadequacy may arise, particularly in older staff.

h) Global Factors

In present day markets, businesses like Qantas cannot avoid the influence of global factors.

1) Global Sourcing

Global sourcing is the process of sourcing goods and services from the international (global) market across geopolitical boundaries. Qantas procures significant quantities of goods and services (supplies) ranging from stationary to aircraft. Qantas has increasingly looked afield for their suppliers. Substantial cost savings have been generated for Qantas through leveraging global supplier capabilities. Global sourcing has enabled Qantas to exploit global efficiencies such as lower cost skilled labour, cheaper raw materials and other economic factors like tax breaks and low trade tariffs.

2) Economies of Scale

Qantas is the largest Australian airline by fleet size, international and domestic flights, and international and domestic destinations. Big airlines like Qantas enjoy economies of scale. Qantas' costs have decreased as the scale of their operations has increased (savings of size).

Qantas flies to a great variety of destinations and offers more services in the morning and evening peaks along key routes than its competitors. Both variety of destinations and frequency of peak are important drivers of business travel (a profitable segment of the market which Qantas dominates). Big airlines like Qantas also get better deals from a range of suppliers the most important being aircraft manufactures like Boeing and Airbus. As Qantas offers different business segments such as full-service carrier, low cost carrier (Jetstar) and freight. This generates cost advantages because common costs can be shared across the business segments. For example, freight that it put into the belly of a passenger plane adds little to the cost of a flight.

3) Scanning and Learning

Increased globalisation brings increased competition, more new technology and hence continuing change in the business environment. To remain competitive Qantas must stay abreast and fully informed of global developments and continually test for their application to current operations. Management at Qantas must find, absorb, learn from and test an increasing volume of data and information for potential input to or changes in the operations process.

4) Research and Development (R&D)

Research and Development (R&D) is the function at Qantas that develops and operationalises new knowledge and ideas. This includes developing new products or services and improving existing ones, with the aim of providing a competitive advantage to the business.

Qantas has committed \$50 million to the research and development of a biofuel derived from mustard seeds (sustainable fuel) to reduce carbon emissions. Qantas recently flew 3 ultra-long research flights to gather new data about inflight passenger and crew health and well-being prior to the approval to launch Project Sunrise.

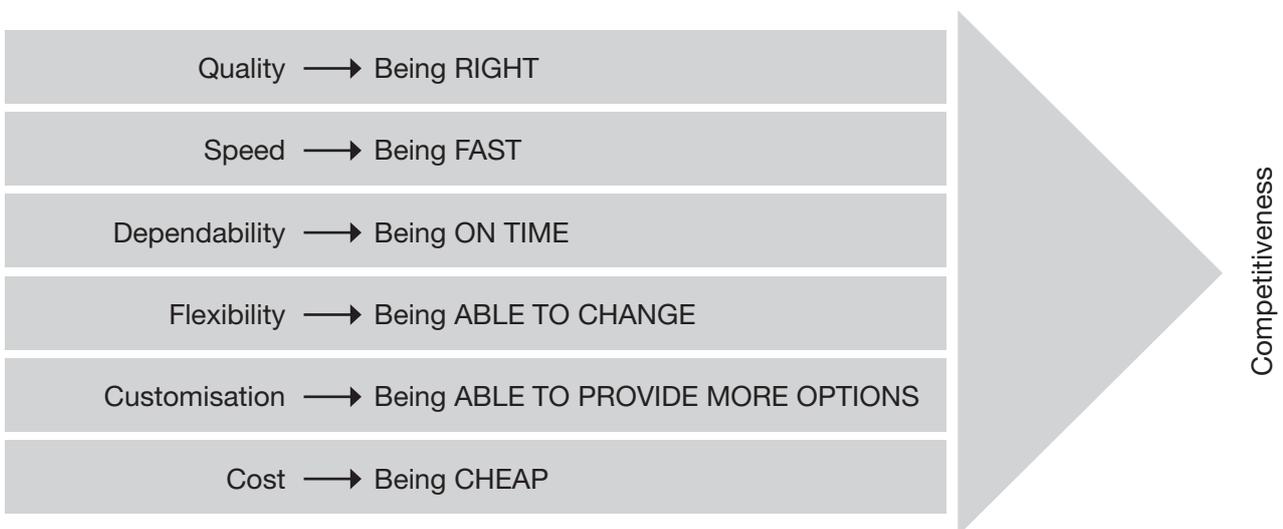
Effectiveness of Operations

The operations function at Qantas can be evaluated through 6 performance objectives – quality, speed, dependability, flexibility, customisation and cost.

The reopening of borders in 2022 led to Qantas experiencing significant operational challenges. Qantas was heavily criticised for the drop in some of its operational objectives. To be fair Qantas was not alone in its recent headaches. Airlines all around the world struggled to return to a business as usual footing.

After taking a reputational beating Qantas is now narrowing in on airport cancellation rates, call centre experiences, on time performance and lost bags. These crucial operational markers are starting to trend back towards levels seen before COVID hit.

Figure 5 Performance Objectives at Qantas



Quality

Quality means Qantas consistently producing its services to customer expectations (doing things right). Qantas has been upgrading and refurbishing their fleet, lounges, meals and web site to satisfy their customers. Qantas introduced new measures to ensure the safety and well being of their customers because of COVID-19.

After the borders were reopened in 2022 the customer experience fell well short as Qantas was plagued with a rash of misplaced baggage. Some Qantas passengers had to wait as long as 6 days to be reunited with their bags.

Speed

Speed means Qantas providing their service fast. Qantas has implemented a number of operational strategies to increase the speed of their service. These include booking flights on-line, on-line and mobile check in and check in kiosks to receive digital boarding passes and print bag tags.

Qantas has already introduced direct flights from Perth to London and will be flying non-stop from Australia east coast to London and New York from 2025. The route will be 3 to 4 hours quicker and avoid the hassle of transferring through a hub airport.

The rapid return in travel in 2022 put a lot of pressure on Qantas' speed. There were lengthy queues and long wait times at airports especially during school holidays. Customers experienced marathon waits to connect to Qantas' call centre to change bookings or get a refund.

Dependability

Dependability is how reliably and consistently Qantas performs its functions as intended. Dependability at Qantas is measured by on – time departures and arrivals. Prior to COVID Qantas had the highest on time performance among the major domestic airlines at 85%.

The faster than expected return of travel demand following the rapid easing of travel restrictions in 2022 put a lot of pressure on Qantas' dependability. When Qantas restarted operations on time performance fell at one point to just 44% with cancellations at 6.7%. By the end of 2022 on time performance had moved back to the 70% mark while overall cancellations fell to 1.7%.

Flexibility

Flexibility is Qantas' ability to change its operations (adaptability). Qantas recently reduced new airlines and flights in Asia to take advantage of growth in the region. COVID-19 has required Qantas to be super flexible. With sudden border changes and restrictions Qantas had a new schedule almost every week. Qantas retired its remaining 747's, ground most of its international fleet for 18 months and deferred delivery of new planes. In addition, Qantas had to pull together repatriation difficult missions often at short notice to rescue Australians who were trapped overseas.

To manage uncertainty while State border closures remained a threat Qantas passengers had flexibility to be able to change their flight date or time as many times as needed without penalty.

Qantas restarted its passenger services to accommodate a surge in domestic and international travel as border restrictions eased. Restarting an airline back into service was a complex business. There was lots of maintenance required to get the aircraft back in the sky. Engineers needed to replace each of the jet's wheels and brakes while emergency equipment like oxygen bottles and fire extinguishers had to be replaced. The engineers also had to do engine runs, landing cycles and test flights. Intensive training was needed for pilots to get them back in the cockpit. This involved simulation time, classrooms, online tutorials, and test flights.

Customisation

Customisation means giving Qantas customers more options by varying the product in minor ways. Qantas does this through its membership in the Oneworld Alliance where it can offer services to more than 1000 destinations in more than 150 countries. Qantas also varies its product by offering Jetstar as a more no frills alternative and offering different classes of seating (economy and business on domestic flights) and (economy, premium economy, business and first class on international flights). Customers can also use frequent flyer points for flights, pre purchase additional baggage, select your seat and even book a flight requiring specific assistance.

Cost

Cost performance at Qantas is about doing things economically (cheaply). Pre-COVID Qantas had been reducing costs by about \$500 million a year through technology, outsourcing and fuel hedging. Qantas announced new cost cutting measures to help it deal with the impacts of the coronavirus pandemic and is now aiming to reduce its cost base by over \$1 billion a year.

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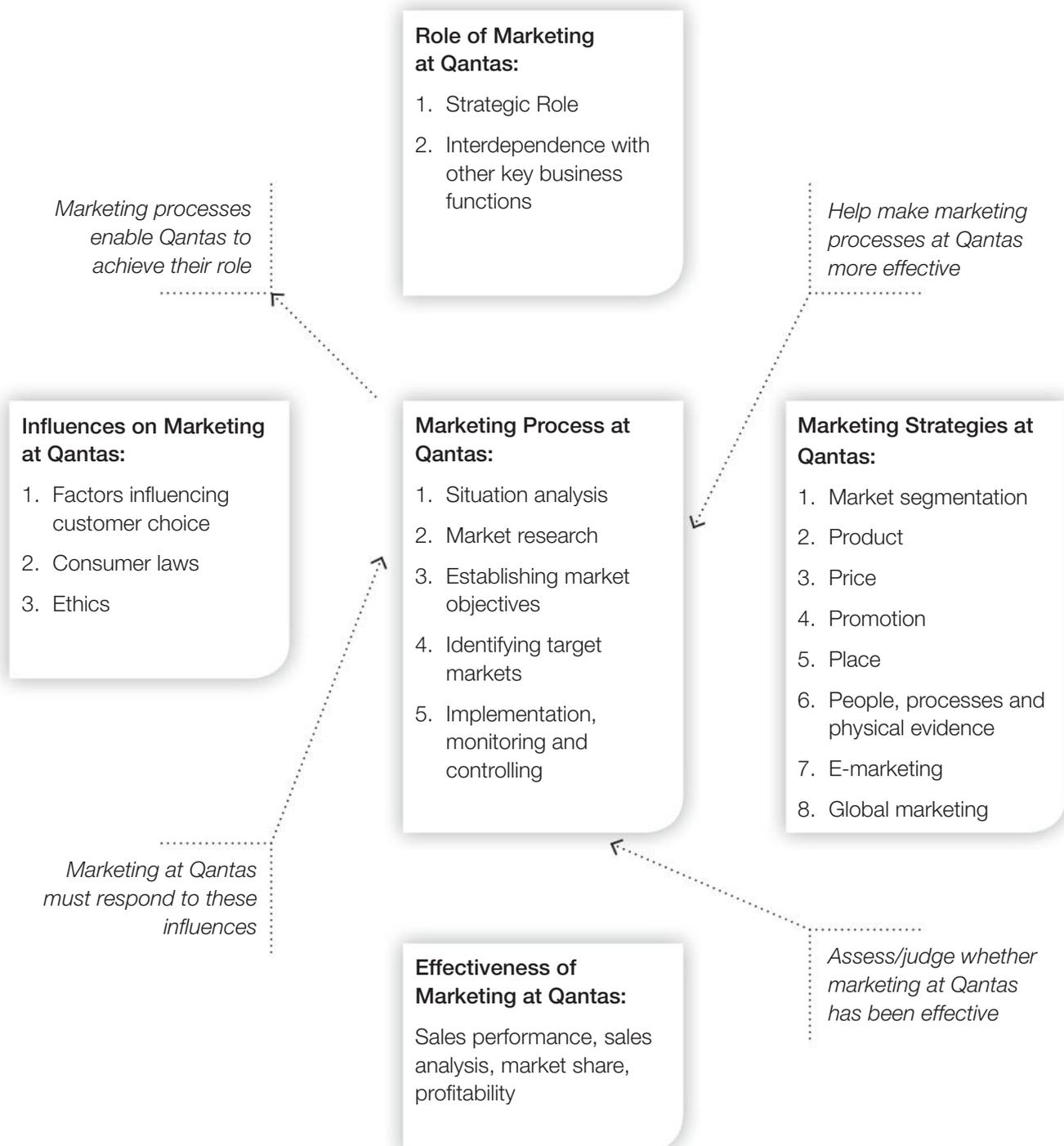


Chapter 2: Review Questions

1. Outline how operational decisions can have a strategic role at Qantas.
2. Identify the main operational costs at Qantas.
3. Describe the operations strategies used by Qantas to reduce costs.
4. Describe how global factors such as COVID affects the operations at Qantas.
5. Describe how technology can increase the speed and quality of operations at Qantas.
6. Identify the main inputs, transformation and outputs at Qantas.
7. Explain how Qantas' flight timetable performs the functions of sequencing and scheduling.
8. Explain why it is important to monitor and control the operations process at Qantas.
9. Analyse how changes in market demand and other factors require Qantas to be flexible in its operations.
10. Discuss the role of outsourcing at Qantas.
11. Identify the 3 different approaches to quality management at Qantas.
12. Outline the forms of resistance to change which impact on the operations function at Qantas.
13. Why are strategic alliances beneficial for Qantas?
14. Why was restarting Qantas back into service post COVID so complex?
15. Evaluate Qantas operational response to COVID

CHAPTER 3

Marketing



Role of Marketing

Interdependence with other Key Business Functions

Because of its central role, marketing at Qantas must be performed in coordination with other business activities.

Finance at Qantas depends on marketing to generate funds. Marketing strategies like Qantas' new planes, new lounges, new check in facilities are expensive and need to be funded. Qantas' marketing plan includes a major financial dimension. Budgets for each of its business segments such as Qantas, Jetstar, Freight etc and its related marketing strategies are key components of its marketing plan. Qantas' marketing strategies are judged using financial criteria like sales, market share and profitability analysis.

The right staff at Qantas must be employed to create the service that will satisfy consumers. Staff can determine the fate of Qantas' marketing efforts. Marketing is aligned with HR in developing job descriptions and designing training programs.

Operations at Qantas may constrain marketing by establishing physical limits for example, the scheduling of flights and the rollout of new initiatives such as new inflight entertainment and wifi etc. The use of marketing strategies like sales promotions and advertising can help boost sales in non-peak times and fluctuations in demand.

Influences on Marketing

The business environment impacts on marketing strategies at Qantas.

1. *Factors influencing customer choice*

Marketing at Qantas is based on what they believe drives their customers to make purchasing decisions. These include:

- Psychological influences (personal characteristics) affect buying behaviour. Perception, motives (comfort, safety, reliability) and attitudes all influence Qantas 'customer's choice.
- Sociocultural influences (other social groups) affect buying behaviour. These include social class, culture and peer group.
- Economic influences have a big impact on business and the consumer's ability to spend. Because travel is very much as discretionary spend a decrease in economic activity may result in a marked downward shift in the demand for Qantas' services.
- Government influences also impact purchasing decisions. Their economic policies have a direct impact on the level of economic activity and therefore the demand for Qantas services. Recent government border closures and pandemic rules have had a massive impact on purchasing decisions.

2. *Consumer law*

Qantas must ensure that they adhere to the Competition and Consumer Act. This government law protects consumers from undesirable business practices for example the regulation of misleading advertising and regulates practices that restrict competition such as price fixing.

- Qantas now publishes the true costs of fares including previously hidden extra charges and levies following legal action launched by the ACCC for misleading and deceptive advertising.
- Qantas was fined millions of dollars by the ACCC after colluding with other airlines to fix fuel surcharges on its freight services to the US.

- Qantas was fined \$2 million in 2019 for misleading customers concerning their rights to refunds when a Jetstar flight was delayed or cancelled.
- ACC is watching Qantas closely to ensure its cut-price post pandemic fares do not crush Virgin Australia as it tries to relaunch under new owners

3. Ethics

Qantas has an ethical responsibility to its customers and society in the marketing of its services. This includes being environmentally responsible, true and accurate in its advertising as well as engaging in fair competition. Qantas plans on cutting 100 million single-use plastics and eliminating waste to landfill. Fleet renewal, recycling and using solar and electrical power has reduced its greenhouse gas emissions.

The Marketing Process

Figure 6: The Marketing Process



1. Situational Analysis

SWOT Analysis of Qantas

Strengths

- Management acted quickly to mitigate the effects of COVID -19
- Strong financial position (extremely strong balance sheet and bumper profits pre COVID-19)
- Return to profitability in 2023
- One of the best performing airlines in the world
- Multi brand strategy (Qantas, Jetstar)
- Extensive network/part of the Oneworld Alliance and the Emirates partnership
- Highly competitive positions on major international routes
- Recent lowering of costs and efficiency gains
- Recent Airbus orders to replace their domestic fleet and launch Project Sunrise
- Excellent airport locations and facilities
- Globally recognised brand name and logo
- Excellent safety record
- Largest Australian based airline loyalty programme
- Successful fuel hedging programme

Weaknesses

- High risk nature of airlines
- Recent sharp falls in revenue and profitability due to COVID-19
- Recent brutal cost reductions and job losses
- Ongoing disputes between Qantas management and unions
- Operational challenges as borders reopened post COVID damaging Qantas' brand
- Staffing shortages as airline grows again
- Unclear succession plan for when Alan Joyce retires

Opportunities

- New Airbus planes could unlock new routes
- Growing consumer participation in E-Commerce (increased freight)
- Continually evolving technology especially with aircraft
- Further development of alliance and code sharing relationships
- Operating non-stop flights from Sydney to New York and London in 2025

Threats

- New variants of COVID resulting in more border restrictions
- Weakening of the domestic and international economy because of inflation and higher interest rates
- Competitive challenges from other airlines
- Trade war between US, Australia and China (impacting on freight)
- Increases in fuel prices (continued war in Ukraine)
- Increases in government regulation
- Increased costs associated with more rigorous COVID practices
- Exchange rate volatility
- Elevated risk of labour unrest (workplace disputes)

Competitor Analysis

Since the collapse of Ansett the only real domestic competitor has been Virgin Australia which was launched in 2000 and currently claims 30% of the domestic aviation market. Virgin Australia's service frequencies and domestic network is not as extensive as Qantas' but in the budget travel niche that Virgin Australia helped establish, competition with Qantas is vigorous. When the coronavirus travel restrictions shut down airlines, Virgin Australia ran into financial difficulties and were placed into voluntary administration (later to be sold to Bain Capital). Virgin Australia Mark II has become a predominantly domestic service, with a vastly reduced fleet (slimmed down mid-range airline).

On most international routes Qantas competes with at least one airline that benefits from government ownership, control or support. Internationally, Qantas has a number of traditional competitors such as Singapore Airlines, Air New Zealand, Cathay Pacific and Middle Eastern Carriers like Emirates, Etihad and Qatar. In recent years Chinese airlines (China Eastern, China Southern and Air China) have also aggressively expanded into Australia. With international travel returning after COVID-19 Qantas market share has grown as overseas carriers take a conservative approach to capacity and focus on opportunities closer to home markets.

Product Life Cycle

Qantas' marketing success can be affected by its ability to understand and manage the product life cycle. Qantas' marketing strategies cannot stay constant over its product's life cycle. At each stage of the product life cycle Qantas employs different marketing strategies (see figure 7).

Figure 7: Product Life Cycle

Stage in PLC	Example	Characteristics	Marketing Strategies Employed
Growth	Qantas Domestic	<ul style="list-style-type: none"> • Significant losses but returned to profit in 4Q2022 • Capacity returned to pre-COVID levels • Rapid ramp up in demand driven by reopening of domestic borders 	<ul style="list-style-type: none"> • Marketing ramps up including launch of new advertising campaign • Multi-million-dollar order to replace fleet to kick off in 2023 • Rolling out new kiosks to speed up travel • Rise in airfares to match steep increase in fuel prices • Launch of new domestic routes in response to growing demand for regional travel
Growth	Qantas International	<ul style="list-style-type: none"> • Significant losses from COVID • International air travel resumed to 19 ports • High levels of pent-up demand • Planes full as passengers catch up on travel • Strong forward bookings 	<ul style="list-style-type: none"> • Marketing resumed with launch of new advertising campaign • Full return of fleet expected by 2024 • 8 new international routes • Project Sunrise to now launch in 2025 • Rise in airfares to match steep increase in fuel prices • Rolling out new kiosks to speed up travel
Growth	Jetstar Domestic	<ul style="list-style-type: none"> • Significant losses but returned to profit in 4Q22 • Capacity returned to pre-COVID levels 	<ul style="list-style-type: none"> • Marketing ramps up as pandemic restrictions eased • Increase flights as state borders are reopened • Multi-million-dollar order to replace fleet to kick off in 2023 • Promotions to encourage customers to resume flying
Growth	Jetstar International	<ul style="list-style-type: none"> • Gradual ramp up of international flying • Lots of pent up leisure demand • Planes full as passengers catch up on travel 	<ul style="list-style-type: none"> • Marketing resumes • Most international operations relaunched • Arrival of new aircraft to support growth in new markets like Bali • Promotion to inspire customers to take their first trip
Decline	Jetstar Group in Asia	<ul style="list-style-type: none"> • All airlines experienced losses from the impact of COVID in Asia • High COVID cases continue in Japan and international border restrictions remain in place 	<ul style="list-style-type: none"> • Resumption of some domestic flights • Fleet reduced, mixture of fleet returns and aircraft deployed to Australia

2. Market Research

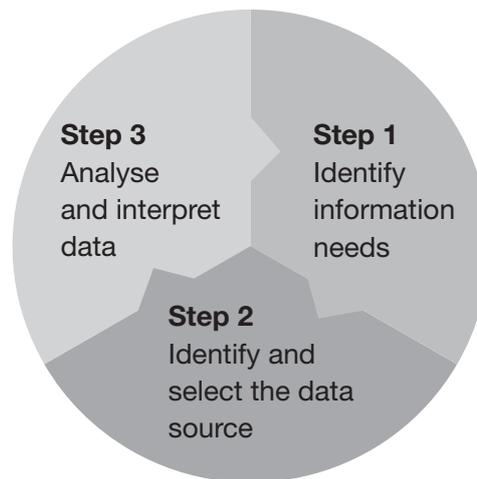
Qantas uses market research to gather and analyse information to assist with appropriate marketing decisions. Marketing strategies perform best when they are based on accurate, up to date information which is detailed and relevant. Market research at Qantas follows a logical series of steps outlined in Figure 8.

The first step in the market research process is identifying information needs e.g. customer needs, attitudes, brand preferences, buying intentions and characteristics.

The second step is to identify and select the data source. Qantas uses both primary and secondary sources of data collection. Primary data includes ongoing surveys of passengers in flight, mail based surveys, complaint monitoring and discussion with customer contact staff such as cabin crew and lounge staff. Secondary data includes government statistics, airline publications and reported interviews with competitors' executives.

The final step is to analyse and interpret the data. For example, Qantas replaced its cold food boxes with hot breakfasts and dinners and a choice of menus for business class travellers after the results of recent customer surveys.

Figure 8: Market research process at Qantas



3. Marketing Objectives

Qantas' main marketing objective is to build two leading complementary brands, Qantas (premium airline) and Jetstar (low fares airline). Qantas' marketing objectives are to:

- Increase sales (revenue) and decrease costs (expenditure)
- Maintain Qantas/Jetstar's combined domestic market share of 70%
- Match capacity with demand sustaining loads around 80%
- Increase customer service standards and customer experience
- Enhance complementary portfolio businesses like Freight
- Enhanced partnerships with other airlines to expand their international network.
- Align Qantas and Jetstar with Asia's growth.
- Grow their frequent flyer program members and partners

Qantas had to modify its marketing objectives due to COVID-19 and government imposed travel restrictions with most of Qantas' marketing strategies put on hold.

Qantas marketing objectives have changed for 2023 in line with the strong sustained recovery in air travel.

- Increase domestic capacity to 100%
- Increase international capacity to 77%
- Continued focus on customer experience with investment in digital, aircraft, lounges, and Loyalty program rewards
- Rebuild its brand and reputation after escalating criticism of its customer service
- Identify and develop new products, services and processes that drive revenue and efficiencies

4. Identifying Target Markets

Qantas' target market is the group of customers which its service is aimed. This allows Qantas to use its marketing resources more effectively and to better satisfy the needs and wants of its targeted group. Market segmentation is the process used by Qantas to select its target markets.

5. Developing Marketing Strategies

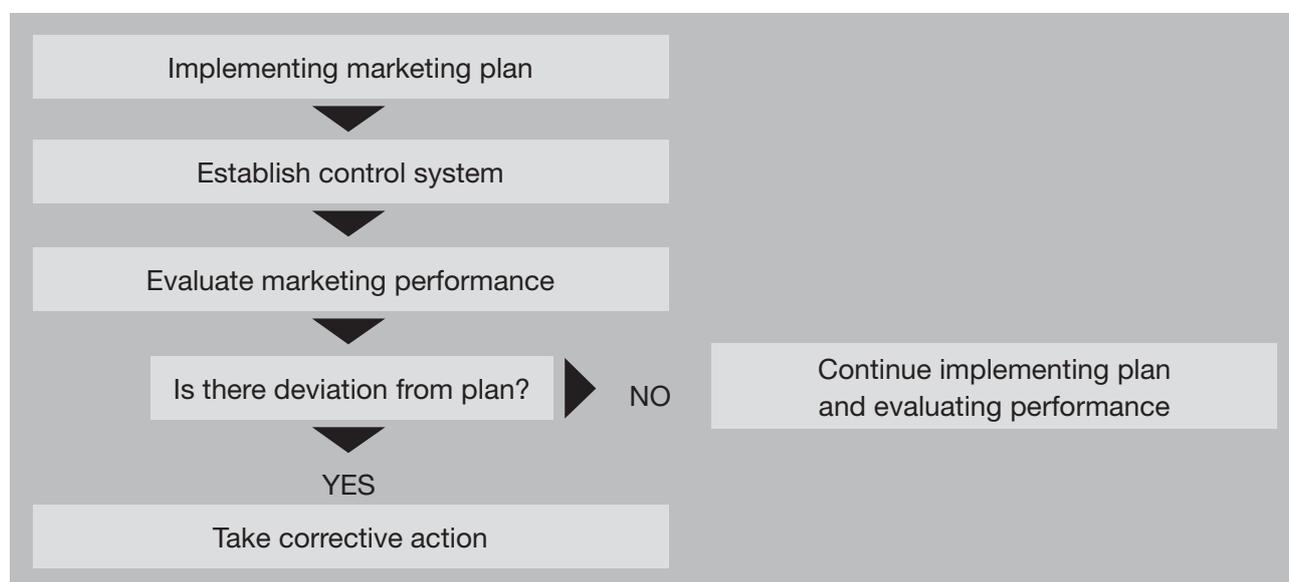
Marketing strategies are the actions undertaken by Qantas to influence its customers to use its service. More detail can be found in marketing strategies on page 36.

6. Implementing, Monitoring and Controlling the Marketing Plan

Implementation is the process of turning the marketing plan into action. Many unforeseen events occur during implementation of the marketing plan, Qantas has a systematic base for continually monitoring, controlling and adjusting its marketing activities using the following tools:

- (i) Developing a financial forecast of revenue using statistical models, past sales data, executive judgment and surveys of consumer buying intentions. It then estimates costs such as market research costs, promotion costs, product development costs and distribution costs.
- (ii) Comparing actual and planned results using a number of performance criteria. These include:
 - Sales analysis: breaking down aggregate sales by different products, segments and territories.
 - Market share analysis: comparing business sales with the performance of the competitors
 - Market profitability analysis: measures the profitability of its products, segments and territories as a percentage of sales.

Figure 9: Implementing, Maintaining and Controlling the Marketing Plan.



(iii) Revising marketing strategies and taking corrective action where appropriate. For example, Qantas recently undertook corrective action by:

- Introducing its own budget domestic carrier Jetstar in May 2004 to counter Virgin Australia's increasing share of the aviation market.
- Revised its marketing strategies due to the GFC in 2009 by lowering prices to stimulate demand, reducing flight frequency on some routes, cancelling and delaying orders for new planes and reconfiguring its planes with more economy seats.

- Undertaking a comprehensive audit of its international operations in 2014 in response to significant losses. Qantas took corrective action by cancelling orders for new planes as well as exiting poor performance routes.
- Expanding in Asian markets to take advantage of the aviation growth in the region. Qantas now has more than 50% of its capacity directed towards Asia.
- Cutting back flights to Hong Kong due to the collapse in tourist traffic from the protests.
- Grounding international aircraft, deferring orders of new planes, standing down and retrenching staff because of the impact of COVID-19 and border closures.
- Rapid ramp up of operations driven by the re-opening of domestic and international borders.
- 35% rise in airfares to match steep increase in fuel prices from Ukraine war.

Marketing Strategies

1. Market Segmentation

Market segmentation is the process of dividing up the total range of potential or current customers into smaller discrete groups to facilitate analysis and planning. Market segmentation enables Qantas to:

- Better meet the needs of all its customers, to compete more effectively, and to attain financial goals more readily;
- Tune the marketing mix to particular groups in the market so the product can be refined, prices set, place of sale determined and promotion better focused for each market segment e.g. Economy, Business and First Class travellers.

Qantas' market segmentation is complex because each segment has distinctive and different needs and expectations, such as the need to make stop-overs, the ability to pay fare levels and expectations in terms of in-flight service and comfort.

Qantas predominantly uses behavioural segmentation to select its target markets. Buyers are distinguished according to trip purpose e.g. business and leisure/non-business travellers.

However, there are many different reasons for travelling within the broad categories of business and leisure. The business segment is further broken down into routine business (normal point-to-point business travel), conferences/seminars and emergency business which also reflect passenger needs and benefits sought. For example, a very senior manager requiring to go overseas immediately because of a crisis has different requirements to a financier attending a conference or a salesman who plans regular trips months in advance.

The leisure segment is broken down into holiday (inclusive of tour segment, multi-destination touring segment and weekender segment) and visiting friends and relatives (VFR). These categories are also further segmented demographically into the type of traveller based on age, sex, family life cycle and income.

Qantas is a full service premium carrier. Because of changing customer requirements Qantas has established a number of new airlines each with its own target market. These highly differentiated brands appeal to different customer segments.

- Jetstar (domestic) targets cost sensitive travellers primarily on low yielding leisure routes to Australian destinations like the Gold Coast, Sunshine Coast, Whitsundays, Cairns and Alice Springs.
- Jetstar International targets leisure travellers to destinations like Bangkok, Phuket, Ho Chi Minh City, Osaka, Bali and Honolulu that were unprofitable Qantas operations.
- Jetstar Asia and Jetstar Japan to target the growing intra Asia travel market.

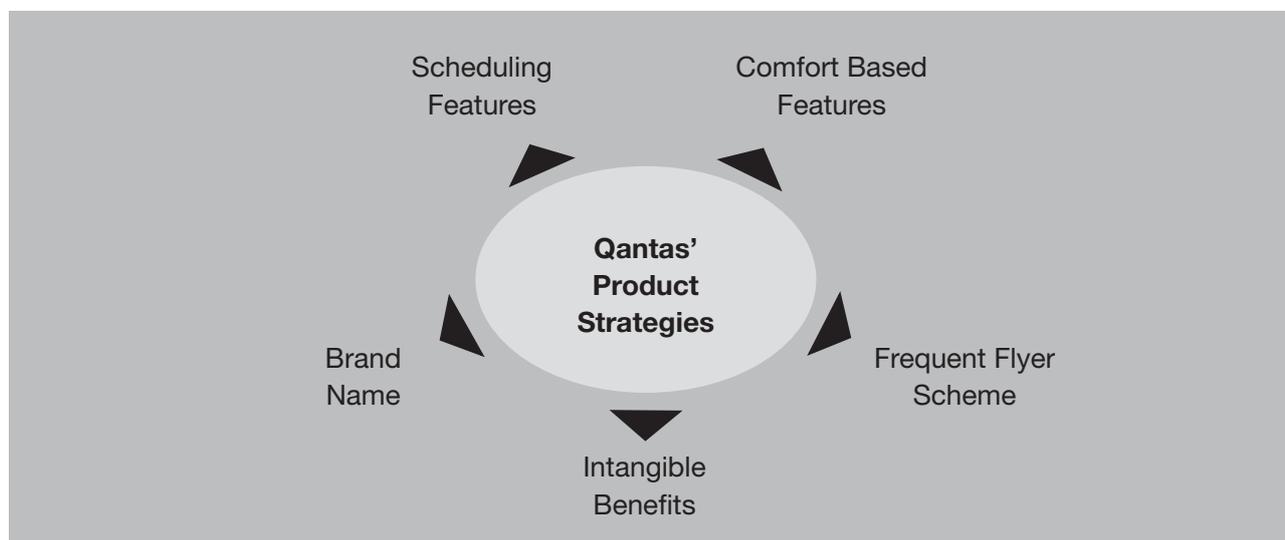
2. Positioning

Positioning is the image that Qantas projects in relation to its competitors. Qantas brings attention to its service by using a variety of positioning strategies:

- By positioning in relation to its competition i.e. by launching its own no-frills carrier, Jetstar, Qantas arrested the erosion of its market share to Virgin Australia.
- By positioning in relation to a target market i.e. Qantas has concentrated on securing the lucrative corporate/business market through its City Flyer express service, lounge upgrades, Frequent Flyer Scheme and Qantas Club services.

3. Formulating the Marketing Mix

Figure 10: Product Strategies



Product

Product is the collection of attributes and benefits designed to satisfy Qantas' customer needs. These include:

- **Scheduling features:** the route frequency, time of departure or arrival, number of stops or direct flights and the aircraft type. Qantas, as the largest and strongest domestic carrier has the most comprehensive national coverage. Qantas' City Flyer express service means there are flights leaving every 30 minutes on high density routes.

Jetstar, flies from Melbourne, Sydney and Brisbane mainly to Australian leisure destinations such as the Gold Coast, Sunshine Coast, Cairns and Tasmania. Jetstar International flies to destinations in Asia and the Pacific. Jetstar Asia and Jetstar Japan fly to destinations in Asia.

Qantas enhances its service by having the best connecting airlines on a preferred basis with its Oneworld, Emirates Alliances, American Airlines, China Eastern and China Southern partners.

- **Comfort based features:** (components of packaging) include lounges, in-flight meals and drinks, in-flight entertainment and seat width. For example:
 - Qantas has overhauled its food menu inspired by renowned chef and restaurateur, Neil Perry.
 - Flight Update sends details of flight departure times to frequent flyer customers using mobile phone text messages.
 - A Total Entertainment in-flight system has been installed on the Qantas international fleet. The system offers in-seat personal telephones, video games and 16 audio channels.
 - Qantas has recently spent millions upgrading its domestic and international lounges.
 - Qantas' new generation check in aims to make boarding a seamless experience. In addition to the existing online check in and self service kiosks Qantas has added mobile check in, a fully automated check in using a chip enabled frequent flyer card, automated bag drops and electronic bag tags.

- Qantas Club business customers can utilise private meeting rooms, workstations, photocopying and local faxing services, postal services, personal message service, refreshments, news and entertainment and hot showers in the excellent Club lounge at all major Australian ports.
- Qantas' international Business Class, features a Skybed (a state-of-the-art, cocoon-style sleeper seat), specially trained flight attendants, new food and wine, premium quality noise cancellation headsets and a self service bar for drinks and snacks. Business Class lounges offer private work suites and wireless internet access.
- Qantas was one of the first airlines in the world to roll out in-flight mobile and internet services.
- Qantas is currently offering wireless inflight entertainment and iPads.
- **The Qantas Frequent Flyer Scheme (FFS)** with more than 13 million members and hundreds of programme partners are used to retain customers (relationship marketing), increase market share and fill otherwise empty seats. Members accumulate points mainly through flying with Qantas or its partners. The FFS also provides a large data base of specific customer information thereby providing additional valuable direct marketing opportunities for Qantas. Other companies such as hotels and car rental firms also participate. Points earned in the credit card loyalty programmes of American Express and Qantas Telstra Visa Card and the selected programmes of a number of banks may be converted to Qantas Frequent Flyer points.
- **Intangible benefits** such as the Qantas history and safety record; and
- **Brand name:** Qantas is one of Australia's leading brand names and it is a powerful marketing tool. Qantas' brand name carries significant commercial value and the continued success of the airline relies on a positive reputation and brand recognition. The brand name, kangaroo symbol and logo, 'Spirit of Australia', clearly identify Qantas and distinguish it from its competitors.

Price

Price is the crucial element in any marketing plan. Price is the variable which can be changed quickly and as often as required. In the past, prices were regulated by the International Air Transport Association (IATA) and the Two Airlines Agreement which had a formula for all fares based on flag fall and distance.

Pricing methods used by Qantas include a combination of:

- Cost plus margin: Qantas determines the cost of production and then adds a margin for profit.
- Market: most fares at Qantas are determined by the market, where demand is matched with supply.
- Competition based: monitoring what other airlines such as Virgin Australia are charging.

Pricing strategies employed by Qantas include:

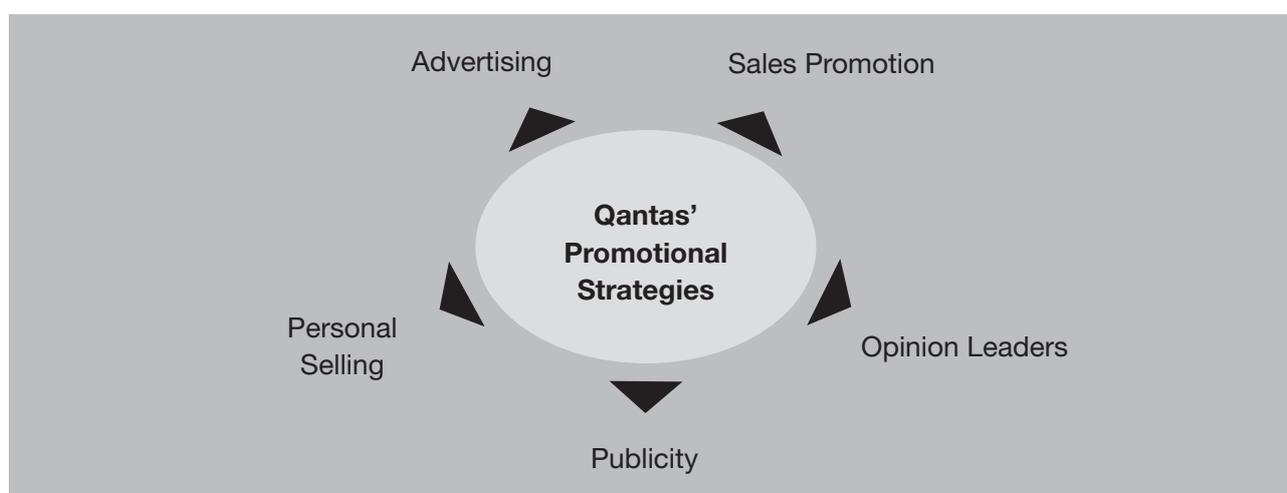
- Price penetration: Qantas uses this strategy (lowest possible price) for Jetstar. Qantas also used this strategy when flights restarted post COVID to encourage people to resume flying.
- Price skimming: Qantas uses this strategy (high price) for Business and First Class. It also charges a 20% premium for its non-stop flights from Perth to London and will do similar for its proposed non-stop routes from Sydney to London and New York.
- Promotional Fares: these are not advertised as a discount on the full fare i.e. 20% off, but are quoted as a price. They are usually offered in the economy cabin at times of subdued demand or to match competitors. Other promotional fares can be conditional such as:
 - Departure time limitations: defines the period of departure which allows Qantas to offer low cost fares outside peak demand periods.
 - Packages are sold as part of an inclusive holiday, which includes hotels, meals and transfers.

- **Loss Leading:** Qantas used this pricing strategy when it first launched Jetstar and Jetstar International by introducing extremely low fares to gain initial market share. Qantas has offered fares on its Sydney-Melbourne route as low as \$19.
- Giving customers who held tickets for domestic and international travel the ability to cancel their booking and get a refund or retain the value as travel credit in response to travel restrictions due to COVID-19.

Promotion

Promotion is the means by which an organisation communicates its products and its image to the consumer. The promotional strategies used by Qantas are contained in Figure 11 below.

Figure 11: Promotional Strategies Used by Qantas



Promotional strategies used by Qantas include:

- **Advertising:** Qantas uses advertising agencies to create media advertisements for television, radio, magazines, newspapers, brochures, posters in travel agents and billboards (there is a giant billboard erected above Qantas Drive). In 2004 Qantas shot its famous *I still call Australia home* commercial at an estimated cost of \$10 million, making it the most expensive advertisement in Australian history. Its advertising debut was the first commercial break in the opening ceremony of the Athens Olympic Games.

Qantas tries to use less blanket advertising and more direct marketing, which is cheaper and much more targeted especially to corporations. The disadvantage of broad media advertisements is many people receiving the message are not the target market unless that advertising is purely for image or brand recognition.

Pre COVID Qantas' advertising tapped into "I've been everywhere" showing Australian travellers enjoying the experiences on offer in countries that Qantas operates such as surfing in Waikiki, hiking in Yosemite and going on a safari in South Africa. This followed Qantas' successful "the reasons people fly with Qantas" campaign which focused on the airline's staff and their "Feel like home" campaign which was based on five real-life stories of passengers on their way home.

In 2020 Qantas recreated the *I still call Australia home* social media video with the Australian Girls and Gondwana Choirs to inspire people to take their next trip as COVID-19 restrictions ease. In 2021 Qantas released the 'Fly Away' with scenes of what the future might look like when international travel resumes. The commercial showed 3 sets of Qantas flyers and their reason to travel: for a wedding in Singapore, to visit Disneyland with their children and to see loved ones in the UK. The pro-vaccination advertisement shows all of these flyers getting vaccinated before they fly.

In 2022 Qantas enlisted the vocals of Kylie Minogue, Hugh Jackman, and Troye Sivan in its latest advertising campaign – a remake of Peter Allen’s ‘I Still Call Australia Home’ to showcase Australia as the world reopens. Sports stars Ash Barty, Adam Goodes, Ellie Cole and Bronte Campbell as well as Aboriginal elder Rene Kulitja also make an appearance in spectacular settings such as Hutt Lagoon in Western Australia and Cape Raoul in Tasmania

- **Sales promotions** (short term inducements) particularly in periods of subdued demand. When Qantas first launched Jetstar it released 100,000 tickets at \$49. Qantas also launched a two-for-one ticket sale, which allowed a second passenger to fly for the costs of taxes and charges. As the Qantas network restarted after COVID-19 Qantas employed lots of sales promotions to encourage customers to resume flying.



Source: www.jetstar.com.au

- **Personal selling** based on sales representatives who sell directly to travel agents, businesses and government departments.
- **Publicity** to enhance the image of Qantas includes news releases, feature articles, press conferences and interviews. Qantas ran a competition to name its eight Dreamliner fleet with iconic Australian names such as Great Southern Land and Waltzing Matilda being selected. In 2020 Qantas ran a competition ‘1 in 100 bookings wins a trip on us’ to promote travel as State border restrictions were lifted. Qantas launched its biggest ever giveaway in 2021. Fully vaccinated passengers were eligible to claim a reward (choice of Qantas points or discounts on fares) as well as entry into a mega prize draw to win a year’s worth of flights and accommodation.

Qantas has sponsored several sports such as rugby union, cricket, netball and the Australian Olympics and Paralympics. Qantas has just ended its 30-year sponsorship of the Wallabies as part of a major overhaul of the airline’s sponsorship arrangements because of COVID-19.

The company supports and sponsors environmental causes such as Clean Up Australia; as well as charities such as CARE Australia, the Starlight Children’s Foundation and World Vision; and cultural activities such as the Australian Youth Orchestra, Sydney Dance Company and Art Gallery of NSW.

- **Opinion leaders:** Qantas uses actor Hugh Jackman as their global opinion leader. By having Jackman endorse their service Qantas aims to increase their awareness, reputation and brand awareness.

Place/Distribution

The product must be easy to interface and purchase, otherwise no matter how good the product, the selling will be constrained. Distribution to end customers is achieved by Qantas in two ways, direct and indirect:

Direct (sale of products direct to the consumer)

- Direct sales via its own retail outlets. Qantas has a network of wholly owned Qantas Travel Centres called Qantas Holidays (the largest travel wholesaler in Australia). Qantas has also bought into Viva, Jetset, Jetabout and TripADeal which reduces the likelihood of the owner entity selling competitor tickets. This represents vertical integration of the distribution chain;
- Telephone sales centres;
- Airport ticket sales; and

- The Internet is a significant distribution channel for Qantas with the number of internet bookings growing. Leisure travel booked via qantas.com represents about 70% of domestic bookings and 35% of international bookings. Jetstar sells more than 90% of its tickets online. Qantas is one of the leading websites in Australia, with eight million visits each month.

Indirect (using intermediaries)

- Through travel agents: Qantas has a strong relationship with a number of other retail agency chains including American Express, Community Travel, Flight Centre and Harvey World Travel. Qantas is selective about who resells the product and looks for intermediaries that have a good reputation, financial strength and expertise. These marketing intermediaries are responsible for a large number of bookings and ticket sales for Qantas, but not having control of the main distribution source is frustrating for Qantas. As agents receive commissions on their sales, potential Qantas revenue is reduced. Qantas has reduced commission rates paid to travel agents to cut costs and encourage internet bookings. A large and growing proportion of product distribution is made by sophisticated computer systems/electronic means called the Computer Reservations System (CRS). These are made available by Qantas to travel agents.

4. People

The quality of Qantas' services depends on the ability of its human resources. Most customers have direct contact with Qantas employees, especially on the ground (through ticketing, check-in and baggage handling), the impression they give has a big impact on how Qantas is perceived. Qantas staff must have appropriate personal attributes and training for their jobs. Qantas spends more than \$275 million a year on staff training to ensure a very positive interaction between its customers.

5. Processes

Qantas implements effective processes to ensure its service is provided in a timely fashion. Qantas uses processes that are largely automated and digital. These processes are great for Qantas because they save money on paper costs and personnel by eradicating customer service interactions. They also improve the customer experience by allowing travellers to bypass lines and hassle at the airport. They are also great for the environment because they reduce paper waste.

Qantas passengers themselves and without the assistance of travel agencies can search for flights, select the most convenient airline schedules, track routes and rates, book flights online and proceed with tickets' purchase. Qantas customers can also check in online using either your airline's website or its mobile app. You typically need to provide your name and booking confirmation, get the opportunity to choose a seat and once you've completed the check-in process, you can print your boarding pass, have it emailed to you (so you can show it at the airport on your mobile device), or access it in a mobile app.

Qantas has announced it will be hauling out a range of dated check-in kiosks and replacing them with streamlined electronic terminals with the ability to check in passengers and print bag tags in just seconds. Given more than three quarters of Qantas customers already check-in online or use digital boarding passes on their smartphone, the expectation is that the new kiosks will primarily be used for printing bag tags – and take less than 20 seconds to do so. Printing baggage tags used to take around two to three minutes at the old traditional kiosks.

6. Physical Evidence

Qantas' customer decisions are influenced by a whole range of physical aspects (the environment in which its services are delivered). These include Qantas' signage, its website, its terminals, lounges and uniforms.

Qantas provides a uniform for all staff to improve their professional appearance. In 2013 Qantas switched to a new uniform created by Melbourne-born but Paris-based designer Martin Grant. The aboriginal prints were replaced in favour of a European cut based on French navy incorporating elements of Qantas' red (see figure 12). In 2016 Grant designed a new uniform for Qantas' pilots.

Figure 12: Qantas flight attendant uniforms



7. E-Marketing

E-marketing uses an electronic medium (internet) to perform marketing activities. Qantas mainly uses e-marketing via:

- Email, for example Qantas sends out emails to all their Frequent Flyers every month of special offers like flight and accommodation deals.
- Web site, where customers can book flights, find out about flight details and the latest product innovations such as wireless inflight entertainment and Q bag tags etc.

Advantages of e-marketing at Qantas	Disadvantages of e-marketing at Qantas
Reduction in costs	Lack of personal approach
Faster response and increased interactivity	Dependability on technology
Increased ability to measure and collect data	Security, privacy issues

8. Global Marketing

Global marketing is the extension of marketing activities across national boundaries. Qantas uses a number of global marketing strategies including:

- Global Branding

Qantas uses the same brand and logo globally (flying kangaroo). Qantas' strong global brand allows it to increase their international revenues and growth. It also helps protect them from international competition. Branding gives the airline instant recognition around the world representing safety, reliability, engineering excellence and customer service. Global branding also helps to improve margins by driving down packaging, design and advertising production costs.

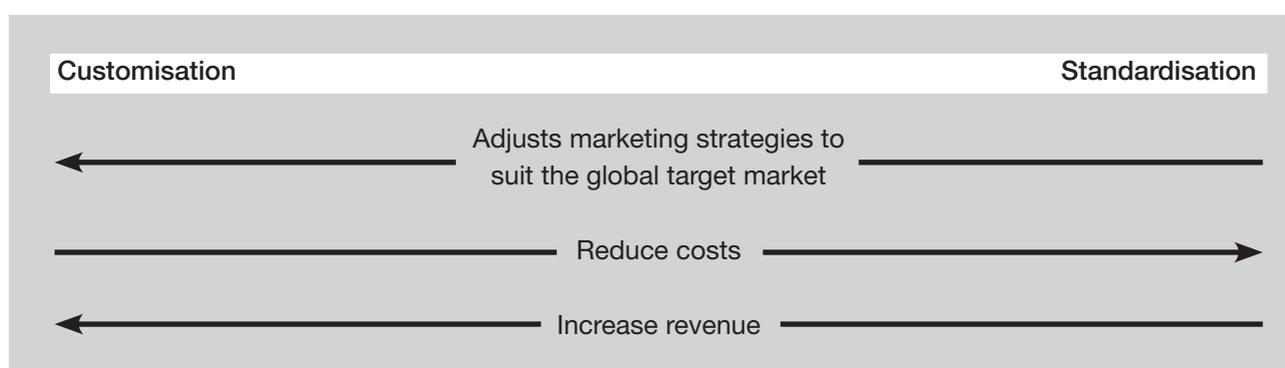
- Standardisation

Qantas standardises most elements of the marketing mix such as product design, brand name, packaging, distribution and product positioning. This approach allows Qantas to gain economies of scale from a global marketing mix. Most of these marketing strategies are alliance based. Alliances create a larger range of global products for existing customers (eg. the One World Explorer fare, around the worlds fares, reciprocal frequent flyer programmes, reciprocal lounge access and global freight co-operation) as well as offering travellers a seamless travel experience. The One World name and logo appear on all member planes and ticketing, helping Qantas to improve its corporate image in new markets. These alliances allow Qantas to capture a greater share of the market and of the premium customer segments in particular.

- Customisation

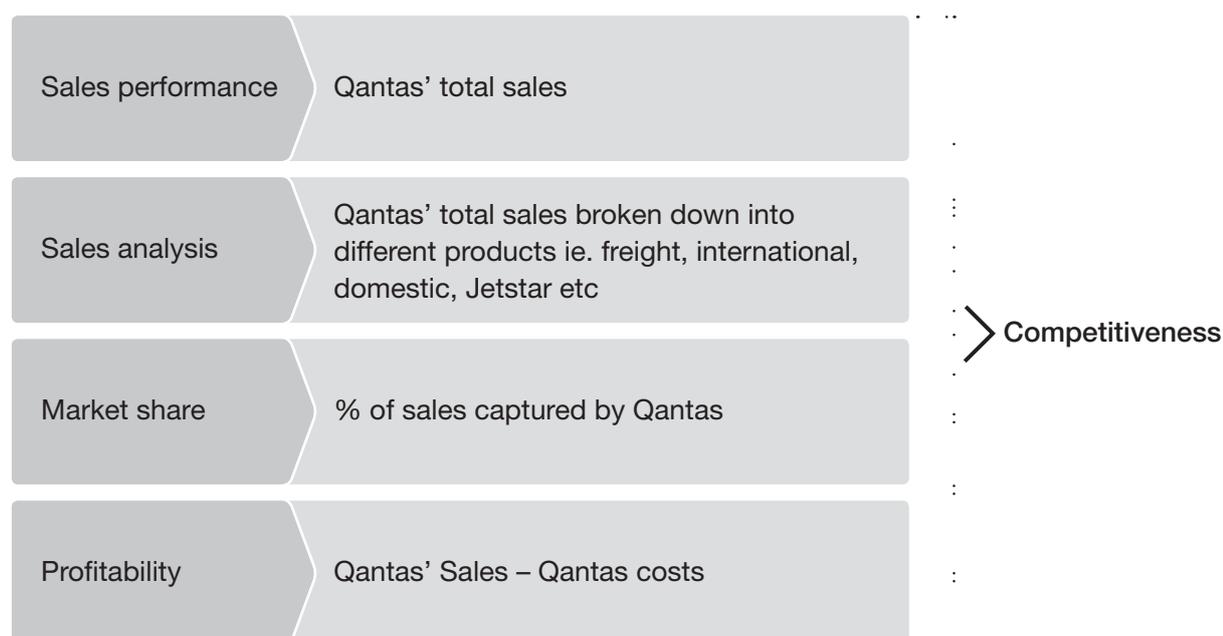
Qantas uses a customised (differentiated) marketing with its new airlines in Asia under the Jetstar brand. Qantas adjusts its marketing strategy to suit this particular global target market. The airlines have a new name, new look and adopt a more culturally sensitive style. The inflight menus focus on Asian dishes and flight attendants are fluent in Asian languages.

Figure 13: Global Marketing Strategies



Effectiveness of Marketing at Qantas

The marketing function at Qantas can be evaluated by several indicators.



- a) Sales performance measures and evaluates actual sales. Pre COVID Qantas total sales had increased demonstrating that Qantas' marketing strategies had been highly effective. Qantas total sales took a massive hit between 2020 and 2022 due to COVID-19. Most of Qantas' marketing strategies were put on hold while travel restrictions were in place.

	2022	2021	2020	2019	2018	2017
Total Revenue \$M	9108	5934	14257	17966	17128	16057

- b) Sales analysis breaks down Qantas' total sales into different services like Qantas Domestic and International, Jetstar etc. This breakdown gives Qantas a lot more information to assess its marketing strategies of each segment.

Revenue \$M	2022	2021	2020	2019	2018	2017	Variance%
Qantas Domestic	3448	2745	4672	6098	5945	5632	26
Qantas International	3706	1598	6077	7420	6925	6413	132
Jetstar Group	1440	1440	3006	3961	3795	3600	0
Qantas Loyalty	1334	984	1224	1654	1519	1505	36

- c) Market share analysis measures the percentage of sales captured by Qantas. Qantas' domestic market share pre COVID had hovered around 60% and its international at 26%.

A pared back rival Virgin Australia and the removal of Tiger has seen Qantas increase its domestic market share to 70%. As international flying resumes Qantas expects its international market share to improve as overseas carriers are expected take a conservative approach to capacity and focus on opportunities closer to home markets.

- d) Market profitability analysis includes the cost side by measuring the profitability of Qantas 'segments (refer Fig 14). All sectors experienced reduced profitability between 2020 and 2022 due to COVID-19. Qantas' recent outstanding and record results as well as managing a skinny profit in 2020 and respectable losses in 2021 and 2022 despite the global aviation chaos shows their marketing strategies to be remarkably effective.

Figure 14: Analysis of profitability by business segment (millions)

\$M	2022	2021	2020	2019	2018	2017
Qantas	(1003)	(1123)	229	1025	1163	1019
	(765)(D)	(575)(D)	173(D)	740(D)	765(D)	645(D)
Jetstar	(796)	(541)	(26)	370	457	417
	(238) (I)	(548) (I)	56 (I)	285 (I)	398 (I)	374 (I)
Qantas Frequent Flyer	272	272	341	374	345	369

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Chapter 3: Review Questions

1. Critically analyse the social and ethical responsibilities of Qantas in marketing its products and services to consumers.
2. Describe the value of a SWOT analysis in reviewing Qantas' current business situation.
3. How will the rebirth of Virgin Australia impact Qantas?
4. Explain Qantas' major marketing objectives.
5. How does Qantas segment its market and attempt to reach its target market?
6. Describe how Qantas differentiates its products from its competitors.
7. Outline the types of pricing methods and strategies Qantas uses. How does Qantas promote its products to consumers?
8. Explain how Qantas uses its FFS as a relationship marketing tool.
9. Log on to the Qantas web site www.qantas.com.au
 - Pick an international destination and find out the cost of a return airfare on a particular date.
 - Click on the frequent flyer program to find out about the program and its partners.
 - Click on fly and then Check in to find out the various ways you can check in.
 - Do a price comparison with Virgin Australia on a schoolies flight to the Gold Coast.
 - Click on plan and then route maps to find out where Qantas flies.
 - Click on Qantas for Business to find out about the services offered to business travellers.
10. Explain how E-commerce is changing the way consumers interface with Qantas services.
11. How can Qantas tell whether its marketing strategies have been successful?
12. Describe the advantages of global branding for Qantas.
13. Distinguish between the global marketing strategies of standardisation and customisation as applied to Qantas.

Word Search

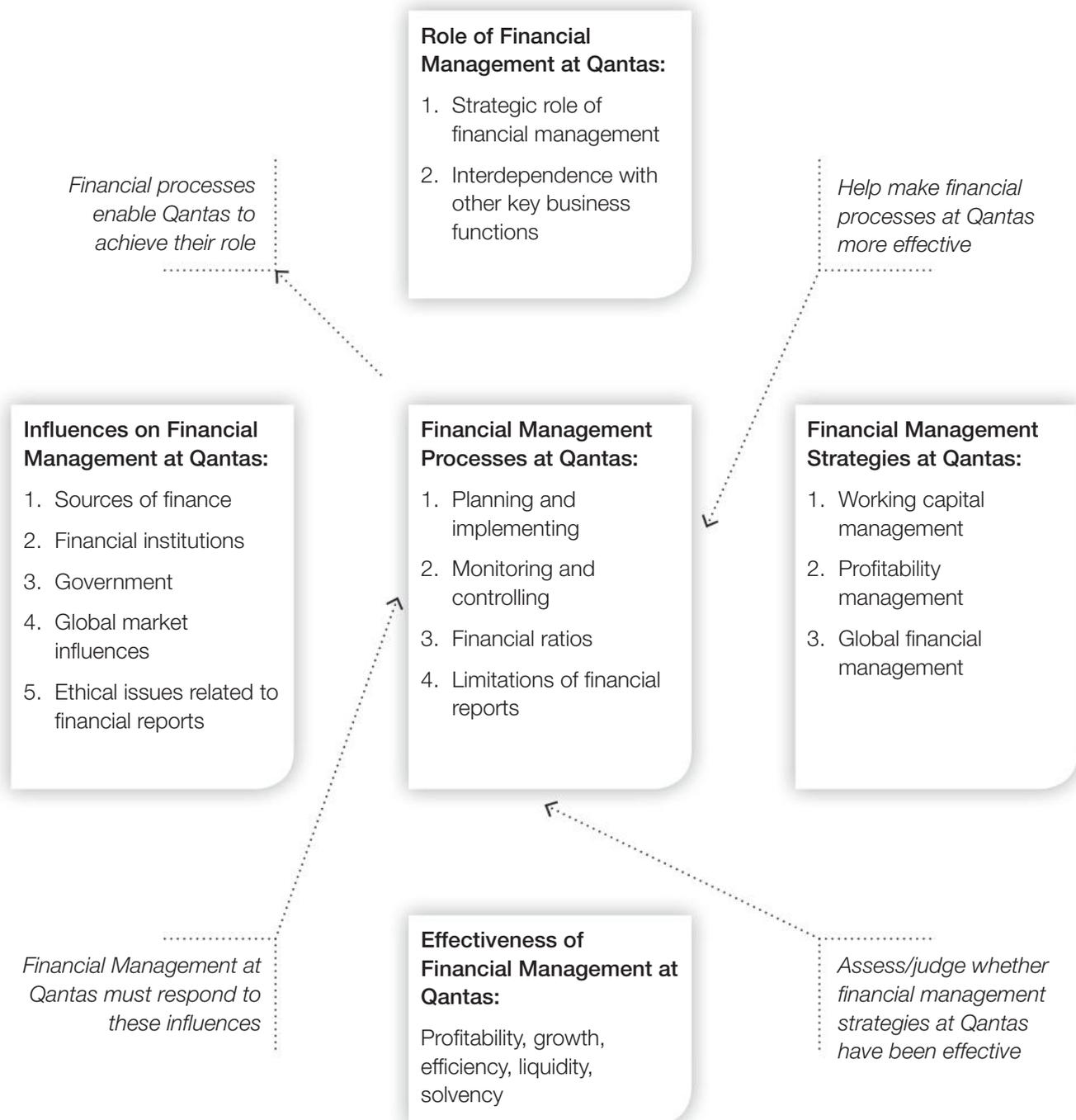
Locate the terms relating to Marketing at Qantas

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P	R	O	D	U	C	T	A	V	A	S	U	S	N
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C	N	N	W	O	E	H	E	E	C	A	P	A	M
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L	P	E	C	T	W	S	F	T	E	K	C	E	C
E	N	T	T	A	N	F	T	O	W	S	K	A	A
A	T	M	J	S	G	A	S	R	H	S	A	V	J
J	T	U	D	G	I	S	O	N	H	O	G	E	H
E	D	L	R	O	W	E	N	O	R	D	I	G	G
A	A	B	F	J	E	T	S	T	A	R	N	C	U
R	U	T	E	K	F	A	N	E	E	L	G	G	H

FFS
 PRODUCT
 ONEWORLD
 JETSTAR
 TRAVELAGENTS
 HUGHJACKMAN
 TARGETMARKET
 PACKAGING
 ADVERTISING
 BUSINESSCLASS
 ACCC
 SWOT

CHAPTER 4

Finance



Role of Financial Management

Financial management refers to managing the financial resources of a business effectively and efficiently. It plays a crucial and strategic role in every aspect of Qantas. Effective financial management has enabled Qantas to achieve its strategic goals of liquidity, solvency, profitability, efficiency and growth.

Interdependence with other Key Business Functions

As financial management at Qantas performs a central role within the corporation, it must work in coordination with all business activities.

Finance depends on marketing to generate funds. Marketing strategies like Qantas' new lounges, new check in facilities, new carriers are expensive and need to be funded. Qantas' marketing plan includes a major financial dimension. Budgets for each of its business segments such as Qantas, Jetstar, freight and its related marketing strategies are key components of its marketing plan. Also Qantas' marketing strategies are judged using financial criteria like sales, market share and profitability analysis.

Human resources require funds to remunerate staff as well as funding effective strategies like training and development. Qantas spends in excess of \$275 million a year on staff training. Recent financial management decisions at Qantas for example outsourcing, grounding their fleet, standing down staff and downsizing have affected staff levels and industrial disputation. Staffing is Qantas' biggest expense and effective management of staff is essential for Qantas to maintain profitability and productivity.

The operations function at Qantas also requires funds for example, Qantas has budgeted to spend billions on fleet renewal. Budgets and cost controls are also required by each operational department.

Influences on Financial Management

The business environment has a big impact on finance at Qantas. It has posed challenges which have required financial responses.

a) Sources of finance

Qantas needs funds to operate and grow, especially with its fleet renewal. For example Qantas has lodged a multi-billion dollar order to replace its current domestic fleet from 2023 as well as ordering new planes for Project Sunrise from 2025.

Qantas uses a mix of equity and debt finance to finance its operations.

- Qantas uses equity finance (funds from owners) such as retained earnings and sale of assets (internal) and selling shares through the ASX (external). Qantas' record levels of profitability (2015-2019) enabled significant amounts of retained earnings to be invested back into the business and help pay down debt. To help bolster its balance sheet to combat COVID-19 Qantas reaped \$800 million from the sale of surplus land next to Sydney airport and raised over \$2 billion through the sale of shares.
- Qantas also uses debt finance (borrowed funds). Between 2020 – 2022 Qantas raised \$2.4 billion in additional debt in loans secured against wholly owned aircraft to raise cash to offset the impact of COVID-19.

b) Financial institutions

Qantas taps into financial institutions (financial intermediaries) to invest their surplus funds and obtain finance particularly from banks, investment banks and ASX.

c) Government

Air travel is closely linked with economic growth as air travel is often discretionary (optional). The Government influences Qantas through its economic policies which impact the demand for air travel. Fiscal Policy influences demand through changes in taxes and government spending and Monetary Policy by effecting the money supply and interest rates. Also changes in company tax will have a direct impact on Qantas as the airline pays company tax to the government on the profit it earns. Similarly changes in interest rates will directly impact Qantas because it will affect Qantas borrowing costs on its debt.

The financial impact of the government imposed lockdowns, travel restrictions and border closures on Qantas from COVID-19 has been considerable. The effect of COVID-19 has prompted the Federal and

State Governments to establish a series of measures to support businesses like Qantas. Qantas has benefited from a number of these programs including:

- The refunding and waiving of government imposed charges like fuel excise.
- The Job Keeper payment paid to Qantas employees who were stood down and to subsidise the wages of Qantas staff that were still working. The scheme ended on 28 March 2021 with Qantas benefiting \$588 million.
- The International Aviation Support Package (1 April – 31 October 2021) paid to subsidise the wages of international aviation employees.

d) *Global market influences*

Qantas must respond to challenges in the global economic outlook, availability of funds (ease to which Qantas can borrow) and interest rates (cost of borrowing money). In 2009 the GFC caused rapid revenue declines especially in international markets leading to an 88% fall in profit. Qantas responded by cutting flying capacity, deferring and cancelling orders for new planes, restructuring, raising \$500 million from investors and replacing Qantas with Jetstar on some routes. The Coronavirus Pandemic is the single biggest shock that global aviation has ever experienced. The impact on Qantas has been considerable, resulting in the sharp decline of global travel demand and substantial losses in 2021 and 2022. Geopolitical tensions including the ongoing war in Ukraine have also created uncertainty and volatility.

e) *Ethical issues related to financial reports*

Qantas has ethical and legal responsibilities in relation to its financial management. Ethical behaviour is safeguarded at Qantas through:

- Audits which are the professional examination of accounting data. KPMG audits Qantas.
- Professional Accounting Bodies (Australian Society of CPA's and Institute of Chartered Accountants) who have a joint code of professional behaviour.
- Accounting Standards which establish general principals to be followed in the preparation of financial statements.
- ASIC which ensures that companies adheres to the Corporations Act.
- ASX which has included in its listing rules disclosure requirements and other regulations with listed companies must comply.

Processes of Financial Management

Financial management at Qantas is an ongoing process.

a) *Planning and implementing*

- Determining financial needs such as purchasing new planes
- Developing budgets (forecasts of future costs and revenues)
- Maintain record systems (accounting)
- Identify financial controls (policies and procedures)

Figure 15: Advantages and Disadvantages of Qantas' Sources of Funds

	Debt Finance	Equity Finance	Lease Finance
Advantages	<ol style="list-style-type: none"> 1. No change to the ownership structure of Qantas 2. Interest payments are a tax deduction for Qantas 3. Debt can be flexible/varied to suit Qantas' changing circumstances 	<ol style="list-style-type: none"> 1. Involves less risk because it doesn't add to Qantas' debt levels 2. No interest payments 	<ol style="list-style-type: none"> 1. Frees up Qantas funds which can be used elsewhere 2. Gives Qantas greater flexibility with its aircraft fleet 3. Lease payments are tax deductible
Dis-advantages	<ol style="list-style-type: none"> 1. Involves greater risk 2. Qantas must pay interest on its borrowed money 	<ol style="list-style-type: none"> 1. Dividends are not tax deductible 2. Shareholders have voting rights 	<ol style="list-style-type: none"> 1. Qantas never owns the assets 2. Over a long period of time it may work out more expensive for Qantas 3. Qantas is still responsible for the fleets maintenance and repair

b) Monitoring and controlling

The financial statements of Qantas summarise its financial transactions. They are required by law, must be published and are used by management to make decisions. These statements include the Income Statement (see Figure 16), the Balance Sheet (see Figure 18) and the Cash Flow Statement (see figure 17).

Figure 16: Extracts from Qantas Income Statements 2017–2022

	2022 \$m	2021 \$m	2020 \$m	2019 \$m	2018 \$m	2017 \$m
Sales and Operating Revenue						
Net passenger revenue	5951	3766	12183	15696	14944	13857
Net freight revenue	1963	1316	1045	971	895	808
Other sources	1194	852	1029	1299	1289	1392
Total sales and operating revenue	9108	5934	14257	17966	17128	16057
Expenditure						
Manpower and staff related	3024	1970	3646	4268	4291	4033
Selling and marketing	362	236	666	932	921	651
Aircraft operating-variable	2328	1555	3520	4010	3653	3436
Fuel	1848	835	2895	3846	3232	3039
Computers and communications	452	320	489	488	477	439
Depreciation and amortisation	1801	1877	2045	1996	1528	1382
Other	183	1139	3433	952	1492	1707
Total expenditure	9998	7932	16694	16492	15594	14687
Statutory Profit (EBIT)	(890)	(1998)	(2437)	1474	1534	1370
Net finance revenue/(costs)	(301)	(301)	(271)	(282)	(182)	(189)
Profit before tax	(1191)	(2299)	(2708)	1192	1352	1181
Income tax expense	331	607	744	(352)	(399)	(328)
Net Profit (Statutory Profit)	(860)	(1692)	(1964)	840	953	853
Underlying PBT (Non-Statutory Measure)						
Statutory Profit (EBIT)	(890)	(1998)	(2437)	1474	1534	1370
Items not included in underlying	(668)	525	2832	134	213	220
Underlying EBIT	(1558)	(1473)	395	1608	1747	1590
Adjusted for net finance costs	(301)	(301)	(271)	(282)	(182)	(189)
Underlying PBT	(1859)	(1774)	124	1326	1565	1401

Source: Qantas (2017-2022), Annual Reports.

Figure 17: Extracts from Qantas Cash Flow Statements 2017–2022

	2022 \$m	2021 \$m	2020 \$m	2019 \$m	2018 \$m	2017 \$m
Net cash provided by operating activities	2670	(386)	1083	3164	3413	2704
Net cash used in investing activities	(240)	(722)	(1571)	(1563)	(2201)	(2046)
Net cash used in financing activities	(1310)	(181)	1853	(1150)	(1296)	(854)
Net (decrease)/increase in cash held	1120	(1289)	1365	451	(84)	(196)
Cash at the beginning of the financial year	2221	3520	2157	1694	1775	1980
Effects of ER changes on cash	2	(10)	(2)	12	3	(9)
Cash at the end of the financial year	3343	2221	3520	2157	1694	1775

Source: Qantas (2017-2022), Annual Reports.

Figure 18: Extracts from the Qantas Balance Sheets 2017–2022

	2022 \$m	2021 \$m	2020 \$m	2019 \$m	2018 \$m	2017 \$m
CURRENT ASSETS						
Cash	3343	2221	3520	2157	1694	1775
Receivables	1102	579	522	1101	840	784
Other financial assets	641	176	216	334	474	100
Inventories	269	279	306	364	351	351
Other	278	175	388	232	279	109
Total current assets	5633	3430	4952	4188	3638	3119
NON-CURRENT ASSETS						
Receivables	5	54	124	77	110	123
Other financial assets	199	185	139	184	112	43
Investments using the equity method	57	57	59	217	222	214
Property, plant and equipment	10224	10787	11726	12776	12851	12253
Intangibles	778	745	1050	1225	1113	1025
Rights of use assets (leases)	957	1109	1440	1419	nil	nil
Deferred tax assets	853	706	167	nil	nil	nil
Other	947	734	369	449	601	444
Total non-current assets	14020	14377	15074	16347	15009	14102
Total assets	19653	17807	20026	20535	18647	17221
CURRENT LIABILITIES						
Payables	2474	1813	2351	2366	2220	2008
Interest bearing liabilities	669	969	868	610	404	433
Other financial liabilities	67	17	238	202	105	69
Lease liabilities	384	383	524	459	nil	nil
Provisions	1101	1136	1539	967	853	841
Revenue received in advance	5863	3277	2784	4414	4018	3744
Total current liabilities	10558	7595	8304	9018	7600	7095
NON-CURRENT LIABILITIES						
Payables	nil	44	99	nil	nil	nil
Interest bearing liabilities	5291	5861	5825	4527	4344	4405
Other financial liabilities	246	5	47	48	25	56
Lease liabilities	888	1016	1381	1293	nil	nil
Provisions	794	689	651	475	367	348
Deferred tax liabilities	nil	nil	nil	694	910	353
Revenue received in advance	2066	2154	2256	1466	1446	1424
Total non-current liabilities	9285	9769	10196	8503	7092	6586
Total liabilities	19843	17364	18500	17521	14692	13681
Net assets	(190)	443	1526	3014	3955	3540
EQUITY						
Issued capital	3186	3186	3104	1871	2508	3259
Treasury shares	(8)	(18)	(51)	(152)	(115)	(206)
Reserves	649	432	(173)	111	479	12
Retained earnings	(4024)	(3106)	(1357)	1181	1080	472
Equity attributable to members	(197)	440	1523	3011	3952	3537
Outside equity interests	7	3	3	3	3	3
TOTAL EQUITY	(190)	443	1526	3014	3955	3540

c) Calculating ratios

Financial ratios are mathematical tools which allow managers and stakeholders to analyse and interpret financial statements. These ratios are grouped into measures of financial performance such as profitability, liquidity, gearing and efficiency.

Comparative ratio analysis can be used to compare Qantas' financial performance against previous years (2017-2022) and similar firms in the same industry such as Air New Zealand and Singapore Airlines. The COVID pandemic has had an extensive impact on Qantas which is reflected in their financial ratios in 2020 – 2022. 2019 represents the most complete financial period not affected by the pandemic. 2020 included 5 months of COVID-19 conditions.

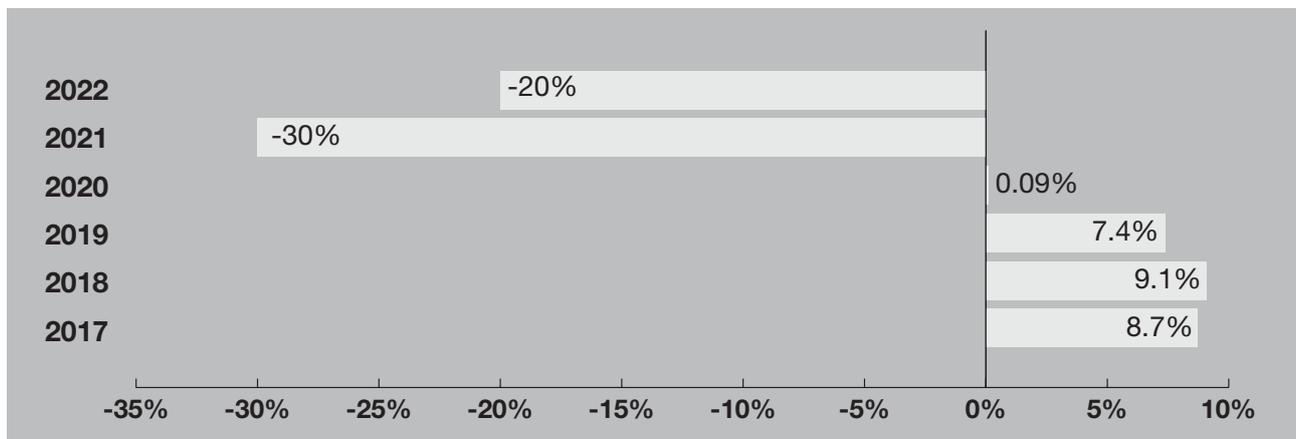
When comparing Qantas to its competitors some caution is needed as many receive subsidies from their respective governments.

Profitability Ratios

Profit performance is important to shareholders and long term creditors because in the long run businesses like Qantas must maintain a satisfactory level of profit to survive. Other stakeholders, such as employees and suppliers, also benefit from organisations with long term financial stability.

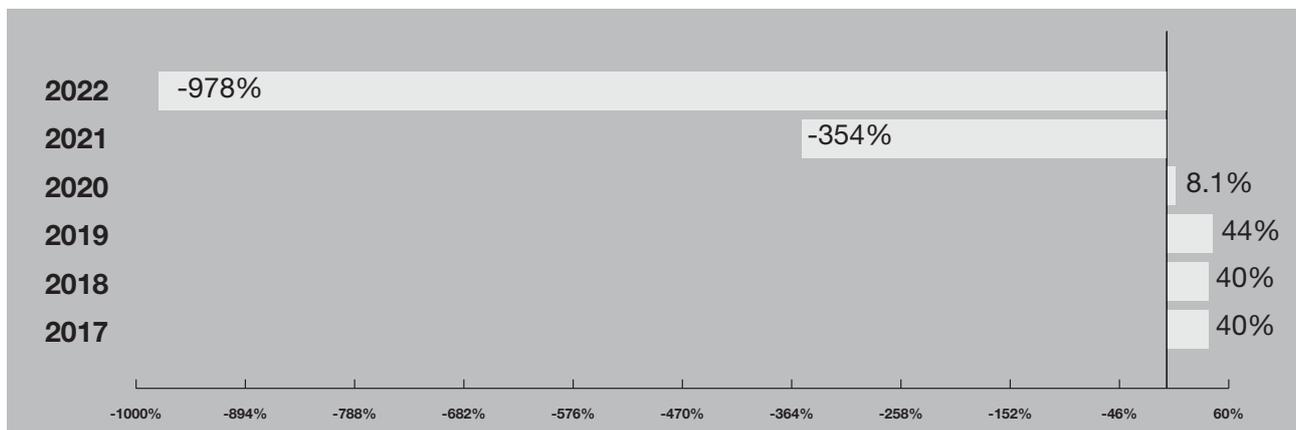
Qantas' Net Profit Ratio (refer to Figure 19) which measures the proportion of each dollar of sales that contributes to net profit was negative 20% in 2022. This compares with 7.4% for pre-COVID 2019 and negative 30% in 2021. The rate of return on owners equity (refer to Figure 20) which measures the return earned by management on the owners funds was negative 978% in 2022. This compares with 44% for pre-COVID 2019 and negative 354% in 2021. Both these ratios show Qantas' deteriorated profitability due to COVID-19.

Figure 19: Net Profit Ratio for 2017-2022



Source: Qantas (2022), Annual Report. NB Underlying PBT is used in 2017-2022.

Figure 20: Rate of Return on Owners' Equity 2017-2022

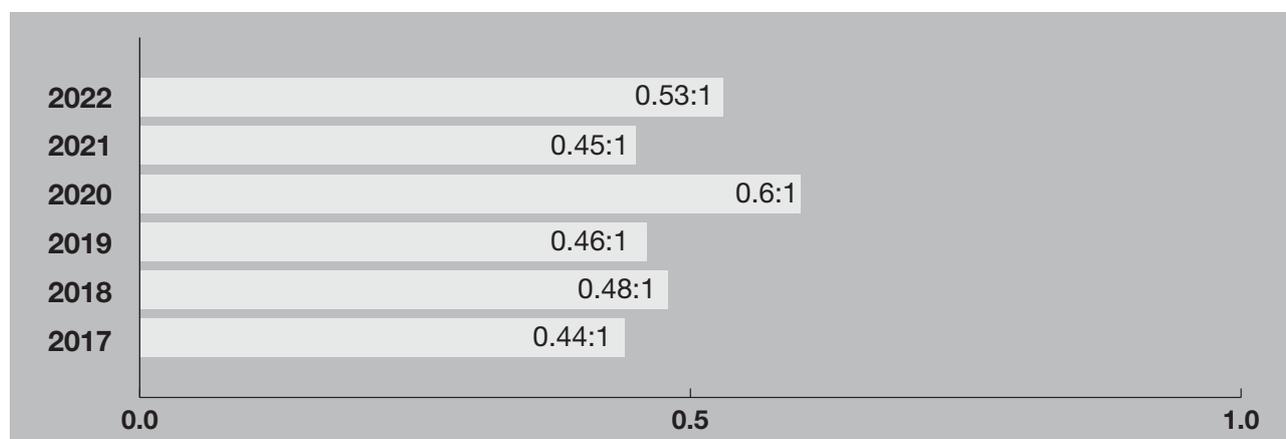


Source: Qantas (2022), Annual Report. NB Underlying PBT is used in 2017-2022.

Liquidity Ratio

The liquidity ratio (refer to Figure 21) which measures Qantas' ability to meet short term obligations was 0.53:1 in 2022. This compares with 0.46:1 for pre-COVID 2019 and 0.45:1 in 2021.

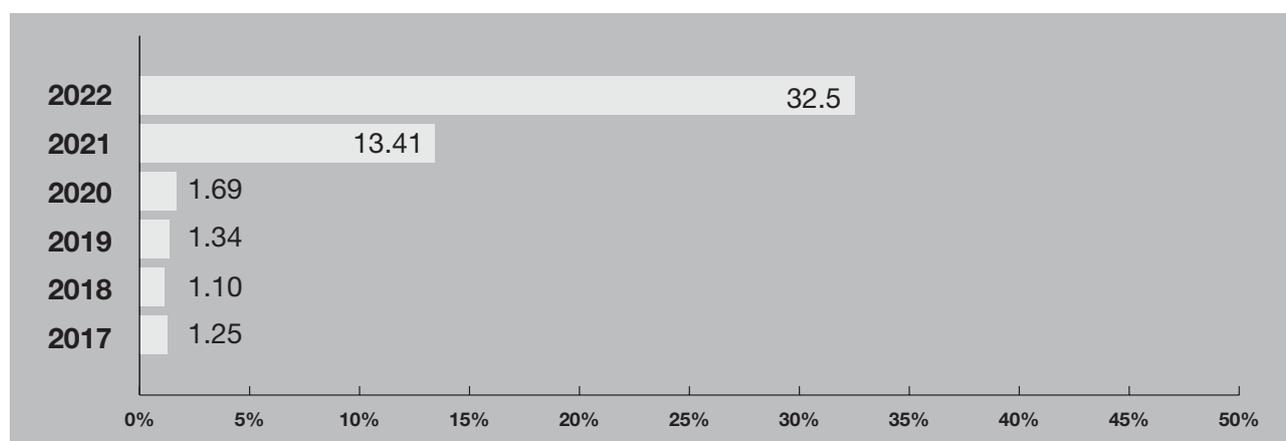
Figure 21: Liquidity Ratio for 2017-2022



Source: Qantas (2022, Annual Report.)

Gearing Ratio

Figure 22: Gearing Ratio 2017-2022



Source: Qantas (2022), Annual Report.

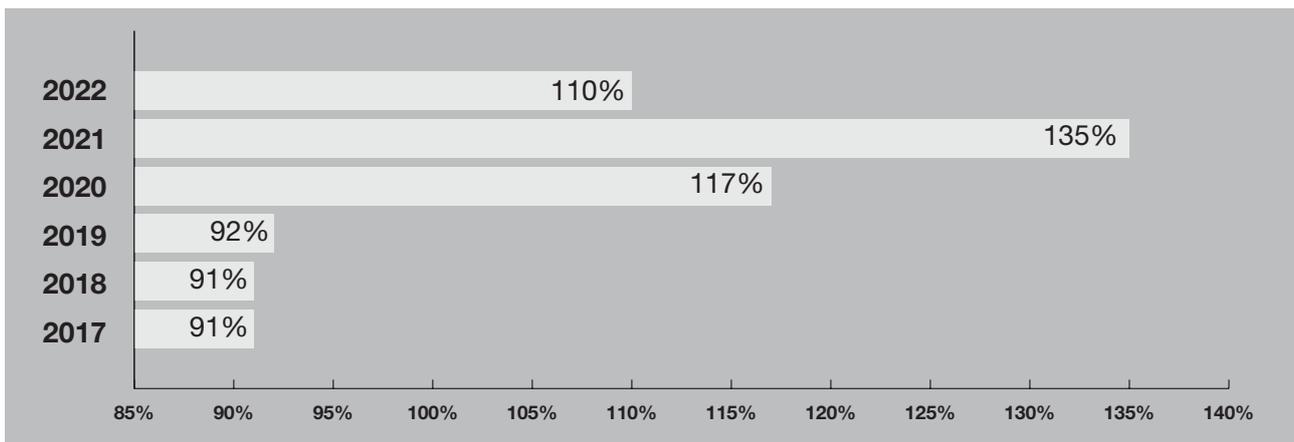
The gearing ratio measures Qantas' ability to continue its operations in the long term and is a measure of its financial stability. Rather than use the traditional debt to equity ratio, airlines use a more complex ratio.

$$\frac{\text{Long Term Debt} + \text{Capital Lease Obligation}}{\text{Equity}}$$

Qantas gearing ratio (refer to Figure 22) has increased markedly since the onset of the pandemic and in 2022 was 32.5 compared to 1.34 pre COVID 2019 and 13.41:1 in 2021. Despite having to borrow more money to negate the impacts of COVID Qantas has managed to reign in its debt with the sale of surplus land in Mascot and strong forward bookings increasing its revenue received in advance. The main reason for such a sharp increase in the gearing ratio in 2022 was the significant falls in profitability which decreased shareholders equity. Qantas has accumulated \$7 billion in losses since the start of the pandemic. As a result, Qantas is less financially stable.

Efficiency Ratio

Figure 23: Total Expense Ratio 2017-2022



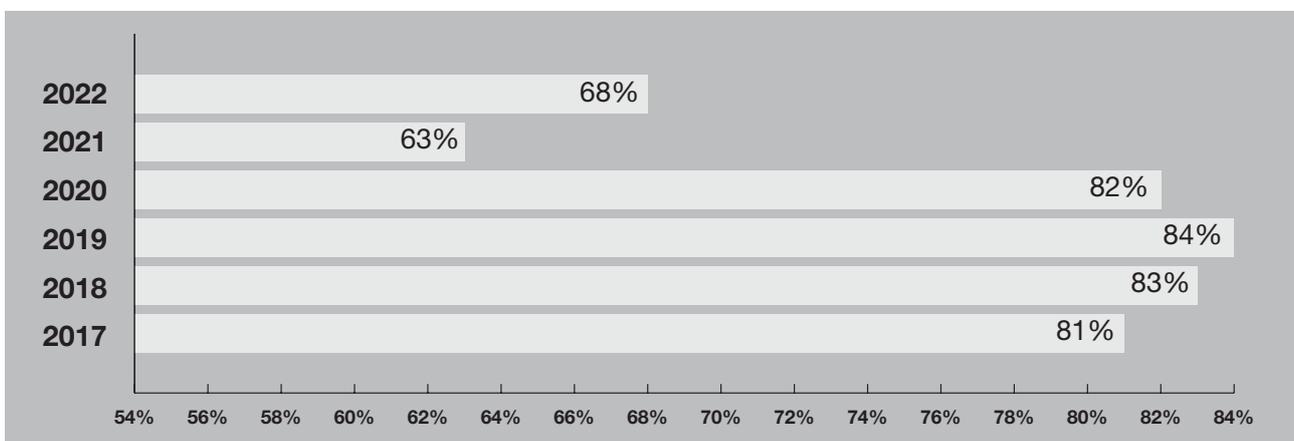
Source: Qantas (2022), Annual Report.

Efficiency ratios (total expense ratio and revenue seat factor) measure Qantas' ability to manage its assets in order to generate profits at minimum cost to the business.

The total expense ratio (refer to Figure 23) which measures total expenses as a proportion of total revenue was 110% in 2022. This compares with 92% in pre-COVID 2019 and 135% in 2021.

The airline industry uses the revenue seat factor ratio (RSF) as a key indicator of efficiency. It measures the percentage of total passenger capacity actually utilised by paying passengers. The RSF (refer to Figure 24) was 68% in 2022. This compares with 84% for pre-COVID 2019 and 63% in 2021.

Figure 24: Revenue Seat Factor (RSF) Qantas 2017-2022



Source: Qantas (2022), Annual Report.

d) Identifying the limitations of financial reporting

Qantas' financial reports are very useful, however they should be used with some caution. For example

- Qantas attaches comprehensive notes to its financial statements to assist stakeholders better understand the financial reports and give more clarity to Qantas' financial position.
- Special circumstances like major weather events, geopolitical tensions and pandemics may distort the analysis of Qantas' results. For example recent events such as the eruption of Bali's volcano, the trade war between US and China, the Hong Kong protests, COVID-19 and Ukraine war have adversely affected Qantas' profitability.

- Businesses such as Qantas can employ a variety of different accounting procedures. For example Qantas now uses Underlying PBT as its measure of profitability.
- Qantas' financial reports don't give a full picture of their debt as it does not disclose when these debts have to be repaid.
- It is difficult to value Qantas' assets because they change over time. Qantas' long term assets are depreciated over time but the value of these assets may not always reflect their true market value.

Financial Management Strategies

There are several financial management strategies for improving finance at Qantas.

a) Profitability management

Current profitability management strategies employed by Qantas include:

Cost Controls: Qantas has cut its costs by over \$3.4 billion in the last five years reducing its overall cost base by about 20%. Qantas moved decisively in response to the massive drop in profitability in 2014 and COVID-19 between 2020 – 2022.

Recent strategies employed by Qantas to control costs include:

- Replacing Qantas with Jetstar on some international routes.
- Restructuring management/redundancies (5000 job losses between 2014 – 2016).
- 18 month wage freeze with all the major unions.
- Reforming employment relations practices through better rostering, increased use of technology, casualisation of the workforce and securing key workplace agreements within a wages policy framework of around 3%.
- Aligning their businesses into separate segments (cost centres) i.e. Qantas International, Qantas Domestic, Jetstar, Qantas Loyalty (Frequent Flyer), and Corporate, to give greater clarity with costing.
- Fuel hedging.
- Fuel conservation (launched a pilot app to improve fuel optimisation).
- Fleet restructuring (new planes use less fuel and are cheaper to run).
- Cutting commissions to travel agents.
- Outsourcing more business functions.
- Entering into strategic alliances with other airlines (like American Airlines, China Eastern and Emirates).
- Encouraging more internet sales.

Qantas' COVID-19 recovery plan delivered \$650 million in cost benefits in 2021, \$920 million in 2022 and is on track for a further \$1 billion in 2023. To achieve this Qantas:

- Initially stood down 25000 employees until flying resumed
- Made 9000 staff redundant
- Retired the remaining 747s initially grounding aircraft including most of its international fleet
- Cancelled its share buy back and deferring dividends
- Cut executive salaries
- Initially deferring its fleet replacement program to minimise capital expenditure
- Reviewed its lease arrangements for its Sydney headquarters at Mascot
- Insisted on a two year wage freeze as part of new enterprise agreements
- Initially not taking up options for fuel hedging because of significant falls in fuel prices

Revenue Controls: Total revenue in 2022 was down 49% compared to pre COVID 2019 (though up 53% compared to 2021). Qantas estimates that it lost \$25 billion in revenue over the COVID period.

Recent strategies employed by Qantas to control revenue include:

- Setting clear sales objectives and a sales reporting system that reports sales figures regularly breaking them into business segments.
- Partnerships with Emirates, American Airlines and China Eastern expanding their international network.
- End of capacity war with Virgin Australia in the domestic market.
- Targeting different markets with the aggressive growth of Jetstar and Jetstar International into markets like China and Japan which suit their costs and model.
- Fuel surcharges in response to the rapid increase in the price of fuel.
- Increasing revenue from other services such as travel, catering and freight to protect it from the peaks and troughs of Qantas' core airline business.
- Improved marketing strategies e.g. the new international business class, installing self service kiosks, next generation check in and a new advertising campaigns.

b) Working capital (liquidity) management

Current liquidity (working capital) strategies employed by Qantas include:

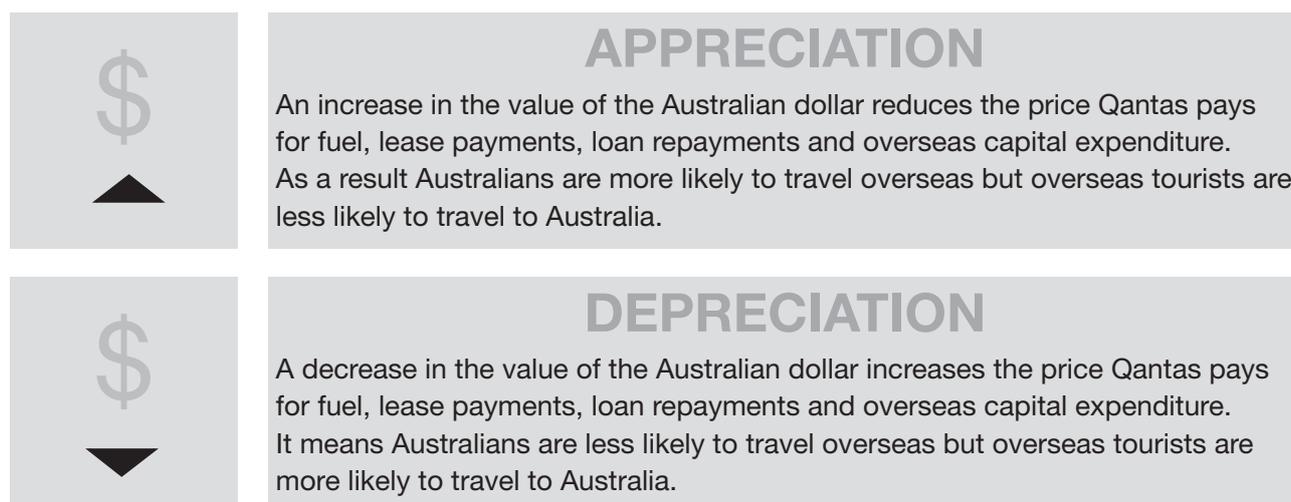
- Controlling current assets i.e. cash, accounts receivable and inventories.
- Controlling current liabilities i.e. payables, interest bearing liabilities and trade creditors.
- Leasing aircraft, buildings and plant and equipment. Leasing has freed cash that can be used elsewhere in the business. Debt market trends, tax depreciation, deterioration in aircraft residual rates and the need to provide greater fleet flexibility have increased the appeal of leasing. Another advantage of leasing planes rather than buying them outright is Qantas had the flexibility to not renew the leases on planes while travel was severely restricted due to COVID-19.
- Sale and lease back. Qantas is one of the few airlines in the world who owns terminals. In 2016 Qantas sold its domestic Sydney Airport Terminal 3 for \$185m and in 2019 they sold their domestic Melbourne Airport Terminal 1 for \$355m and leased them both back for a fixed rental period. Proceeds of the sale increased liquidity for Qantas. The Mascot land sale in 2022 included the lease-back of certain areas of land and buildings for between 2 to 10 years with options.

c) Global financial management

1. Exchange Rates

Qantas is exposed to various financial risks in its international business operations such as changes in foreign exchange rates. Qantas is financially exposed to fluctuations of exchange rates because purchases of jet fuel, operational expenditure like lease payments and interest repayments and capital expenditure such as the purchase of new planes are predominately denominated in foreign currency, mostly US dollars. Pre-COVID Qantas generated about 38% of its revenue in other currencies (including about 14% in US dollars). Changes in foreign exchange rates also affect travel decisions by Australians.

Figure 25: The Impact of Currency Fluctuations on Qantas



2. Interest Rates

Qantas is exposed to movements in interest rates (both in Australia and overseas) through its portfolio of corporate debt, leases and cash. Recent interest rates increases (both here and in the US) have increased the interest payments Qantas pays on its borrowings.

3. Hedging/Derivatives

Qantas is subject to fuel price and foreign exchange risks (primarily in US dollars). Qantas manages these risks through a comprehensive and successful hedging program which has outperformed many of its peers.

Qantas uses derivatives such as forward cover and options to hedge future fuel and aircraft purchases. Forward cover involves entering into a foreign exchange contract to exchange one currency for another at a date in the future at a pre-determined exchange rate. An option contract gives the buyer the right, without obligation, to buy or sell foreign currency at a pre-determined date in the future.

Qantas had hedged 90% of its fuel needs during the COVID period which provided some protection against record fuel prices resulting from the Ukraine war. A reduced level of protection (Qantas is currently only 50% hedged) could expose it to higher prices if the war continues. Fuel prices are now around 75% higher than what they were pre COVID.

Qantas earns revenue in many currencies and incurs costs especially fuel, maintenance and leasing in other currencies. “Swap” is another derivative used by Qantas which involves foreign currency denominated costs paid out of revenues in the same currency. Qantas also denominates some borrowings in net surplus currencies to provide a natural hedge.

Effectiveness of Finance Management

The finance function at Qantas can be evaluated by five indicators.



Qantas ratios, in particular profitability and solvency, suffered between 2020 and 2022 as the airline was virtually grounded due to the COVID-19 crisis and associated border closures. However, Qantas’ results are significantly better than what might have been given their circumstances. Qantas entered the COVID-19 crisis in an extraordinarily strong financial position (having an extremely strong Balance Sheet and recording stellar profits since 2015). Astute financial management which included fast action to radically cut costs and place Qantas into hibernation helped minimise the financial impacts and the consequences of the COVID-19 pandemic. While losses at airlines globally from COVID-19 are set to surpass \$200 billion by the end of 2022 Qantas has become one of the most financially secure airlines in the world.

a) Liquidity

On the surface Qantas’ low liquidity rate indicates an inability to meet its short term debts. However, like most other airlines Qantas operates on a negative working capital position. Qantas holds very little cash reserves and uses the cash received (often in advance) to pay long term debt thus reducing interest costs. Qantas has facilities in place (including a standby facility of \$1.6 billion and the issue of short term notes) to draw cash when needed to pay creditors. In 2020 and 2021, Qantas liquidity was boosted by cutting capital expenditure, deferring its dividend payment, and sourcing additional debt and equity

funding to offset its cash deficit from COVID-19. During the pandemic travel halt at one point Qantas was losing \$40 million in cash per week, despite grounded planes and standing down staff. That was because there are large recurring fixed costs in running an airline such as debt payments and leasing arrangements of Qantas' fleet and these are difficult to reduce.

b) Profitability

Profitability for airlines is relatively poor. The airline industry is both capital intensive and highly competitive. Variable costs in particular fuel and labour constitute a disproportional share of costs and can be difficult to control.

Qantas has reported a massive turnaround in profitability since its \$646 million loss in 2014 to post outstanding and record results. Qantas was on track for another large profit of more than \$1 billion in 2020 when the COVID-19 crisis struck and ended up posting a skinny 124 million profit as travel restrictions and border closures were imposed.

Qantas reported losses of \$1.8 billion in 2021 and \$1.9 billion in 2022 showing the impact of COVID-19 circumstances. Despite these substantial losses Qantas is set to recover well from a crisis that was terminal for many of its peers including Virgin Australia. When you look at Qantas' competitors you realise that Qantas has fared remarkably well given the circumstances. Examples of airlines year end losses during COVID include Singapore Airlines \$4 billion, Emirates \$6 billion, and Delta \$12 billion.

Qantas is set to return to profitability in 2023. A monster profit upgrade tipped at between \$1.35 - \$1.45 billion for the December half shows that Qantas is well advanced in its recovery from the pandemic.

c) Efficiency

Prior to COVID-19 Qantas efficiency has increased in recent years. An increasing RSF and decreasing expense ratio showed that its financial strategies have been successful, a testament to the airlines effective asset management. This had been driven by the introduction of new and more efficient aircraft, new IT systems, restructuring, better aircraft utilisation and faster and more efficient maintenance turnaround times.

d) Growth

In recent years Qantas has been focused of growth by expanding new routes, new planes, increased capacity largely in Asia (fastest growing aviation market in the world), opening up a new pilot academy in Queensland and actively employing new people. Qantas was due to launch its long-haul flights from Sydney to London and New York (Project Sunrise). COVID-19 resulted in Qantas scaling down operations and running a far smaller network. Qantas was forced to ground around 100 aircraft including most of its international fleet, put all its Airbus A380's into storage in the Mojave Desert, deferred deliveries of new planes, stand down staff as well as making 9000 redundant. However, Qantas did unveil a number of new domestic routes in response to the growing demand for regional travel while international borders were shut.

While most airlines are still plotting a path to post-COVID recovery, Qantas' financial objectives have shifted to growth. Qantas has targeted growth with several major fleet decisions. Qantas will replace its domestic fleet with new Airbus A320 neo and A220s from 2023. In addition, Qantas has committed to Project Sunrise by ordering 12 Airbus A350s. Qantas has purchased a controlling stake in online travel business TripADeal to tap into the booming packaged holiday sector. Qantas has also agreed to buy smaller airline Alliance Airlines as part of its expansion plans to boost its share of the lucrative charter market (currently waiting in ACCC approval).

e) Solvency

The capital intensive nature of the airline industry means airlines like Qantas are typically highly geared. Between 2015 – 2019 Qantas had been able to use its increasing profitability to reduce its debt, reducing its gearing and making the airline more financially stable. This was impressive considering the billions Qantas had spent on fleet and lounge upgrades during this period. Qantas' investment credit rating had been upgraded which equated to a lower interest bill.

Qantas' low levels of gearing compared to other airlines has helped the airline survive the pandemic unlike its competitor Virgin Australia which crashed after only a few weeks. Qantas borrowed more money to meet the running costs of the company while heavily restricted flying reducing cashflow and redundancy costs significantly increased its gearing between 2020 and 2022. In 2022 Qantas was able to reduce its debt driven by cost savings, surplus land sale and a strong rebuild of revenue in advance. Qantas is only one of 6 airlines to retain its credit rating during the COVID period and even managed to receive an upgrade.

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Chapter 4: Review Questions

1. *What are the major objectives of financial management?*
2. *Explain the role of financial markets in meeting Qantas' financial needs?*
3. *Discuss trends in Qantas' profitability between 2017 and 2022.*
4. *Other than the transportation of passengers, what are the other key revenue streams for Qantas?*
5. *Identify the main forms of expenditure for Qantas. Which are fixed and which are variable?*
6. *Identify the different types of finance used by Qantas from their Balance Sheet?*
7. *Outline the advantages to Qantas in leasing some of its aircraft.*
8. *Explain how Qantas' fleet expansion can improve efficiency.*
9. *What are the implications for Qantas of operating under a higher gearing ratio?*
10. *How do the Qantas efficiency ratios compare with other airlines?*
11. *Describe how the ethical behaviour of financial management can be maintained and safeguarded at Qantas.*
12. *Explain how Qantas has managed financial risks in its global operations.*
13. *Describe how recent global market influences notably COVID-19 have affected Qantas.*
14. *Assess the impact of an depreciating Australian dollar on Qantas.*
15. *Discuss the effects of Qantas borrowing overseas.*
16. *Why do you think Qantas has survived COVID-19 while airlines like Virgin Australia went bust?*
17. *Analyse the impact of the Russian invasion of Ukraine on Qantas.*

Word Search

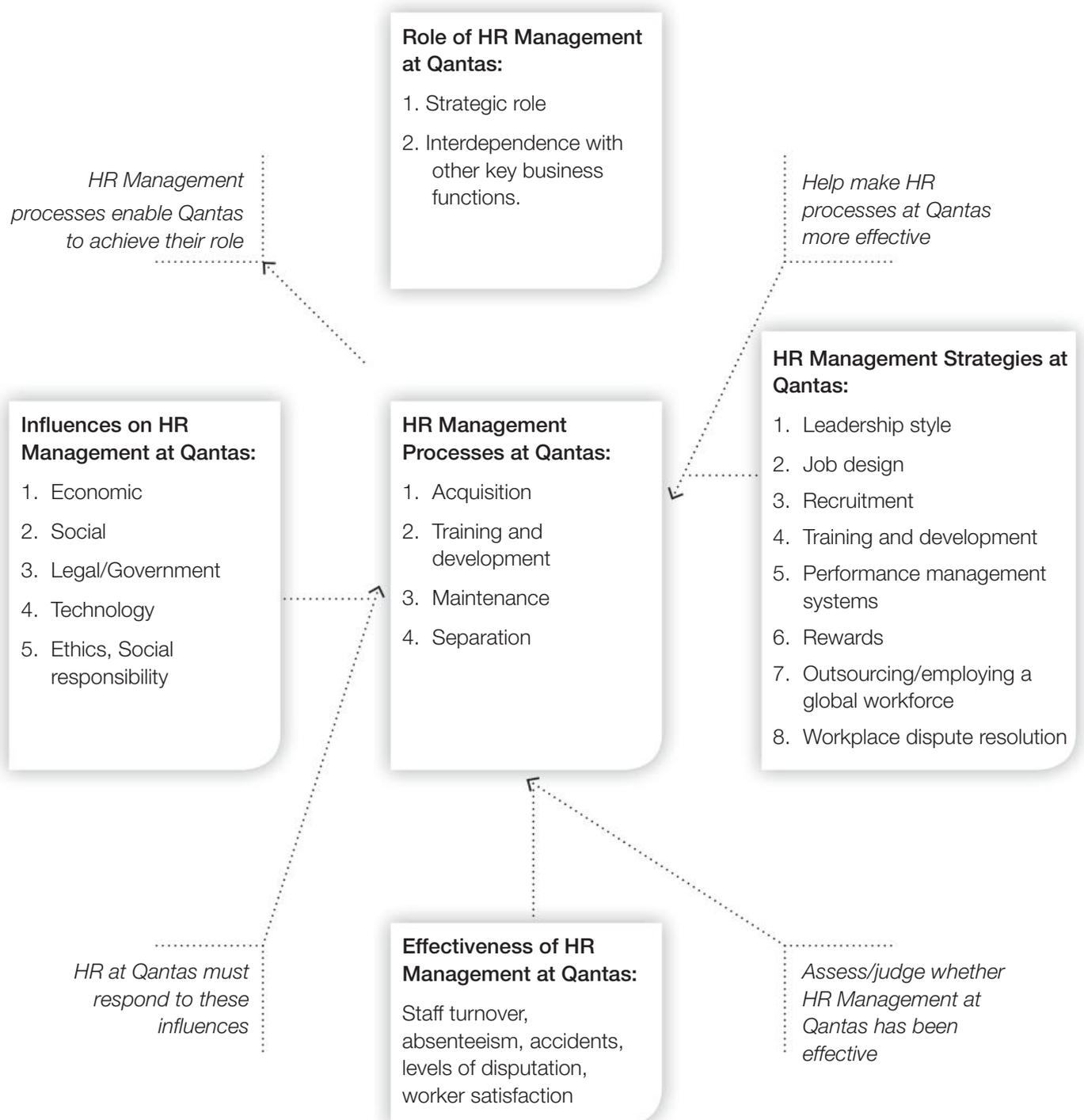
Locate the terms relating to Finance at Qantas

P	C	O	S	T	C	O	N	T	R	O	L	S	G
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O	T	N	O	G	S	U	O	N	Y	L	I	C	L
F	L	G	E	B	R	E	U	L	T	E	N	C	A
I	O	D	N	L	K	L	F	P	E	A	S	G	F
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OPTIONS
 EQUITYFINANCE
 JOBKEEPER
 FUEL
 COSTCONTROLS
 LIQUIDITY
 PROFITABILITY
 GEARING
 BOEING
 BALANCESHEET
 HEDGING
 LEASING
 RSF

CHAPTER 5

Human Resources



Role of Human Resource Management at Qantas

Strategic Role of Human Resources

Qantas is one of Australia's largest employers, employing over 22000 full time staff with 93% based in Australia across 200 separate job categories. The human resource function at Qantas manages the relationship between employer and employee. Human Resource functions are important as they help Qantas to achieve its goals, minimise costs, improve quality in working life, ensure legal compliance, manage change more effectively and thus enhance their ability to gain a sustainable competitive advantage.

Interdependence with other Key Business Functions

Human resource management plays a central role at Qantas and must be performed in coordination with other business activities.

Human resources require funds to remunerate staff as well as funding effective human resource strategies like training and development. Recent financial management decisions at Qantas like outsourcing, cutting flights, launching new airlines in Asia have affected staff levels and the levels of industrial disputation. Staffing is Qantas' biggest expense and effective management of staff is essential for Qantas to maintain profitability and productivity.

Human resources effects how marketing performs. The right staff must be employed and trained to create the service that satisfies Qantas' consumers. People are now considered an important part of the marketing mix at Qantas.

The efficiency of Qantas' operations is affected by the quality of its human resources. Additionally, the adoption of new operations technology such as new aircraft, new security systems require Qantas staff to be trained. Operational changes such as the standing down and downsizing of staff because of COVID-19 has changed the size and type of the workforce.

Outsourcing

Qantas has increasingly looked to outsourcing (i.e. contracting out business operations to outside suppliers), to become more cost effective and to simplify its business.

Qantas uses domestic subcontractors to create cost savings, access greater expertise and improve its competitiveness. For example:

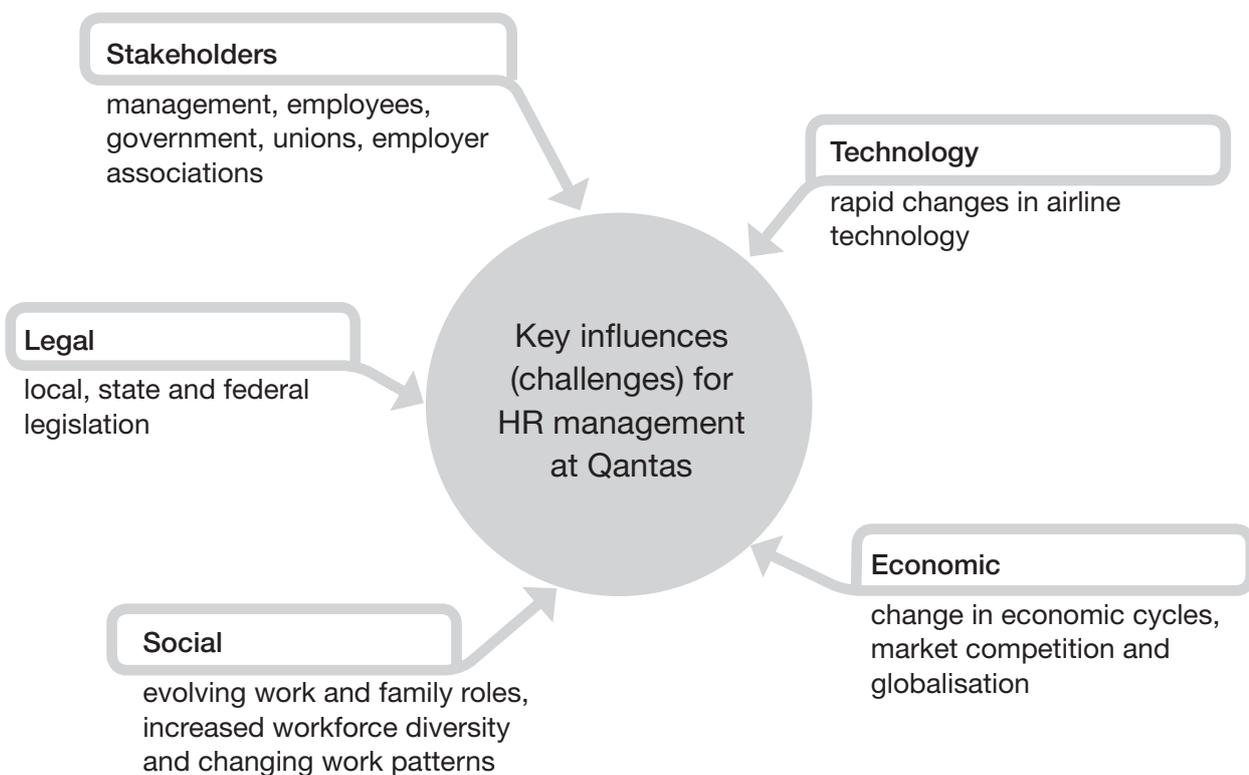
- Qantas' low cost carrier Jetstar has outsourced its entire call centre operations to Melbourne Operator Sales Force
- Qantas outsources its domestic voice, data and domestic services to Telstra
- Qantas has outsourced its data centres, its mainframe and mid range computing operations and project management to IBM
- Qantas outsources ground handling at major Australian and regional airports

Qantas also uses global subcontractors to create cost savings, access greater expertise and improve its competitiveness. This has been a particular sore spot for Qantas' unions and a cause of industrial tension. For example:

- Qantas contracts some maintenance jobs overseas to Singapore, New Zealand and the US.
- Qantas has established a base in London for approximately 400 of its international flight attendants.
- Qantas outsources its IT applications support and maintenance to two companies in India
- Qantas outsources its entire reservation system to a Munich based company called Amadeus. This includes the moving of its inventory of fares, seats, departure control and boarding passes.

Key Influences on Human Resources at Qantas

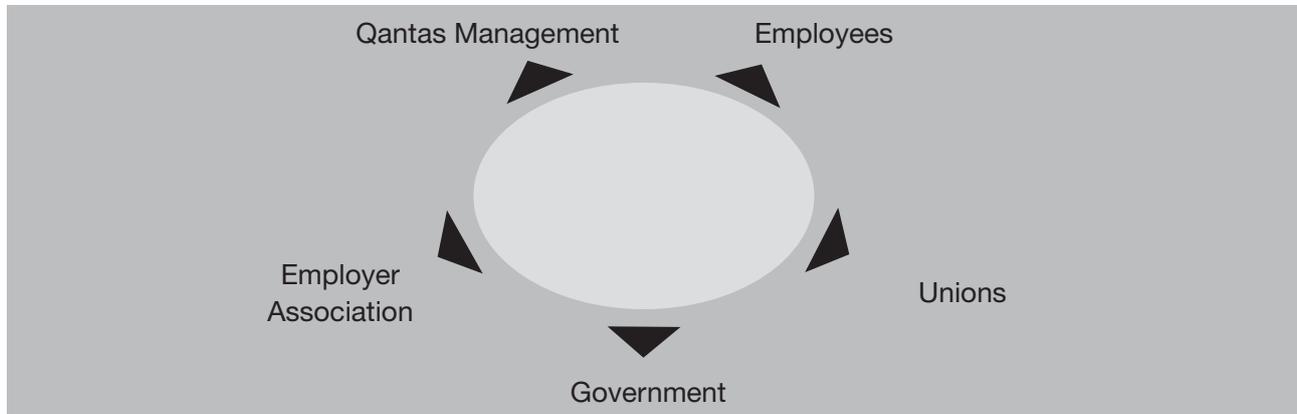
There are a number of key influences which impact on the human resources function at Qantas. These pose environmental and organisational challenges for the HR managers.



1) Stakeholders

Qantas' stakeholders all have a vested interest and conflict can arise due to competing needs and expectations.

Figure 26: Human Resources Stakeholders at Qantas



Qantas Management

Qantas has reformed its human resource practices to cut costs and increase labour flexibility. For example, it has restructured its organisation, outsourced more functions, relocated staff overseas, launched discount airlines and hired more casual staff to cut costs and increase flexibility. In particular, migrating the low fare passengers to Jetstar and Jetstar International enabled Qantas to negotiate new wage deals with unions. In improving labour efficiency Qantas has taken a relatively confrontational stance with the unions. Qantas was forced to stand down thousands of staff as well as making 9000 redundant as part of its plans to survive the coronavirus pandemic.

Employees

Qantas employs over 22000 staff including pilots, cabin crew and ground and administration staff. Employees are concerned with the maintenance of their existing levels of pay, working conditions and job security. Qantas' industrial relations tactics and length of time taken over dispute resolution, has angered some employees. They have heavily supported union action and at times even rejected initial enterprise agreements negotiated by their unions. Qantas employees have recently faced challenges, uncertainty and anxiety as a result of COVID-19 affecting their short and long-term employment.

Unions

Qantas has a highly unionised workforce. Employees are represented by 16 different unions including the Australian Manufacturing Union, the Australian Workers Union, the Transport Workers Union, the Australian Services Union and the Australian Aircraft Engineers Association. Qantas' trade unions have played a major role in controlling and resolving industrial disputes and negotiating new enterprise bargaining agreements (EBAs). Unions have reacted angrily to Qantas' drive to cut labour costs and have waged a political, community and, at times, an industrial campaign against Qantas. During the pandemic unions have assisted their members adjust to new employment arrangements and made sure they were able to receive government-backed support payments while they were stood down.

Employer Associations

Qantas is a member of the Australian International Airlines Operation Group which is affiliated with the Australian Chamber of Commerce and Industry. This employer association operates on a national and international level to ensure the concerns of Qantas are represented to the Federal Government and to the community at large.

Government Organisations

Governments enact employment relations legislation. Key legislation governing employment relations for Qantas includes the Fair Work Act (amended by Secure Jobs, Better Pay), Corporations Law, Work Health and Safety Act and Workers Compensation.

Governments have administered and enforced policies on industrial relations through various departments, agencies, industrial tribunals and courts like the Fair Work Ombudsman, Federal Court and Fair Work Commission.

2) Legal

Qantas is governed by both State and Federal government laws which cover the human resource function such as:

a) Obligations in the workplace such as employment conditions, awards and agreements, wage negotiations, resolving disputes etc.

The Howard Government's Industrial Relations System (WorkChoices) substantially amended the Workplace Relations Act in 2006 and provided Qantas with more flexibility in staffing, helping the airline to reduce its labour costs. All new agreements needed only to meet the minimum and award classification wages set by the Fair Pay Commission. The legislation allowed Qantas to write their own workplace agreements (AWAs) for new businesses like Jetstar International which required no union or employee bargaining. WorkChoices was considered by many to be anti-union (remember Qantas is highly unionised). Under this legislation it was more difficult for unions to enter the workplace or organise industrial action. Industrial action was only protected if it occurred during the bargaining period and to be approved by a secret ballot. Rights of entry for unions became increasingly limited and regulated.

The Rudd Government introduced the Fair Work Act which scrapped WorkChoices in 2009. Elements of WorkChoices were retained such as the retention of existing laws on industrial action and the restriction on union right of entry in workplaces. However there were significant changes to the way workplace relations are conducted which impacted Qantas. For example the Act includes a safety net of 10 minimum conditions including rules around leave, hours of weekly work, notice and redundancy pay and a wage umpire. Fair Work Australia oversees worker rights and reviews minimum pay each year. The Act prevented the creation of new AWA's and imposed tough penalties on Qantas if they refused to bargain in good faith.

The Albanese government introduced its Fair Work Amendment (Secure Jobs, Better Pay) legislation into Parliament in 2022. The Bill provides a system for multi-employer bargaining. Workers in sectors would be able to negotiate one pay deal across multiple employers. Another key element in the reform allows the Fair Work Commission (FWC) to arbitrate disputes over flexible work and place new caps on rolling fixed-term contracts. Qantas is an opponent of the new legislation believing it will increase costs, lead to higher levels of industrial conflict and give unions undue power.

b) Obligations to provide a safe workplace

Qantas must comply with the Work Health and Safety Act to ensure the health, safety and welfare of its employees. Qantas WH&S program includes an integrated safety management system, a fatigue risk

management program, an employee recognition program which rewards outstanding safety performers, a wellbeing and mental health program and an annual Safety Conference. Qantas recently monitored the alertness of pilots and cabin crew on test flights to gather data about their wellbeing on long-haul flights. During the pandemic Qantas allowed staff to work from home where possible, ensured physical distancing and regularly cleaned and disinfected the workplace to keep workers safe and limit the spread of COVID-19. Qantas has mandated that all staff be vaccinated to create a safe environment for its employees and customers. Qantas also requires that all international passengers be vaccinated.

c) *Obligations to take out insurance*

Qantas is legally obliged to take out workers compensation insurance to protect employees against workplace injuries.

d) *Obligations to prohibit discrimination*

Qantas must comply with Anti-Discrimination Legislation which prohibits discrimination on the grounds of race, age, marital status, gender or sexual preference. Qantas takes claims of discrimination seriously and all managers undertake regular training to ensure they can identify and prevent discrimination.

e) *Obligations to promote equal employment opportunity*

Qantas ensures that female employees are treated with fairness and equity in accordance with the Equal Employment Opportunity Workplace Act. Qantas has taken measures to increase the number of women in management and support those in executive roles to ensure multi-based gender diversity. Qantas has set a new gender balance target for 42% women in senior roles by 2024 building on the previous target of 38% which was achieved in 2021. Qantas is also aiming at increasing the intake of female pilots to 40% by 2028.

Figure 27: EEO at Qantas

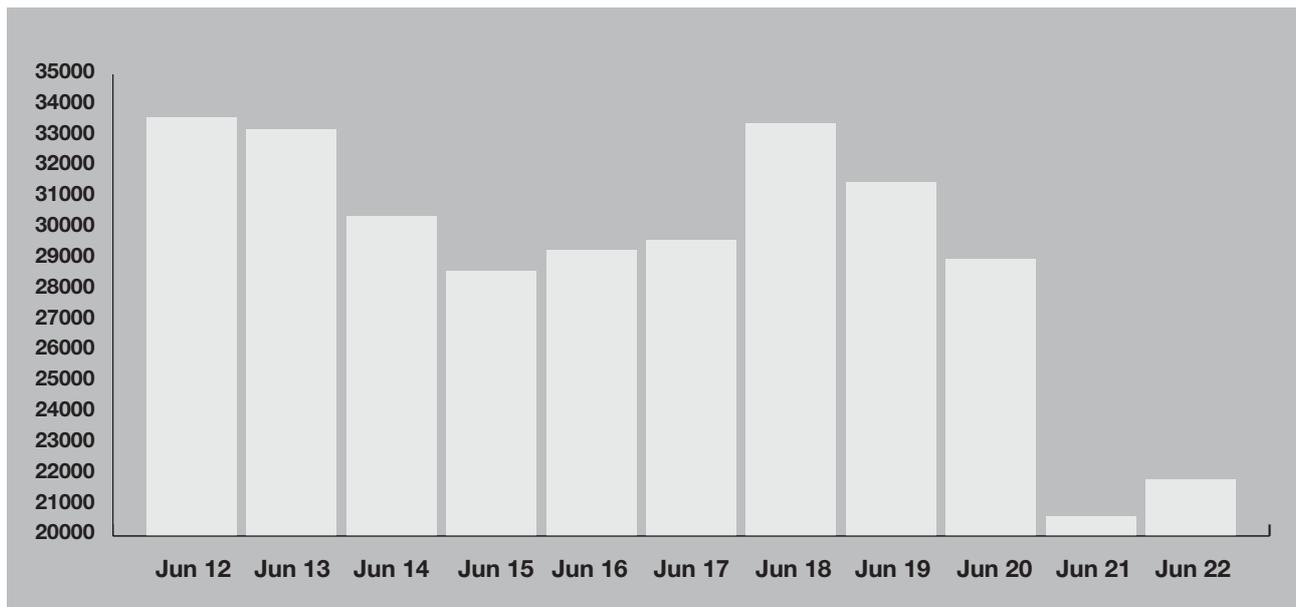
	2022	2021	2020	2019	2018	2017
% of women employed at Qantas	44.8	43.6	43.0	42.0	42.3	42.6
% of women in senior positions	37.4	38.1	37.0	36.0	35.0	35.0
% of women on Qantas Board	38.0	40.0	40.0	36.0	36.0	30.0

3. Economic Influences

The general level of economic activity in Australia and the rest of the world tends to fluctuate and impacts on Qantas' human resources. The demand for labour at Qantas like all businesses, is determined by the demand for its services.

COVID-19 and the associated collapse in air travel has profoundly affected the human resources division at Qantas. The airline was forced to reduce staff numbers in a bid to cut costs and Qantas initially stood down 25000 staff. Qantas has also made 9000 staff redundant – a mix of pilots, cabin crew, engineers, ground workers and corporate staff. Executive management salaries were cut by 15%, bonuses shelved and all non-essential recruitment frozen. Plans for Mackay's Qantas Pilot Training academy were put on hold and student numbers at its Toowoomba pilot academy were reduced.

The reopening of borders in 2022 led to a significant increase in travel demand. Qantas has had to recruit more staff as it tries to overcome a skills shortage because many stood down workers got jobs elsewhere. Hampered by a tight labour market Qantas is still working to fulfill a significant number of roles especially in engineering, freight and logistics. These new recruits will need to be extensively trained.

Figure 28: Full Time Qantas Staff 2012/22

4. Technological Influences

Qantas has undergone extensive technological changes in recent years. Changes include new security systems in response to terrorism threats, but many in a bid to cut costs and maintain competitiveness. These technologies include new planes from Airbus and Boeing, new inflight entertainment systems, new online check in and new self-service kiosks. As a result Qantas' staff have had to learn new skills when these technologies are introduced. Technological changes such as online check in have meant that some positions have been made redundant.

5. Social influences

There are now more part-time and casual employees at Qantas (about 17%). The change in work pattern is driven by Qantas' need to reduce costs and improve its international competitiveness. Qantas has a preference for a much smaller permanent workforce. More part-time and especially casual staff give the airline much more flexibility to cope with the peaks and troughs in demand. Many Qantas functions such as IT, call-centre operations and maintenance are now outsourced.

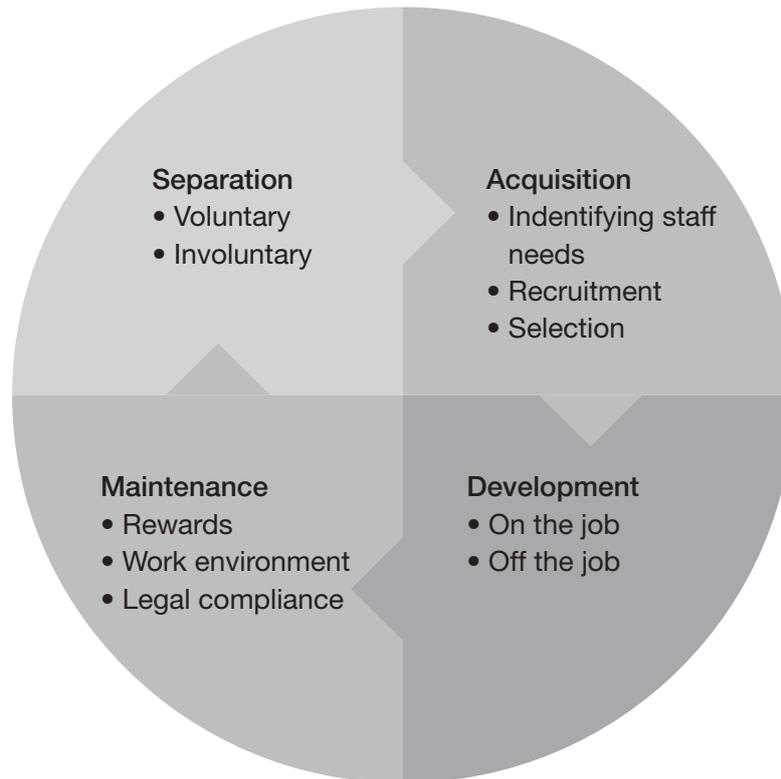
The increase in the participation rate of women has required Qantas update its workplace practice. Female employees now comprise 45% of Qantas' total workforce. Qantas has responded by implementing more family friendly practices such as building new child care facilities and a keep in touch program for staff on maternity leave.

Population shifts have created a more ethnically and culturally diverse workforce at Qantas requiring cultural awareness by management to educate staff on anti-discrimination practices.

As Australia went into a lockdown due to COVID-19, staff were required to work from home with meetings conducted via platforms such as Zoom.

Processes of Human Resource Management

Human resource management is an ongoing process at Qantas, involving 4 main processes – Acquisition, Development, Maintenance and Separation (refer Figure 29).

Figure 29: Processes of HRM at Qantas

a) Acquisition

Acquisition at Qantas involves identifying staff needs, recruitment and selection.

Identifying staff needs involves conducting a job analysis. The purpose of job analysis is to produce a job description which defines the scope of job activities, major responsibilities and positioning of the job at Qantas.

Recruitment at Qantas deals with providing a pool of potentially qualified job candidates. It is the first contact potential employees make with Qantas. Sources of recruitment for Qantas are internal and external. Due to the considerable recruitment costs (such as advertising) these methods are constantly evaluated.

Whereas recruitment creates a pool of applicants for a particular job, the selection process aims to find the most suitable candidates. The selection function is crucial at Qantas because of its impact on work performance. Selection is a long process commencing from; initial applicant selection, interviews, ability, personality tests, reference and background tests, selection decisions, physical examinations for some roles and ultimately a job offer and contract of employment. Errors in selection can incur a number of costs including; lost production, damaged company reputation, absenteeism, employee termination and the cost of replacing an employee.

b) Development

Qantas sees development of its staff as an important part of enhancing its HR capabilities and strengthening its competitive edge. Development at Qantas is the process of enhancing the knowledge and skills of its employees in order to increase job performance and organisational effectiveness. Training and development at Qantas costs approximately \$275 million a year.

The objectives of training and development at Qantas are:

- Increased efficiency
- Improved quality of service
- Fewer accidents and damage to equipment
- Personal growth of employees (through goal setting, motivation, leadership skills etc)
- Make employees more versatile in its operation (more flexible and adaptable to change)
- Reduce absenteeism and staff turnover

There are a number of techniques used to train employees at Qantas. Training techniques represent the methods employed to impart skills and knowledge to employees. There are two broad types, on the job and off the job. Each has its advantages and disadvantages (refer Figure 30 below).

Figure 30: Types of Training Methods at Qantas

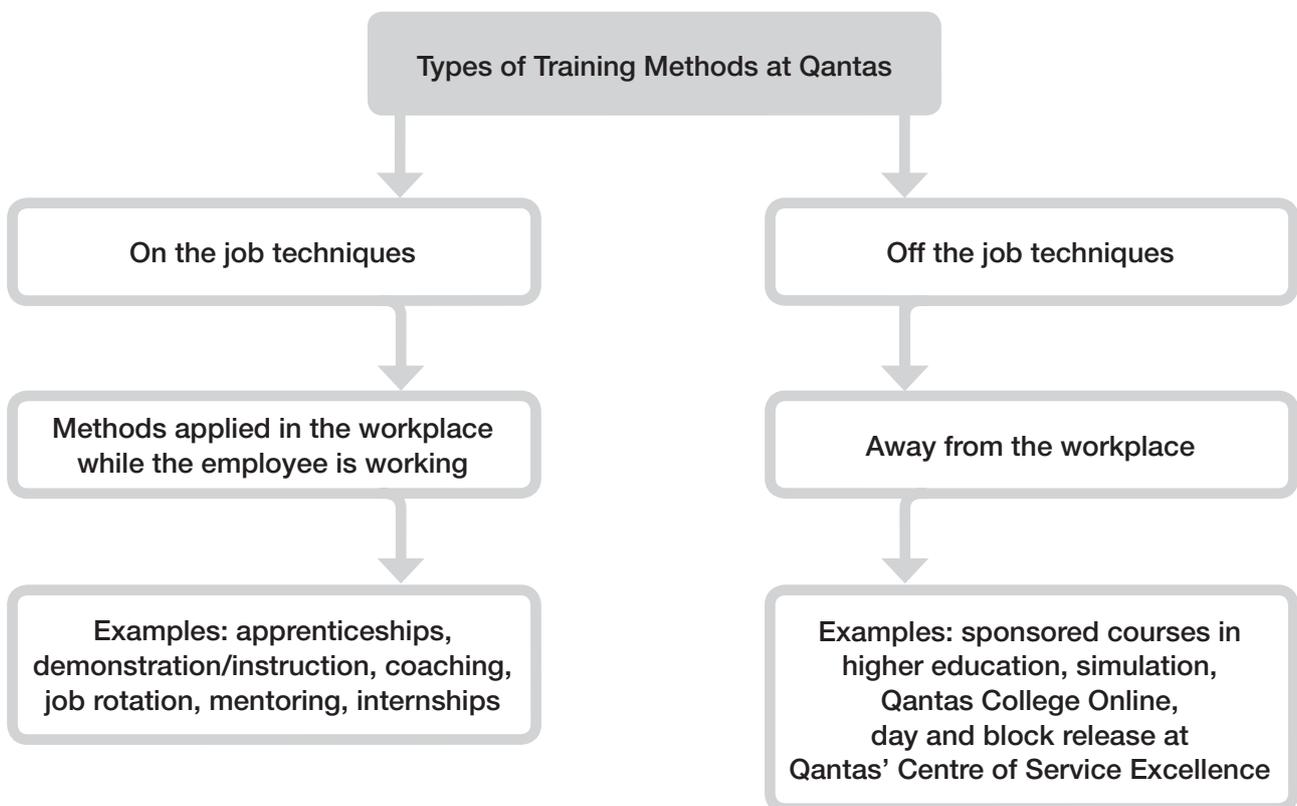


Figure 31: Advantages and Disadvantages of Training Methods at Qantas

	Advantages	Disadvantages
On the job training	<p>Generally the most cost effective</p> <p>Employees are actually productive</p> <p>Opportunity of learning whilst doing</p> <p>Training alongside real colleagues</p>	<p>Quality depends on the ability of the trainer and time available</p> <p>Bad habits may be passed on</p> <p>Learning environment may not be conducive</p> <p>Potential disruption of operations</p>
Off the job training	<p>A wider range of skills or qualifications can be obtained</p> <p>Can learn from outside specialists and experts</p> <p>Employees can be more confident when starting a job</p>	<p>More expensive</p> <p>Lost working time and potential output from employee</p> <p>Employees now have new skills and qualifications and may leave for better jobs</p>

c) Maintenance

The maintenance function at Qantas is concerned with keeping valuable staff and making sure they are motivated and committed. This includes:

- Remuneration (compensation)

Qantas uses remuneration to recruit and train qualified staff, to increase job satisfaction, reward peak performance and reduce staff turnover. Whilst remuneration is important for the employee it is also the major cost to Qantas. Some of the recent battles between Qantas and its unions have been fought in part over remuneration. Qantas has aimed recently at keeping pay increases to about 3% per year.

Remuneration at Qantas includes both monetary and non-monetary rewards. Remuneration at Qantas is systematic and based on job descriptions, pay structures and performance appraisal. A number of factors influence the remuneration paid to Qantas employees. Some are external, some are internal (refer Figure 32 below).

Figure 32: Factors Influencing Remuneration at Qantas

External Factors	Internal Factors
Demand and supply of labour	Business strategy
Cost of living (inflation)	Performance appraisal
Legislation	
The economy	
Trade Unions	

- Work environment

Qantas' excellent staff facilities help motivate and retain its staff. Qantas has recently implemented a number of flexible working initiatives to assist staff to balance their work and family life. These include

increasing the opportunities for part-time and flexible employment, increased paid maternity leave, a 'keep in touch' programme for staff on maternity leave and building new childcare facilities in Sydney, Melbourne and Brisbane.

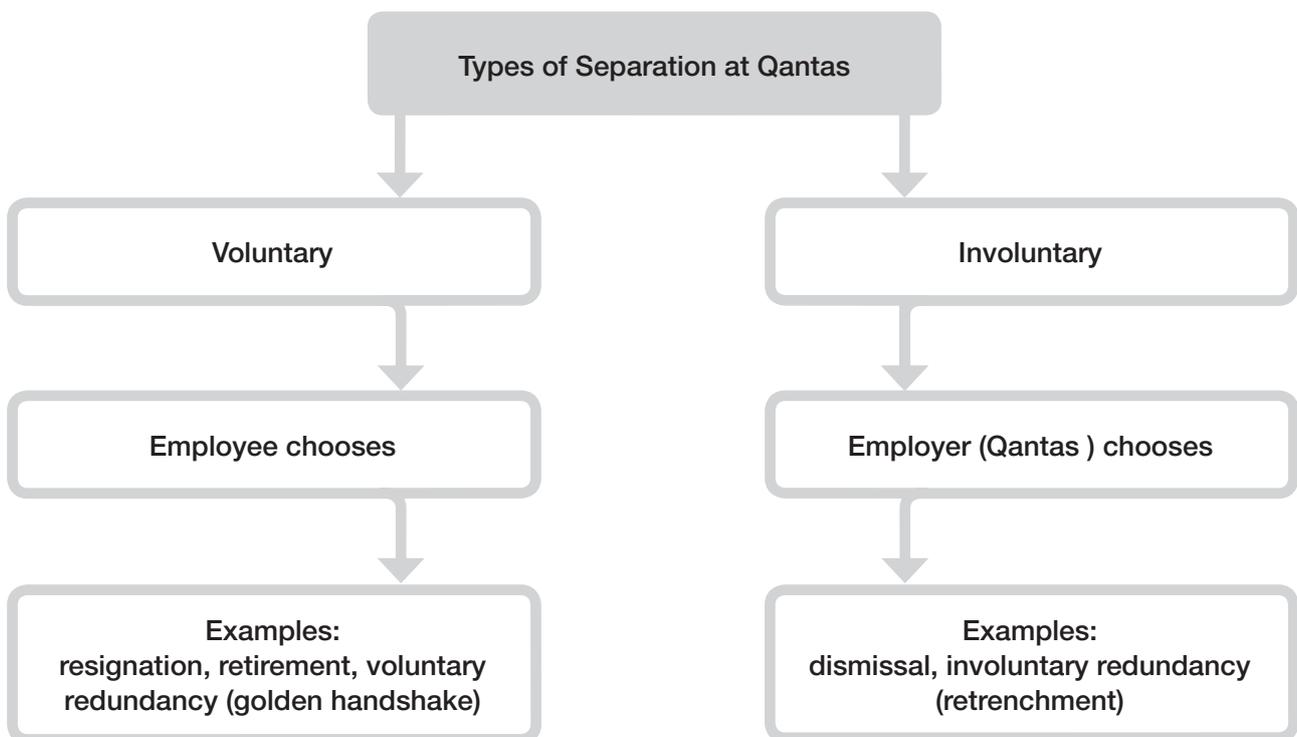
COVID restrictions have seen a bit change to flexible work arrangements with many Qantas staff working remotely to mitigate the spread of the virus.

- Complying with existing legislation e.g. anti-discrimination, workers compensation, OH&S, superannuation, taxation etc

d) Separation

Separation is where an employee leaves Qantas. It is the ending of the employment contract. This may be voluntary (Qantas employee decides) or involuntary (Qantas decides). This is shown in Figure 33 below.

Figure 33: Types of Separation at Qantas



Because of the GFC, increases in international competition, changes in technology, falls in profitability and COVID-19 Qantas has downsized its staff over recent years. Qantas retrenched 5000 staff between 2014-2016 and a further 9000 between 2020 – 2021. This form of involuntary separation is managed carefully and in compliance with legislation.

Strategies in Human Resource Management

Previously HR managers at Qantas had adopted a reactive strategy to people problems. Today HR managers have to take a more proactive approach. They foresee events and take appropriate action before the problem occurs. Examples of these kinds of strategies include:

a) Leadership Style

Leadership styles are different approaches employed by those in leadership positions. Under government ownership and the domestic duopoly between TAA and Ansett Qantas management adopted a more autocratic leadership style. Qantas management had total control over decision making with minimal contact between workers and top management. In 1991 the domestic aviation industry was deregulated and in 1995 Qantas was privatised. As a result Qantas had to change its leadership style, adopting a more democratic approach. As a result Qantas employees had more input into decision making.

Qantas has reverted to a more autocratic leadership style, as COVID-19 has exacerbated the need for fast decision making. Collaboration became increasingly difficult as physical meetings were replaced with video conferencing.

b) Job Design

The more organised and efficient the various operational components of Qantas are, the better the airline functions. There is a wide variety of tasks required in Qantas from baggage handling to flying. Job design is the way that a set of tasks, or an entire job is organised. A well designed job will increase both employee motivation and productivity. Qantas uses a number of strategies in its job design.

- Job enlargement – giving employees more and varied tasks
- Job rotation – moves employees from one task to another
- Job enrichment – allows employees to assume more accountability, responsibility and independence

Well designed jobs at Qantas can address problems such as work overload, repetitiveness, shift work and occupational health and safety. Job design is an ongoing process at Qantas aimed at allowing employee input, give employees a sense of accomplishment, balances static and dynamic work and provides feedback regarding their performance.

c) Recruitment

The main purpose of recruitment at Qantas is to attract a sufficient number of applicants for different jobs to achieve optimal selection ratios, which helps to ensure the hiring of qualified candidates. Qantas uses a mix of internal (filling vacancies from inside) and external recruitment (filling vacancies from outside). Alan Joyce the CEO was an internal appointment, he was formally in charge of Jetstar.

Qantas froze recruitment during COVID-19 and Alan Joyce was retained as CEO for a further three years to ensure the company maintained stability within its leadership team.

Air travel surged after the borders were reopened in 2022 forcing Qantas to go on a recruitment drive as it lifts its full-time staff to between 25000-26000. Alan Joyce is expected to leave by the end of 2023 after 15 years at the helm. Qantas has a history of promoting from within and the airline is not expected to advertise externally for a CEO.

Figure 34: Types, Benefits and Limitations of Recruitment at Qantas

	Internal Recruitment	External Recruitment
Examples	Promotions, transfers	Advertisements (particularly online), contractors, head hunters, competitors
Benefits	<ul style="list-style-type: none"> Familiarity with employees aid in accurate job placement Provides motivation of employees to perform well and develop skills Lowers overall training and induction costs Vacancies can be filled more quickly at a lower cost 	<ul style="list-style-type: none"> Tends to increase selection accuracy Prevents the ripple effect that arises from hiring from within Tends to bring in new ideas and innovations
Limitations	<ul style="list-style-type: none"> Employees may not be prepared or qualified for the vacancy May cause a ripple effect as one vacancy filled from within causes another vacancy May lower the influx of new ideas and innovation 	<ul style="list-style-type: none"> Increases the recruitment and selection costs Increases training and induction costs Takes longer to fill vacancies May lower employee motivation and morale

d) Training and Development

Training and development refers to educational activities at Qantas designed to enhance the knowledge and skills of its employees.

Qantas invests more than \$275 million a year in training and development. Qantas' training programme is planned and integral to Qantas maintaining and developing a sustainable competitive advantage. Ongoing training is critical due to the airline industry's rapid technological change and global competition.

Recently Qantas has implemented training programmes for new security procedures, international business class, engineering and maintenance, leadership and culture, customer service, people and safety and informational technology procedures. Employees undertake 'exceptional service training' in Qantas' purpose built Centre of Service Excellence. Qantas' pilots do more than 48000 hours of annual training in state of the art aircraft simulators. The airline opened a \$20 million pilot academy in Toowoomba in 2019. Plans to open another in Mackay was put on hold due to COVID-19. The academies are set to train up to 500 pilots a year ensuring a talent pipeline for Qantas. When borders were reopened intensive training was needed for pilots to get them back into the cockpit. This involved simulation time, online tutorials and test flights.

Qantas uses online learning (Qantas College Online) to train its staff. The web-based interface, offers the course catalogue, an online library and reference database and a common room for discussion and email. These courses provide staff with nationally recognised qualifications. Online tutors are available via email to handle enquiries. Learning centres have been set up in major airports or employees can access courses from home. Qantas College Online has enabled Qantas to quickly, economically and effectively upgrade and maintain the skills and knowledge of its workforce.

The benefits of these activities to Qantas include:

- Enhanced organisational productivity as employees can complete jobs more effectively.
- Improved quality of outputs. A more highly trained employee is more aware of the significance of their actions.

- Enhanced ability to cope with change because employees have a variety of skills.
- A more committed workforce.

e) Performance Management

Qantas managers are appraised. Their performance is assessed in a formal and systematic way, measured against factors like job knowledge, quality and quantity of output, initiative, leadership abilities etc. Qantas uses performance appraisals as a tool to encourage strong performers to maintain their high level of performance and to motivate poorer performers.

The objectives of performance management at Qantas are:

- To provide a rational basis for pay and promotion decisions
- To assess the training and development needs of employees
- To help clarify strategic goals and performance expectations
- To provide individual feedback to aid performance improvement

f) Rewards

Qantas uses its rewards management scheme (both financial and non-financial) to attract, retain and motivate its employees. The reward system seeks to be equitable, clearly communicated, defensible, consistent, relevant, cost effective, and integrated with Qantas' corporate strategy.

Monetary rewards

Competitive wages and salaries are the main financial rewards for Qantas employees. Qantas also uses performance based pay for some employees (particularly its senior managers). This means that direct remuneration (direct cash elements of pay) are tied to individual, team and company performance. Alan Joyce topped the list of Australia's highest paid CEOs in 2018 taking home almost \$24 million, mostly in bonuses. Qantas paid cash and travel bonuses to its non-executive staff between 2015-2019 as a result of its record profitability.

There were no staff bonuses between 2020 and 2022 because of COVID-19. Executive staff took a pay cut and CEO Alan Joyce voluntarily went without pay for three months. In 2022 Qantas unveiled a Recovery and Retention program awarding 1000 shares to employees if they remain within the airline until August 2023. Qantas also announced a one-off recovery boost of \$5000 to EBE covered employees once new agreements are finalised.

Other financial rewards provided include entitlements that Qantas must provide by law to its employees such as superannuation as well as benefits provided at the discretion of Qantas like company cars, additional maternity leave, health assessments, corporate health insurance rates, child care facilities and flight/travel discounts.

Non-monetary rewards

Employees are often willing to join Qantas for the non-financial rewards they offer e.g. interesting and challenging work, job recognition, job performance feedback, promotion, autonomy in the job, good relationships with co-workers and a safe and healthy environment.

g) Global Strategies

The Qantas workforce is made up of 99 nationalities, speaking 51 different languages. Given the importance of Qantas' reputation, employment relations is critical. Most customers have direct contact with numerous Qantas employees, especially on the ground (through ticketing, check-in and baggage handling), appropriate management of employment relations is important for ensuring that a skilled and

motivated workforce is attracted and retained. Employing a global workforce is challenging because of differences in culture, levels of economic development and legal systems.

Qantas uses a polycentric and ethnocentric approach to staffing. It generally tries to hire host country nationals (HCNs) instead of transferring its domestic staff to work in senior management positions in their foreign operations. This approach has two advantages:

- HCNs already understand local laws, culture, the state of the economy and language; and
- It avoids expenses with expatriate managers i.e. relocation costs.

The main disadvantage is that HCNs may need to be trained to become familiar with the Qantas business culture and practices. However, where a suitable HCN cannot be found Qantas will use parent company employees in their senior management positions (ethnocentric approach to staffing). Qantas provides cross cultural training for these executives. Decision making is still relatively centralised at corporate headquarters in Australia.

As working conditions and the cost of living vary dramatically between countries, Qantas tailors reward systems to meet the circumstances of the host country labour market. They also take into account variations in local laws which may require the payment of a minimum wage or other benefits including superannuation and maternity leave. Qantas provides good working conditions which helps to prevent a shortage of skilled labour.

Qantas has outsourced some functions such as IT, maintenance and call centre operations to reduce labour costs. The risk in using lower cost workers from overseas particularly in aircraft maintenance may result in a reduction in the standard of the work and create negative publicity.

h) Workplace Dispute Resolution

An EBA is an agreement that sets wage and working conditions. 70% of Qantas workers are party to an EBA. The agreements are negotiated between Qantas and trade unions who represent the employees. Once agreed upon, EBAs are legally binding. Following agreement, EBAs proceed to the Australian Government Fair Work Commission for assessment and approval. EBAs are set for a finite period of time, usually around three years. Qantas works with 16 unions and is a party to 33 awards and 44 union enterprise agreements and as such Qantas is constantly negotiating new EBAs.

Workplace dispute strategies at Qantas such as grievance procedures, negotiation, mediation and court and tribunal involvement are designed to overcome disputes with minimal disruption. This has not always worked to plan with Qantas. Recently the effects of the COVID-19 pandemic have had a serious impact on the progress of recent negotiations and new EBA's. There will no doubt be new challenges for workplace dispute resolution in a post-pandemic environment. Alan Joyce has put the unions on notice that he expects employees to be flexible on new work arrangements to include a 2 year wage freeze as he seeks to reduce Qantas' annual costs by \$1 billion.

Two examples that demonstrate the dispute resolution process at Qantas are the engineers and pilots.

Engineers Dispute Resolution

In 2010 Qantas and its 16000 licensed engineers represented by the ALAEA began negotiations for a new EBA. The engineers wanted a 3% annual pay rise, new classification levels and job security pay claims inserted into the next agreement.

Qantas refused these demands and negotiations continually broke down. The engineers voted to take industrial action and planned rolling stoppages, work to rule and overtime bans but called them off at the last minute. The union's actions and comments played a major role in Alan Joyce grounding the airline. All parties were then forced into binding arbitration and an agreement was reached.

In December 2011 the new 3-year EBA included annual pay rises of 3% and allowed Qantas to introduce new work practices made possible by changes to Australian aircraft maintenance regulations. This included a new category of licence and changes to checks on aircraft in transit. The union also dropped

demands that a hangar be built to allow heavy maintenance on Airbus A380's to be performed in Australia. In 2015 Qantas and the engineers negotiated a new EBA. This early resolution was in stark contrast to the dispute three years ago. The new four year deal included a pay freeze for the first 18 months after which the engineers would gain 3% annual wage increases. Additionally, 65 engineers who were forced to take redundancy in 2014 had the chance to return to work. Following the forced redundancies the union launched legal action with the Federal Court against Qantas for allegedly breaching the consultation provisions of the Fair Work Act. The ALAEA agreed to drop the legal action as the engineers were reemployed.

Negotiations commenced for a new EBA in October 2018 as the existing agreement expired in January 2019. Negotiations stalled recently because of COVID-19 and more than four years later there is still no new EBA.

The parties met again in 2022 to progress negotiations. The engineers are now seeking a one off 12% pay rise followed by 3 years of 3% pay rises. The 12% is a catch-up claim for the 4 years since their last pay rise. The engineers argue that they have accepted Qantas requests for wage freezes or minimum increases on multiple occasions over the years and have not had a pay rise since 2019. They also point out the high CPI increases.

Qantas says they are committed to pay rises however this is unrealistic and above what other employees have already agreed to. Qantas has offered a 2-year wage freeze and 2% thereafter. Qantas points out that is also offering a \$5000 bonus if the engineers accept the airlines pay offer as well as 1000 shares to every staff member.

The ALAEA lodged an application for Protected Industrial Action with the Fair Work Commission to break the negotiation stalemate. In the postal ballot 90% of participants voted in favour and in September Qantas engineers engaged in industrial action by delaying the start of each shift by 1 minute. Negotiations are continuing with the unions promising to take no further industrial action for 2 months and an embargo on press comments.

In the meantime, Qantas has adjusted their annual wage offer upwards from 2 to 3%. The increase will also automatically apply to around 500 other staff who have already agreed to 2% as part of their EBA.

Pilots Dispute Resolution

a) International pilots

A long running dispute between Qantas and its international pilots was finally resolved in 2013. Pay rises and job security were the key issues of contention. In particular Qantas pilots were concerned that Qantas would continue to grow Jetstar at the expense of Qantas and base new aircraft in Asia. Negotiations continually broke down with pilots and their union (The Australian and International Pilots Association). Eventually the parties entered binding arbitration over a new EBA before Fair Work Australia after Qantas shut down its operations briefly in 2011. Earlier Qantas pilots lost their Federal Court challenge preventing them from taking industrial action. The only industrial action they took was to wear red ties and make inflight statements that Qantas planes should be flown by Qantas trained pilots. The new agreement delivered the pilots a 4.5% pay increase from January 2012 and an additional 3% in January 2013 and another 3% in January 2014. However the pilots missed out on their job security claims and had to concede some productivity gains.

In 2015 Qantas and the AIPA agreed to a new EBA which was settled amicably. The four year EBA included a wage freeze followed by annual increases of 3%. It also included improved access for pilots to airport lounges and long term sick leave.

In 2019 Qantas international pilots were locked in negotiations for a new EBA tied to Project Sunrise. Project Sunrise is a plan by Qantas to operate ultra-long-haul non-stop flights between the Australian east coast to New York and London. Alan Joyce has said that Qantas could cancel the project or

outsource its flying unless unions agree to a new EBA and amended workplace conditions. He wants similar concessions from pilots to the last EBA for the introduction of the Dreamliner which equated to a 30% increase in productivity.

The AIPA raised concerns about the length of the proposed flights and crew fatigue. Pilots believe that they relented too easily on previous negotiations. Traditionally pilots are remunerated with reference to the weight of the aircraft and as the new planes are heavier, pilots believe their pay should be upgraded accordingly.

The new EBA was eventually signed in February 2020. Under the deal pilots will earn a 3% pay rise annually and extra overtime for the flights. Although the pilots finally accepted the deal, they warned management that negotiations had damaged the relationship with its pilot workforce.

b) Short haul pilots

The Australian and International Pilots Association represent pilots who fly Qantas' domestic routes. They began negotiating a new labour agreement with Qantas when their EBA expired in August 2013. The pilots were seeking a 3.9% pay increase. Qantas offered the pilots an annual pay rise of 3% and would not agree to the unions other claims such as guaranteed flying hours, changes to the rostering and career progression. Qantas believed that this would undermine their competitive position. The pilots opted against protected industrial action and formal negotiations were used to resolve the dispute. The new EBA included an 18 month wage freeze from last March and 3% annual increases for the remainder of the 4 year deal.

Negotiations for a new EBA (expired in August 2018) were underway for nearly 2 years before a new deal was signed in February 2020. The four-year agreement included annual pay increases of 3% plus further measures including a new personal leave system and increased ability to contact pilots to notify them of duty changes.

c) Jetstar pilots

The Australian Federation of Air Pilots (AFAP) represent Jetstar pilots.

In 2015 after more than two years of negotiations Jetstar pilots approved a four-year EBA that included an 18-month wage freeze and annual rises of 3% thereafter. Pilots were concerned with increasing their salary and improving their rostering to provide a better work life balance. When negotiations broke down the pilots took several actions including refusing to work on days off, imposing strict duty limits and four hour stop work meetings.

The union has been working for the last three years on a replacement EBA which expired in April 2019. Initial negotiations between Qantas and the pilot's union failed to reach a resolution. The issues in dispute include demands for salary increases and changes in fatigue management through improved rostering. Pilots rejected the company's offer of 3% annual increases, saying they are the lowest paid in Australia. They argue that it's actually a pay cut because of the speed of modern airlines. Pilots get paid by the flight hour and the Dreamliner flies 4% quicker than the Airbus it replaced. Qantas argues that pilots have access to performance bonuses on top of the 3% annual increases and accepting wage increases above 3% would jeopardise the budget carrier's ability to sell affordable fares.

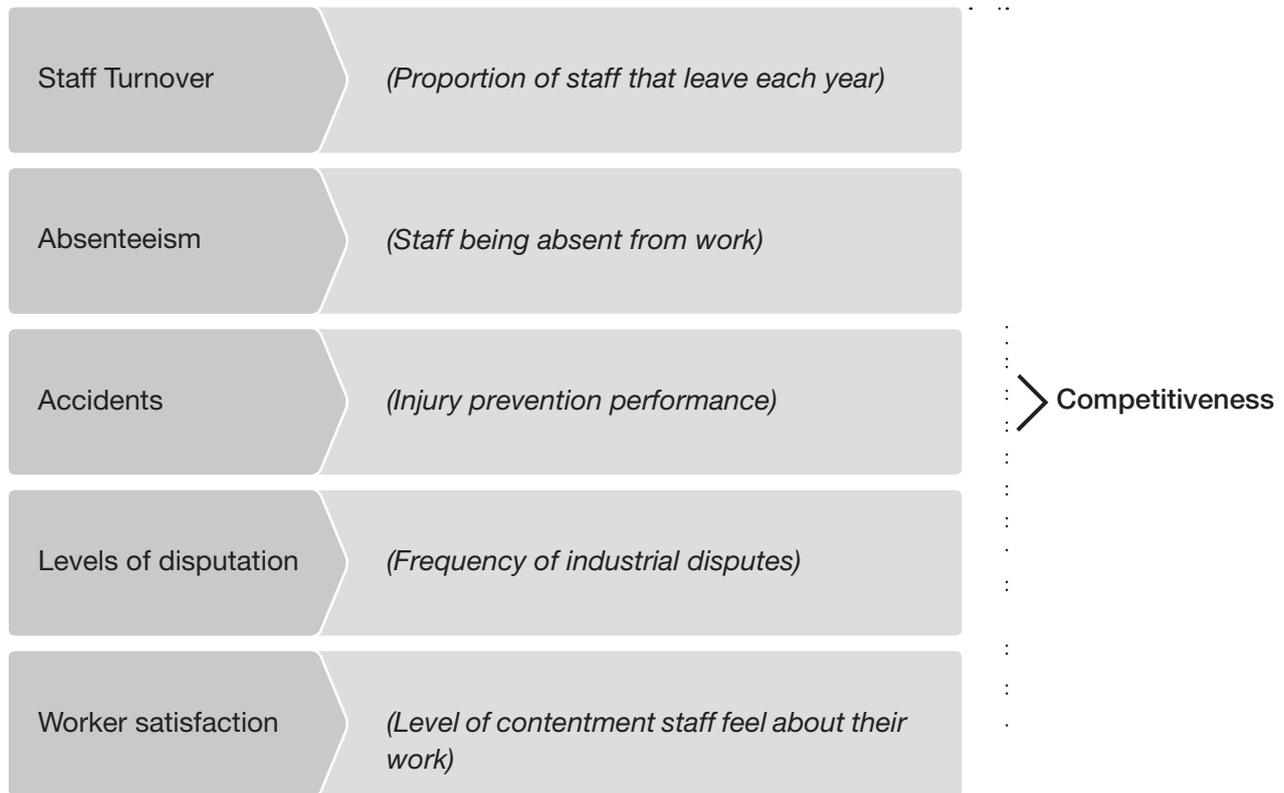
The pilots voted in favour of industrial action over stalled enterprise bargaining negotiations. Jetstar was forced to cancel 90 flights over 2 days in mid- December when the AFAP took part in 4-hour work stoppages. The airline proactively cancelled 10% of its flying capacity (close to 900 flights) through January 2020 with disruptions costing Qantas almost \$25 million.

Because of COVID-19 negotiations were put on hold and recommenced in 2022. A new EBA has finally been secured and at the time of writing is awaiting approval from the Fair Work Commission.

Effectiveness of Human Resource Management

In order to implement expensive HRM strategies such as recruitment and training, Qantas management must measure their effectiveness to determine where improvements can be made.

Qantas uses a number of indicators to assess the effectiveness of its HRM strategies. Qantas also benchmarks (compares) these indicators internally like with previous years or externally with different organisations, typically in their industry.



a) Staff Turnover

Staff turnover is the proportion of Qantas' staff that leave each year. Qantas' staff turnover increased in 2021 and 2022 as workers were lured away to other companies in the wake of being stood down, repeated lockdowns, uncertainty around aviation and a couple of years of big losses from COVID. Staffing is now a critical issue for Qantas as the airline prepares to grow again. In some areas like technology Qantas has had a staff turnover of 30%.

Qantas' high staff turnover rates has led to a skill shortage and an increase in costs such as recruitment and training and development to transition employees into new roles. In 2022 Qantas unveiled a new retention and reward scheme to reduce staff turnover. All non-executive workers are eligible to receive 1000 shares (worth over \$5500) if they remain with the company until August 2023.

Figure 35: Voluntary Staff Turnover at Qantas

Staff Turnover	2022	2021	2020	2019	2018	2017
Number of staff that voluntarily left Qantas divided by the average number of full time staff	10.4%	11.2%	4.3%	5.5%	4.8%	4.9%

b) Absenteeism

Absenteeism is voluntary no-attendance at work as a result of illness. Qantas' absenteeism rates have decreased in recent years and average about nine days per year. High levels of absenteeism at Qantas is a strong indicator of dissatisfaction in their workplace. Absenteeism reflects employee health and wellbeing, the level of staff engagement and productivity.

c) Accidents

Safety is touted by Qantas as one of their main priorities and is a challenging aspect for airline management. Qantas' operations, work environments and work tasks are diverse and varied with some duties carrying more risk of accidents than others. The measurement of accidents (safety) is important for Qantas to enhance performance and reduce employee downtime.

Qantas uses two measures to assess their safety performance. Total Recordable Injury Frequency Rate (TRIFR) which measures the number of lost time injuries per million hours worked and Lost Work Case Frequency Rate (LWCFR) which measures the total number injuries per million employees.

Decreases in the TRIFR and LWCFR in recent years indicate an improvement in Qantas' injury prevention performance (though in part due to Qantas not flying as much due to COVID-19).

Figure 36: Accidents at Qantas

Accidents	2022	2021	2020	2019	2018	2017
TRIFR	12.9	17	16.7	24.4	23.9	24.7
LWCFR	6.5	5.4	7.5	9.3	8.2	9.1

d) Levels of disputation

Workplace disputes are where conflict emerges in the workplace. They usually arise in enterprise bargaining over remuneration, employee conditions and job security. Levels of disputation is vitally important to Qantas because workplace disputes reduce morale and can lead to employee's taking industrial action including work stoppages. This can disrupt Qantas services adversely affecting business performance which can harm Qantas' reliability and brand.

Prior to 2015 Qantas was plagued by industrial issues arising from management decisions to axe jobs, casualise the workforce, establish low-cost carriers based on poorer wages and conditions, outsource functions, and take a hard line in EBA negotiations. Joyce even shut down the airline in 2011 because of persistent strike activities.

Between 2015 and 2018 Qantas' EBA's were closed much more amicably in response to Qantas' big loss in 2014. All of Qantas' unions accepted an 18-month wage freeze, then modest increases around 3% as well as productivity gains.

Between 2019-2020 (prior to COVID) several EBA negotiations broke down with some unions even threatening industrial action. Qantas workers were seeking greater pay increases in line with Qantas' consistent record profits. They believed that their last EBA's were weighted too heavily in Qantas' favour particularly the wage freeze. Qantas workers were not impressed with Alan Joyces tough stance with industrial relations while being one of the highest paid CEOs in Australia. Qantas workers were also angered at being forced to sign new EBA agreements to receive their full staff bonus.

Because of COVID Qantas' EBA's were put on hold but in 2022 they were back on the negotiating table. There is currently lots of industrial tension among key staff over proposed pay increases, pandemic redundancies, and outsourcing. Engineers, flight attendants and ground handling staff all took industrial action (work bans and strikes) in 2022. Surging profits (Qantas has just issued its third profit upgrade in 3 months) makes it harder for Joyce to convince more than half its workforce to lock in a new enterprise agreement without undermining his \$1 billion annual cost savings target.

e) Worker Satisfaction

Worker satisfaction is how content employees are with their job. Qantas is concerned about its levels of worker satisfaction because it directly effects motivation, productivity and therefore profitability. It is a complex issue and depends on aspects such as employee rewards, interesting work, communication from management etc. It is also difficult to measure. Qantas measures the levels of worker satisfaction by staff surveys, invitations for employee feedback and external consultants. Prior to COVID Qantas was named the most attractive place to work in Australia in the recent Randstad Employer Brand Research Awards. However many employees are feeling bruised from COVID because of layoffs and operational glitches when Qantas resumed flying.

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Chapter 5: Review Questions

1. *Identify the human resource stakeholders at Qantas and state the perspectives of each.*
2. *Outline legislation covering human resources at Qantas. Assess the impact of the Fair Work Act which overhauled Work Choices on Qantas and its staff.*
3. *Identify possible occupational health and safety risks faced by Qantas workers doing the following jobs – flight attendants, pilots, engineers and baggage handlers.*
4. *Describe the advantages to Qantas and its employees of flexible working conditions.*
5. *Describe the HRM strategies employed by Qantas.*
6. *What is the consequence of COVID-19 on Qantas' Industrial Relations?*
7. *What leadership style do you think Qantas has employed to manage COVID-19?*
8. *Evaluate Qantas' Board decision to retain Alan Joyce as CEO for a further 3 years.*
9. *Assess the costs of the recent industrial disputes at Qantas for the employee and the employer.*
10. *Evaluate the effectiveness of HRM at Qantas.*
11. *Do you think Alan Joyce deserves to be one of the highest paid CEO's in Australia?*

Word Search

Locate the terms relating to Human Resources at Qantas

S	U	O	R	R	S	C	O	F	A	U	T	O	S
T	W	T	E	O	W	I	O	I	I	E	U	G	S
A	R	T	C	O	G	T	P	E	E	O	E	G	F
F	E	W	R	U	N	A	T	O	E	B	F	R	Z
F	M	T	U	T	I	R	T	G	T	W	A	Z	E
T	U	O	I	S	Z	C	A	C	N	A	I	U	A
U	N	D	T	O	I	O	E	T	E	G	R	R	L
R	E	I	M	U	S	T	A	B	E	E	W	A	A
N	R	S	E	R	N	U	C	T	A	F	O	I	E
O	A	P	N	C	W	A	R	R	U	R	R	E	A
V	T	U	T	I	O	Z	N	N	Z	E	K	L	O
E	I	T	B	N	D	R	R	O	O	E	A	I	A
R	O	E	A	G	S	K	E	S	E	Z	C	L	I
A	N	S	G	I	R	T	N	E	N	E	T	W	O

- AIPA
- ALAEA
- OUTSOURCING
- WAGEFREEZE
- DOWNSIZING
- FAIRWORKACT
- RECRUITMENT
- AUTOCRATIC
- DISPUTES
- EBA
- EEO
- REMUNERATION
- STAFFTURNOVER

CHAPTER 6

Using the Qantas Case Study in the HSC

Qantas is an excellent case study to use for the HSC. Students will be better able to understand the concepts of the course and answer all the sections of the HSC paper – multiple choice, short answer questions and business reports.

Specifically, Qantas is considered the best case study to use in Section 1V of the HSC because it fits the syllabus for all 4 topics so well. In this section (worth 20%), students must incorporate a case study such as Qantas into their response. Students must select ONE question from the TWO choices available and the questions are drawn from 2 HSC topics.

Figure 37: Section IV HSC Questions 2012-2022

Year	HSC Topic	HSC Topic
2012	Marketing	Finance
2013	Operations	Human Resources
2014	Marketing	Human Resources
2015	Operations	Finance
2016	Operations	Human Resources
2017	Operations	Human Resources
2018	Marketing	Finance
2019	Marketing	Operations
2020	Finance	Human Resources
2021	Marketing	Human Resources
2022	Operations	Human Resources
2023	?	?

This section requires a sustained, logical and cohesive response in the form of a business report or essay. However, students may be advised to go with the business report option.

Writing a business report is a distinctive form of communication and is much different from the traditional essay style of writing. Business managers are time poor and do not want to wade through paragraphs of non-essential material. They demand information that is concise and accurate to enable them to assess situations and make decisions.

Tips for writing a Business Report for Section 1V:

1. Plan your answer by identifying the HSC topics and parts of the syllabus covered by the question.
2. The descriptor used in the question is a high order one and usually the same for both questions. Make sure you do what the descriptor asks.

Figure 38: HSC Question descriptors 2012-2022

Year	Descriptor
2012	How/Why
2013	Assess
2014	Analyse
2015	Evaluate
2016	Evaluate
2017	Analyse
2018	Explain
2019	Analyse
2020	Evaluate
2021	Analyse
2022	Explain
2023	?

3. Use appropriate business terminology and concepts from the syllabus.
4. Start with an executive summary which is a brief overview of the nature and the scope of the report. Clearly identify Qantas as the case study that you will use in answering the question.
5. Use headings to differentiate information in the report and subheadings/bullet points to ensure communication is precise. Each part should have its own heading. Make sure your report is well organised and logical in its structure. Also make sure your report is factual, objective and clearly presented.
6. Make sure you clearly support your response with reference to your case study Qantas.
7. Use diagrams, tables and graphs to reflect your understanding.
8. Make sure you answer all parts of the question.

NB: It is also possible for a Short-Answer Question (Section II) to ask you to refer to a case study.

Sample Business Report Questions and Answers

The purpose of this section is to provide ideas and suggestions for typical questions which could be asked in Section IV of the HSC. These outlines are not presented as the “be all and end all” responses to these questions. To provide a sense of reality to this section, what follows is a first draft response to each question, i.e. what are the concepts/points the examiner would like to see covered in the answer.

Sample Question 1

Assess the effectiveness of marketing strategies on a global scale.

Qantas is a great example because aviation is truly global in nature, particularly at Qantas where 75% of its assets are geared to the global market. Students should avoid the temptation to just provide a straight narrative of marketing strategies. Just a description of marketing strategies will likely earn a mark of no more than 13/20. Students need to also make a judgement on how effective these strategies (such as identifying the target market, price, product, place, promotion, people etc) have been to get an A answer. Marketing strategies are judged according to criteria like sales, market share and profit. Also don't forget the global marketing strategies such as standardisation, customisation, global branding etc.

For example students could say that Qantas' marketing strategies have been very effective on a global scale because:

- They have allowed Qantas to achieve its business goals such as sales, profitability and market share
- The marketing plan and strategies are very comprehensive
- The marketing strategies are customer focused
- Well advanced segmentation strategy ie the launch of Jetstar generates profits from routes where in some cases they used to lose money.
- They encourage new product development i.e. Skybed, new Airbus and Boeing aircraft, new entertainment systems, next generation check in, on board wifi, etc.
- They create new distribution outlets i.e. more customers are booking online
- They are constantly revised to take into account changes in the external environment like COVID-19.

Sample Question 2

Explain the operations strategies businesses have used to enable them to compete internationally.

Qantas faces much more competition particularly on its international routes especially from Middle Eastern and Chinese carriers. These carriers have been increasing their Australian capacity. This has placed pressure on the operations of Qantas to increase quality, speed, dependability, flexibility, customisation and cost (operations performance objectives) to compete internationally.

Students need to include the operations strategies from the syllabus such as outsourcing, quality control, technology, new service design and improvement etc. However if students only describe these strategies they will not get an A answer. They must make the relationship between these strategies and the operations performance objectives such as quality, speed, dependability, flexibility, customisation and cost clearly evident.

For example Qantas has employed much technological change recently such as online and mobile check in, check in kiosks and Q bags. This change has allowed Qantas to:

- Increase speed of its service (quicker check in)
- Reduce costs (less labour and paper required)

Sample Question 3

Analyse how an understanding of the key influences on human resources can contribute to business success.

Qantas is a big employer, employing over 22000 staff, 92% based in Australia. There are a number of key influences which impact on the human resources function at Qantas. These pose environmental and organisational challenges for Qantas' HR managers and need to be managed well for Qantas to achieve business success (profitability).

Students should avoid the temptation to just provide a straight narrative of the key influences on employment relations. Just a description will likely earn a mark of no more than 13/20. Students need to include the implications of these key influences – legal, economic, technological, social etc on human resources at Qantas as well as measures to rank business success such as profitability, staff turnover, absenteeism, levels of disputation.

For example economic influences such as COVID-19 meant Qantas faced a reduction in the demand for its services. The implication on human resources was that Qantas had to seek cost reductions which included standing down and downsizing its workforce and taking a hard line in EBA negotiations with its unions. This meant that Qantas was able to reduce costs however it has resulted in high levels of industrial tension.

Sample Question 4

Examine the influence of globalisation on operations management.

Globalisation as part of the business environment has had a big influence on operations management particularly at Qantas. Globalisation means a woven world. One that is more integrated and more interrelated. Globalisation is a challenge that requires operational responses.

An A answer would highlight that globalisation impacts on operations in 3 ways.

First, globalisation influences inputs. Globalisation has made it a lot easier for businesses like Qantas to source its inputs at a lower cost (global sourcing). This means getting your inputs from overseas to gain a cost advantage. Qantas has been increasingly outsourcing its functions like IT, cabin crew, pilots, maintenance to lower operational costs.

Second, globalisation influences outputs. Globalisation enables business to access new markets overseas. For example Qantas has been launching new airlines particularly in Asia to take advantage of growth in that region. By expanding into global markets businesses like Qantas can take advantage of economies of scale.

Third, globalisation influences operational strategies. Globalisation means businesses like Qantas are faced with much more international competition. For example Qantas faces a lot more competition

now, particularly on its international routes from airlines like Singapore Airlines, Etihad, Emirates etc. This has forced Qantas to employ cost leadership strategies to remain competitive. These operational strategies designed to reduce costs include outsourcing, seeking alliances, technology (leading edge and established) and waste minimisation.

Sample Question 5

Explain how the legal framework can affect human resource strategies of a business.

There are many laws covering human resources both State and Federal. These laws directly affect human resource strategies of businesses like Qantas because failure to obey these laws exposes business to big fines, lawsuits by employees and bad publicity.

Students need to describe the human resource laws from the syllabus and make the relationship between these laws and the impact on human resource strategies clearly evident.

For example businesses like Qantas must adhere to Workplace Health and Safety Legislation to ensure the health, safety and welfare of their employees. This legislation impacts on human resource strategies through job design and training and development. Well designed jobs at Qantas can address workplace, health and safety issues. Workplace Health and Safety procedures are also reinforced through training programs at Qantas.

Businesses must also comply with Anti-Discrimination legislation. This prohibits discrimination on the grounds of race, age, marital status, gender or sexual preference. This legislation particularly impacts on the human resource strategy of recruitment. When hiring suitable applicants Qantas must not discriminate. This impacts human resource functions like the conduct and questioning at interviews and the wording of job advertisements.

A major area of law impacting on Qantas human resource strategies is Industrial Relations Legislation. The Fair Work Act affects rewards through the setting of awards (wage rates) and the safety net of 10 minimum conditions including rules around leave and hours of work. The Act also imposes rules on how enterprise bargaining can be conducted. Qantas deals with 16 unions and is a party to some 44 enterprise agreements. Further the legislation deals with the strategy of workplace dispute resolution. This is particularly relevant to Qantas through recent disputes with engineers, baggage handlers and pilots.

Sample Question 6

How can different sources of funds help a business achieve its financial objectives?

Businesses like Qantas' source of funds include a mix of debt and equity finance. The question requires students to link these sources of funds to how a business achieves its financial objectives (profitability, liquidity, efficiency, growth and solvency).

For example debt is borrowed funds. It is an external source of finance because it comes from outside the business. Debt finance can be classified as short term and long term. Debt finance can impact on the business' financial objectives.

- Profitability – Debt finance enables business to increase revenue. For example it has enabled Qantas to launch Jetstar and new airlines in Asia which has boosted sales. It also enables businesses to aggressively market their product or service to maximise returns. For example it has enabled Qantas to improve its service through new planes, in-flight entertainment, on board wifi, upgrading lounges etc and promote it through advertising, sales promotions and personal selling. However debt finance incurs interest. Interest payments are an expense and reduce profitability.
- Liquidity – Debt finance particularly short term enables businesses to meet their short term obligations. In 2020-2022 Qantas raised \$2.4 billion in additional debt to raise cash and offset the impact of COVID-19. Leasing of planes rather than buying them outright has also freed up cash for Qantas to use elsewhere in the business improving its liquidity. It also gave Qantas flexibility during COVID-19 because Qantas could reduce their fixed costs by not renewing their leases.
- Efficiency – Debt finance particularly long term enables businesses like Qantas to invest in the latest technology which helps them utilise their assets and minimise costs. For example debt finance has enabled Qantas to purchase new planes which are much more fuel efficient. It has also enabled Qantas to invest in new processes like online bookings, online check in, mobile check in and check in kiosks which has increased efficiency.
- Growth – Debt finance particularly long term enables businesses to grow and increase size. Recently Qantas has expanded its network in Asia to take advantage of the growth in that region. Debt finance has also allowed Qantas to target growth with several major fleet decisions and buying TripADeal and Alliance Aviation.
- Solvency – Debt finance directly impacts on a business' solvency. It makes the business less solvent, less financially stable. When COVID first hit Qantas scaled back on its ordering of new planes funded by debt to maintain its gearing and preserve its credit rating.

Sample Question 7

How can the processes of human resources respond to the economic and technological influences on business?

The human resource processes at Qantas (acquisition, training and development, maintenance and separation) must continually respond to economic and technological influences.

Fluctuations in the economy (both domestic and global) have a major impact on all the human resource processes. For example an economic downturn reduces the demand for air travel. This decreases the need to acquire staff as businesses like Qantas seek to cut back on their services. Higher unemployment rates make it easier to acquire staff with the right skills so the need for training and development diminishes. Also businesses like Qantas generally look to cut training and development as they look at ways to trim costs. There is less need to offer high monetary rewards (maintenance) to attract staff and motivate them to stay. Businesses like Qantas will also cut staff numbers to respond to falls in demand for their services. There is a subsequent increase in involuntary separation. These responses were clearly evident at Qantas in 2020-2021 where Qantas downsized its staff by 9000 due to COVID-19.

Qantas has undergone much technological change to cut costs and maintain its competitiveness. This has had a big impact on the human resource processes. Advancements in technology have meant that Qantas has to acquire staff with the right skills to match its technological requirements. It also allows Qantas to use different methods of recruitment such as online through sites like Seek and use different methods of selection such as psychological testing. Technological change has increased the need to

training and development. Qantas spends over \$275 million on training and development a year. For example new planes have meant that Qantas pilots have had to spend many hours training in flight simulators. Technological changes reduce the need for labour increasing involuntary separation. For example new aircraft require significantly less servicing than older planes. This resulted in engineers being made redundant. New processes at Qantas like self-service kiosks and on-line check in are also good examples.

Sample Question 8

How can global financial strategies reduce the risks involved in financial transactions?

Qantas is exposed to many financial risks in its international operations. For example Qantas is exposed to changes in exchange rates because purchases of fuel, new planes and lease payments are denominated in foreign currency (usually \$US). Changes in exchange rates also affect travel decisions by Australians and overseas tourists. Qantas is also exposed to changes in interest rates because of the impact on their loan repayments.

Like many global businesses Qantas uses a number of strategies to minimise the impact of these financial risks. This process is known as hedging. Hedging tools (derivatives) used by Qantas include forward cover, options and swaps. Forward cover involves Qantas entering into a forward exchange contract to exchange one currency for another at a date in the future at a predetermined exchange rate. An option gives Qantas the right either to buy or sell a financial instrument at a specified price. Swaps involve foreign currency denominated costs of Qantas being paid out of revenues in the same currency.

Sample Question 9

Analyse the relationship between market segmentation and marketing strategies.

Qantas has a number of distinct target markets (derived from market segmentation). Qantas divides up the market of potential customers into groups based on certain characteristics. These groups share similar traits and respond similarly to Qantas' marketing strategies. Qantas uses behaviour segmentation (trip purpose) to select its target market. Customers are distinguished by the reason why they travel.

The implication is that each separate target market has its own personalised (custom) set of marketing strategies. For example, marketing strategies employed by Jetstar and very different to those employed by Qantas Business Class.

Jetstar (Qantas' budget airline) targets cost sensitive domestic and international leisure travellers. Because this target market is budget conscious Qantas uses a penetration pricing strategy and lots of sales promotions (short-term inducements). To keep prices low Qantas tailors its product strategies and uses limited comfort-based features (packaging) such as inflight entertainment, meals, seat comfort, Wi-Fi etc.

Qantas Business Class (Qantas premium airline) targets business travellers on domestic and international routes. Because this target market is not price sensitive like Jetstar (businesses usually pay for these tickets not individuals) Qantas's uses skimming pricing and emphasises its frequent flyer scheme (relationship marketing). There are also lots of comfort-based features like lounges, Wi-Fi, more seat width, even a Skybed, menus from international chefs, inflight entertainment, flights to the main capital cities in Australia every 30 minutes etc.

The implication of Qantas tailoring its marketing strategies to better meet the needs of its target market (through market segmentation) is increased sales, continued strong market share and stellar profits over the last few years.

Sample Question 10

Evaluate the effectiveness of financial management strategies used to achieve profit and growth objectives

Profitability is the ability of a business to make a financial return from its business activities. It is achieved by increasing revenue and decreasing costs. Profits are also a main source of finance for the growth of the business.

Prior to COVID-19 Qantas had posted outstanding and record results since 2014. In fact, Qantas was one of the most profitable airlines in the world. Successful strategies to increase revenue included partnerships with partners like Emirates to expand their network, targeting new markets with the growth of Jetstar and Jetstar International into markets like China and improved marketing strategies. Successful strategies to reduce costs included fuel hedging, outsourcing, fleet restructuring, aligning business into cost centres and reforming employment relations practices.

Qantas was on track for another massive profit of more than 1 billion in 2020 when the COVID-19 crisis struck. Despite a 21% fall in revenue in 2020 Qantas still posted a \$124 million profit. Qantas fared much worse in 2021 and 2022 posting a \$1.8 and \$1.9 billion loss due to COVID-19 travel restrictions and border closures. This is an excellent result given the circumstances as many other airlines have reported massive losses for the same period and some like Virgin Australia have already gone bust.

Qantas' profitability recovery plan includes standing down staff, retiring and grounding aircraft, cutting its share buyback, deferring dividends, minimising capital expenditure to cut a massive \$1 billion a year off its cost base for the next few years. After this substantial back end rebuild Qantas expects to return to profitability in 2023 showing a new leaner airline taking flight.

Qantas Growth refers to the increase in the size and value of a business in the long term. Growth is important because it helps maximises shareholder returns.

Prior to COVID-19 Qantas was growing very successfully. Shareholders were receiving healthy dividends and its share price was \$7.40 in Dec 2019 (up from \$1.40 in 2014). This was achieved by Qantas:

- Launching new airlines in Asia under the Jetstar brand
- Expanding new routes largely in Asia
- About to launch new long-haul routes from Sydney to London and New York (Project Sunrise)
- Purchasing new Boeing and Airbus aircraft
- Opening new pilot academies in regional Queensland

Qantas has had to curtail its growth objectives because of COVID-19. Qantas had a much smaller operation and network as both domestic and international travel was halted. Qantas grounded around 100 aircraft including most of its international fleet, put all its Airbus A380's into storage in the Mojave Desert, deferred deliveries of new planes, stood down staff as well as making 9000 redundant.

With borders reopening Qantas has targeted growth with several major fleet decisions that will reshape its international and domestic networks over the next decade. Qantas has also recommitted to Project Sunrise and purchased TripADeal and Alliance Aviation.

Sample Question 11

Analyse how a situational analysis (SWOT, product life cycle) may affect marketing strategies.

A situational analysis is a preliminary evaluation of the market. It is used to analyse a businesses internal and external environment (SWOT) and stage in the product life cycle (Introduction, growth, maturity, and decline). It is an understanding of the businesses current position and as such determines the choice of marketing strategies employed by the business.

Qantas's marketing strategies have been affected by the situational analysis confronting the business.

Pre- COVID Qantas had been reporting record profitability. It had reduced its debt, upgraded its credit rating and was looking to expand into Asia to take advantage of the growth in the region. The domestic and international economy was strong. Its services were either in the growth or maturity stage of the PLC with strong sales and lots of competition on domestic and international routes. This had implications on Qantas' marketing strategies. For example, new planes were ordered for fleet renewal and growth. New airlines under the Jetstar brand were launched in Asia. Packaging (comfort based) features such as high-speed Wi-Fi and refurbishment of international lounges were added. Long haul routes to London and New York were to be launched.

With the onset of COVID Qantas experienced sharp falls in revenue and made significant losses in 2021 and 2022. Border closures and lockdowns ground international and domestic travel and caused the weakening of the domestic and international economy. Qantas services were now in the decline stage of the PLC with all airlines experiencing a sharp fall in sales. This had implications on Qantas' marketing strategies. For example, Qantas had to put most of its marketing strategies on hold, ground its fleet and defer orders of new planes. To promote customer loyalty Qantas gave customers the flexibility to cancel their bookings or retain the value as travel credit when their plans were disrupted.

Post COVID Qantas has ramped up its marketing strategies in line with the easing of restrictions. A multi-million dollar order to replace their domestic fleet kicks off in 2023. Project Sunrise is to launch in 2025. New international and domestic routes have been added as Qantas relaunches its services. Penetration pricing and sales promotions were initially employed to encourage people to resume flying. More recently airfares have increased to match pent up demand and increases in fuel prices. New promotional (advertising) campaigns have been launched. Upgraded kiosks have been unveiled that make the check in process faster.

Sample Question 12

Explain the importance of having human resource strategies that reduce workplace disputes and increase worker satisfaction

Workplace disputes and worker satisfaction are two indicators used by Qantas to measure the effectiveness of their human resource strategies.

Workplace disputes are where conflict emerges in the workplace. Workplace disputes usually arise in enterprise bargaining over remuneration, employee conditions and job security. Workplace disputes are vitally important to Qantas because they reduce morale and can lead to employee's taking industrial action including work stoppages. This can disrupt Qantas services adversely affecting business performance which can harm Qantas' reliability and brand. Qantas employs grievance procedures to solve workplace disputes. These include negotiation, mediation, conciliation, and arbitration.

A large proportion of employees are represented by unions and party to EBA's. In the past Qantas has been plagued by industrial issues arising from management decisions to axe jobs, casualise the workforce, establish low-cost carriers based on poorer wages and conditions, outsource functions, and take a hard line in EBA negotiations.

Because of COVID several Qantas' EBA's were put on hold but are now back on the drawing board. There is currently lots of industrial tension among key staff including baggage handlers, engineers and pilots over pandemic redundancies and outsourcing. Several unions have already taken industrial action which has disrupted day to day operations potentially leading to reputational damage.

Worker satisfaction is how content employees are with their job. Worker satisfaction is vitally important to Qantas because it directly impacts motivation, productivity, staff turnover and therefore profitability. Qantas employs several human resource strategies to increase worker satisfaction including democratic leadership style, well designed jobs, flexible working condition training and development, performance management and rewards.

Prior to COVID worker satisfaction at Qantas was generally high. Qantas was even named the most attractive place to work in the Randsted. Employer Brand Awards. However, many employees are feeling bruised from COVID because of layoffs and operational glitches when Qantas resumed flying which could affect worker motivation and productivity.

Glossary of Terms

acquisition:	.....takeover or merger by one company of another
amortisation:	.....process of covering the cost of a capital investment
arbitration:	.....process by which a third party (arbitrator) makes a binding decision on parties in an industrial dispute
assets:	.....tangible and intangible property owned by a firm
board of directors:	.....persons elected by the shareholders to run a company
backward integration:	.....business expansion through control of resources
business life cycle:	.....stages in the growth of a firm from establishment to maturity
balance sheet:	.....financial statement showing assets, liabilities and owners' equity at a particular date
capital:	.....shareholders' equity plus reserves plus retained profits
cash flow statement:	.....financial statement of cash inflows and outflows
code sharing:	.....agreement by competing airlines to sell each others' tickets
conciliation:	.....process by which a third party (conciliator) attempts to achieve agreement by parties to an industrial dispute
cost leadership:	.....gaining a competitive advantage by lowering costs
credit risk:	.....risk of default on a debt
corporations law:	.....legislation setting out the legal requirements for the operation of a company
cross currency swaps:	.....a derivative product involving buying or selling a foreign currency then reversing the transaction at a future date
customer service:	.....how well the business meets the needs of its customers
customisation:	.....giving customers more options
deregulation:	.....removal of government regulations in a market
discount airline:	.....an airline selling discounted tickets to budget travellers
dividend:	.....payment out of company profits to shareholders
downsizing:	.....reduction in workforce size through restructuring
duopoly:	.....market in which there are only two competing firms
economies of scale:	.....reductions in unit costs of a firm as it increases its output
efficiency:	.....use of resources effectively to achieve financial stability and profitability
E-commerce:	.....business conducted using the Internet
employment relations:	.....relationship between employers and employees
enterprise bargaining:	.....wage negotiations based on productivity improvements
environmental sustainability:	.....long term maintenance of the environment for future generations
exchange rate:	.....price of one country's currency in terms of another's
fair work act:	.....sets out the conditions of workplace law
forecasts:	.....estimates of future trends based on past and present trends
forward cover:	.....purchase or sale of foreign currency in the future to minimise risks from currency fluctuations
forward integration:	.....business expansion through control of marketing and sales
frequent flyer programme:	.....system of rewards offered by airlines to repeat customers
gearing:	.....proportion or ratio of debt to equity borrowings
global business:	.....business conducted across national boundaries
globalisation:	.....liberalisation of trade leading to a single world market
gross profit:	.....sales minus cost of goods sold
hedging:	.....using financial futures to minimise risks from currency, interest rate or commodity price fluctuations
inputs:	.....resources that are transformed in operation

internet:international network of computer information and communication

job design:way a job is organised

labour:human effort used in the production of goods and services

leading edge technology:technology still undergoing development

liabilities:debts that have to be repaid by a firm

lease:agreement to use land or capital in return for payment

liquidity:ability to meet short term financial obligations

logistics:ensuring all the physical inputs are in the right place and the right time

loss leading:a marketing strategy based on sale of a product at a loss to gain market recognition, brand image and/or market share

management:process of achieving business goals through other people

marketing:process of making consumers aware of products or services

marketing mix:use of product, price, promotion and place strategies

marketing objectives:goals established in the marketing plan

market segmentation:dividing a market into various groups of consumers

market share:proportion of a market serviced by a firm

marketing strategies:tactics used to market products and services

monopoly:market situation in where there is only one firm

nationalisation:government takeover of ownership of a private industry

net profit:gross profit minus all other operating expenses

options:right but not obligation to buy or sell derivative products

outputs:final service delivered the customer

outsourcing:process of contracting out work or services to other firms

performance appraisal:method used to evaluate job performance

place:geographic distribution of products and services

predatory pricing:strategy of undercutting competitors' prices to reduce their revenue and profits

price:relative value of a product or service in a market

privatisation:sale of public assets to the private sector

product:tangible good sold in a market

productivity:output per unit of input over time

profitability:where firms' total revenues exceed total expenditures

ratio analysis:use of financial ratios to examine financial trends

recruitment:providing a pool of qualified applicants

redundancy:terminations of staff who are no longer needed

revenue:price multiplied by the quantity sold of a good or service

revenue statement:financial statement showing revenue and expenditure for a certain period of time

solvency:a firm's financial stability in the long term

strategic alliance:relationship between two or more firms for mutual benefit

Trade Practices Act:legislation setting out competition principles for firms

trade union:organisation of employees that uses collective action to achieve industrial aims such as higher wages and improved working conditions

transformation process:taking inputs and turning them into outputs through rights: government permission for airline landing rights

vertical integration:business expansion through control of various stages of production

wage freeze:situation where a firm seeks to eliminate wage increases over a period of time

List of Abbreviations

ACCC:	.....	Australian Competition and Consumer Commission
AIPA:	.....	Australian and International Pilots Association
AIRC:	.....	Australian Industrial Relations Commission
ALAEA	.....	Australian Licenced Aircraft Engineers Association
AMWU:	.....	Australian Manufacturing Workers' Union
APA	.....	Airlines Partners Australia
APESMA	.....	Association of Professional Engineers, Scientists and Managers of Australia
ASIC	.....	Australian Securities and Investment Commission
ASK:	.....	Available Seat Kilometres
ASU:	.....	Australian Services Union
ASX:	.....	Australian Stock Exchange
ATC:	.....	Australian Tourist Commission
AWA:	.....	Australian Workplace Agreement
AWU:	.....	Australian Workers' Union
BA:	.....	British Airways
BRW:	.....	Business Review Weekly
CASA:	.....	Civil Aviation Safety Authority
CEO:	.....	Chief Executive Officer
COVID-19:	.....	Coronavirus disease of 2019
CRS:	.....	Computer Reservations System
DVT:	.....	Deep Vein Thrombosis
EBA:	.....	Enterprise Bargaining Agreement
EBIT:	.....	Earnings Before Interest and Tax
EEO:	.....	Equal Employment Opportunity
EGM:	.....	Executive General Manager
FAAA:	.....	Flight Attendants Association of Australia
FDI:	.....	Foreign Direct Investment
FFS:	.....	Frequent Flyer Schemes
GFC:	.....	Global Financial Crisis
HCN:	.....	Host Country National
HP:	.....	Hire Purchase
HRM:	.....	Human Resource Management
IATA:	.....	International Air Transport Association
IT:	.....	Information Technology
KPI:	.....	Key Performance Indicators
LWCFR:	.....	Lost Work Case Frequency Rate
PC:	.....	Personal Computer
QA:	.....	Quality Assurance
QC:	.....	Quality Control
QI:	.....	Quality Improvement
QANTAS:	.....	Queensland and Northern Territory Aerial Service
R&D:	.....	Research and Development
RPK:	.....	Revenue Passenger Kilometres
RSF:	.....	Revenue Seat Factor
SARS:	.....	Severe Acute Respiratory Syndrome
SCM:	.....	Supply Chain Management
TNA:	.....	Trans National Agreement
TRIFR:	.....	Total Recordable Injury Frequency Rate
SMS:	.....	Short Message Service
TWU:	.....	Transport Workers' Union
UPBT:	.....	Underlying Profit Before Tax
VFR:	Visiting Friends and Relatives
WH&S:	Work Health and Safety
WRA:	Workplace Relations Act

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