

# Qantas 2024

HSC business case study

eBook

by David Broadbridge  
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# Qantas

# 2024

HSC business case study

by David Broadbridge

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



24th edition

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**DEDICATION**  
For Jacki & Tara

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PO Box 684

Mona Vale NSW 1660

Phone: 0425 235 442

Email: [sales@businesscasestudy.com.au](mailto:sales@businesscasestudy.com.au)

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The views expressed in this book do not necessarily reflect the views of Qantas management. Qantas is part of a rapidly changing industry and it is likely that information which was correct at the time of printing may become out of date and inaccurate over time. The author has relied on his own research for the accuracy of the information used. Information about recent developments at Qantas is publicly available and can be obtained through the Qantas web site at [www.qantas.com](http://www.qantas.com)

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**CONTENTS**

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<b>Chapter 1</b>	The History of Qantas	5
<b>Chapter 2</b>	Operations	9
<b>Chapter 3</b>	Marketing	31
<b>Chapter 4</b>	Finance	51
<b>Chapter 5</b>	Human Resources	67
<b>Chapter 6</b>	Using the Qantas Case Study in the HSC	89
<b>Glossary of Terms</b>		99
<b>List of Abbreviations</b>		101

## FOREWORD

The Qantas HSC Business Case Study, now in its 24th edition with over 70,000 copies sold, stands as an exceptional resource for HSC Business Studies. It seamlessly aligns with the NSW Syllabus and spotlights an iconic Australian brand that students readily recognise. Qantas consistently graces the headlines and business sections of the press, particularly in recent times. With so much unfolding in the world of Qantas, we offer monthly Qantas Business updates on our Blog: <http://businesscasestudy.com.au/news/>.

Gratitude to Mr. Michael Sharp, former Head of Public Affairs at Qantas, and Rodger Robertson, UNSW lecturer in Airline Marketing, for their invaluable guidance and shared insights. Thanks to trade unions ASU, FAAA, AIPA, AMWU, ALEA, AFAP, APESMA, and AWU for their valuable contributions. We hope this case study remains a valuable resource for students and teachers.

David Broadbridge  
January 2024

# CHAPTER 1

## The History of Qantas

Qantas, Australia's largest airline, primarily focuses on passenger transportation but also plays a significant role in air freight. Additionally, Qantas is involved in operations like catering, tourism, and e-commerce.

Founded in 1920 in the Queensland outback, Qantas is the world's second-oldest airline and the oldest in the English-speaking world. Pioneer aviators Hudson Fysh, Paul McGinness, and Fergus McMaster established the Queensland and Northern Territory Aerial Service (QANTAS) Limited. Initially offering joyrides and air taxi services with one aircraft, the company commenced regular scheduled mail and passenger services in November 1922.



Qantas Poster (1929)



Qantas Poster (1930)

source: [www.chariot.net.au](http://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. Collaborating with Britain's Imperial Airways in 1934, they formed Qantas Empire Airways for the London to Australia mail route's final leg (Singapore to Brisbane).

Qantas acquired the British share of Qantas Empire Airways in 1947, and after obtaining long-range pressurised Constellations, it conducted its first independent Sydney to London flight. Qantas was nationalised in the same year when the Commonwealth Government purchased the airline.

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

Qantas changed its name to Qantas Airways Limited in 1967 and expanded its network with new jets, including placing an order for the Boeing 747. In 1987, Qantas acquired a stake in Fiji's Air Pacific. Further acquisitions comprised Australia-Asia Airlines in 1989 and a 20% stake in Air New Zealand in 1990, which was later 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 debuted on the Australian Stock Exchange (ASX).

In 1999, Qantas joined the world's largest airline alliance, Oneworld, initially comprising Aer Lingus, American Airlines, British Airways, Cathay Pacific, Finnair, Iberia, LanChile, and Qantas.

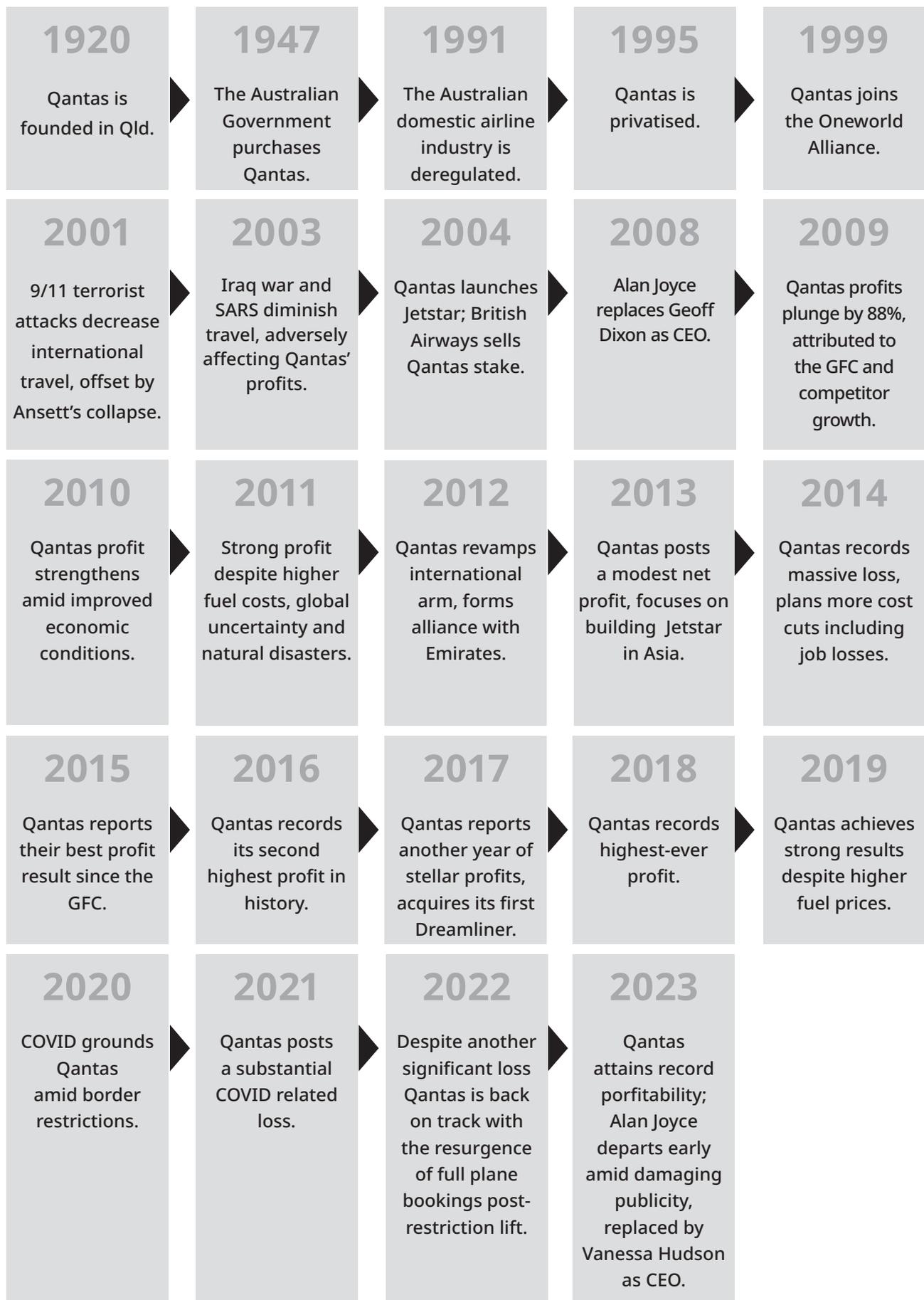
The 9/11 attacks in the USA in 2001 significantly impacted Qantas and other airlines, causing a decline in international travel demand. The following day, Ansett Australia went bankrupt, providing a lifeline for Qantas. This boosted Qantas' domestic market share from 56% to over 80%, leading the airline to redirect resources from struggling international routes to strengthen operations within Australia.

In 2003, Qantas faced further challenges with the Iraq War and the SARS outbreak, resulting in significant profit losses, particularly on international flights. Tourism to Australia declined by over 20% in some months, dropping by up to 45% on specific Asian routes.

Qantas launched Jetstar in 2004, a budget airline, to compete with Virgin and attract more leisure travelers. The same year, they also cut ties with British Airways after British Airways sold its stake in Qantas to other investors.

In 2006, Qantas closed Australian Airlines and launched Jetstar International and in 2007, there was an unsuccessful \$11.1 billion takeover attempt by Australian Partners Australia (APA).

Qantas achieved a record net profit of \$970 million in 2008, welcomed its first A380 aircraft, and underwent a leadership change with Alan Joyce taking over as CEO from Geoff Dixon. However, the global economic downturn in 2009 led to an 88% decline in Qantas' profits, despite efforts such as grounding planes, delaying or canceling new aircraft orders, and raising \$500 million from investors.



### Qantas Time Line 1920 – 2023

In 2010, Qantas achieved robust profits, driven by Jetstar's success. Despite challenges from natural disasters in 2011, such as Cyclone Yasi and earthquakes, Qantas saw a 46% profit increase. However, heightened outsourcing sparked union conflicts (pilots, engineers, baggage handlers), causing industrial actions, flight cancellations, and delays for customers.

Qantas reported a \$95 million profit in 2012, influenced by international losses, labor disputes, and fierce competition, particularly with Virgin Australia on domestic routes. Yet, in 2013, Qantas doubled its earnings to \$192 million, successfully navigating challenges in international and domestic competition and dealing with high fuel costs.

In 2014, Qantas reported a \$646 million loss and announced 5000 job cuts. However, there was a notable turnaround in 2015, with a \$975 million profit, earning Alan Joyce the CAPA – Centre for Aviation airline chief of the year.

Qantas rebounded in 2016, reporting a \$1.53 billion profit, fully recovering from its losses two years earlier. Subsequently, there were profits of \$1.4 billion in 2017, \$1.57 billion in 2018, and \$1.3 billion in 2019.

Qantas anticipated a significant profit in 2020 before COVID-19 struck. Due to the global pandemic, Qantas' profit plummeted by 91%, leading to the hibernation of much of the airline to minimise financial impacts. Qantas reported a substantial loss of \$1.8 billion in 2021, highlighting the impact of a full year of closed international borders and 330 days of domestic travel restrictions.

In 2022, despite border reopenings, Qantas reported a \$1.9 billion loss due to lingering COVID impacts on air travel. Resuming operations, the airline faced challenges, resulting in a diminished reputation and brand perception from a decline in customer standards.

Qantas swiftly returned to profitability in 2023, posting a record \$2.47 billion profit. However, the celebration was short-lived as turmoil ensued, including a Senate Committee investigation, a lawsuit over travel credits, accusations of misleading conduct by the ACCC, allegations of anticompetitive behavior, and a High Court ruling that deemed Qantas unlawfully outsourced its ground handling operations. Former CFO Vanessa Hudson stepped in as CEO, accelerating Alan Joyce's retirement.

# CHAPTER 2

## Operations

### Role of Operations Management at Qantas:

1. Strategic role  
(cost leadership, differentiation)
2. Interdependence with other key business functions.

### Influences on Operations Management at Qantas:

1. Globalisation
2. Technology
3. Quality expectations
4. Cost based competition
5. Government policies
6. Legal regulation
7. Environmental sustainability
8. Corporate social responsibility

### Operations Management Processes at Qantas:

1. Inputs (transformed and transforming resources)
2. Transformation processes (influence of 4V's, scheduling, sequencing technology, task design, process layout etc)
3. Outputs (customer service)

### Operations Strategies at Qantas:

1. New product design and development
2. Supply chain management
3. Outsourcing
4. Technology
5. Inventory management
6. Quality control
7. Overcoming resistance to change
8. Global factors

### Effectiveness of Operations Management at Qantas:

Indicators – quality, speed, dependability, flexibility, customisation, cost

## The Role of Operations

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Operations is about how Qantas gets things done. Operations at Qantas is the core driver of business, playing a pivotal role in revenue generation, employing the majority of labor, handling the majority of expenditures, interfacing directly with customers, and managing the largest share of business assets. It serves as the engine room that drives the business.

Operations management at Qantas involves real-time decision-making, overseeing tasks like flight scheduling, handling industrial disputes, managing staffing levels, addressing emergencies, and resolving customer complaints.

Qantas' Operation Management division has shown agility in responding to various challenges such including terrorism, pandemics like COVID and SARS, fuel price fluctuations, volcanic eruptions, global economic downturns, and competition from 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 implemented. The relationship between Qantas' strategy and its operations is a key determinant of its ability to achieve long term success or ensure its survival.

### b) Cost Leadership

Qantas gains a competitive advantage by minimising production costs, focusing on key expenses like staff, maintenance and fuel. The aim is to use the fewest inputs to deliver one unit of output.

To attain cost leadership, Qantas has cut costs by \$5 billion in the past six years and plans to reduce an additional \$330 million in 2024.

Qantas employs various cost leadership methods:

- **Economies of Scale:** Size plays a critical role in the aviation industry. Larger airlines, like Qantas, benefit from economies of scale, resulting in cost reductions due to their size. Overhead costs per passenger decrease as fixed costs are spread across more passengers. Qantas also secures better deals from various suppliers, with aircraft manufacturers and fuel suppliers being the most significant.

Qantas also achieves economies of scale through the formation of strategic alliances. These alliances provide access to a larger route network while maintaining independence and sharing resources including airport lounges, ground crews, and booking systems.

Qantas is a founding member of the Oneworld Alliance with 13 leading airlines, including Cathay Pacific, American Airlines, British Airways, and others. Qantas also has separate partnerships with Emirates and American Airlines, along with code-sharing arrangements with other carriers.

- **Standardisation:** The more variations to Qantas' services such as the types and frequency of routes the higher production cost per unit. Qantas has recently reduced some services to specific destinations to lower costs.
- **Technology:** Qantas leverages technology to cut production costs. Digital advancements in online booking, ticketing, and check-in reduce the need for customer-facing staff, lowering labor costs. Newer, more efficient planes decrease fuel and maintenance expenses, and the Flight Pulse app minimises fuel consumption through flight analytics.
- **Waste Minimisation:** Qantas minimises production costs by implementing waste reduction measures, including recycling, energy-efficient lighting, water-saving devices, and sustainable design, resulting in reductions in electricity, water, and waste.

### c) Differentiation of Product/Service

Qantas distinguished itself from its competition by differentiating its products and services (adding features):

- Qantas is Australia's largest airline, providing extensive domestic and international coverage with 65 domestic destinations, frequent flights between major cities, and service to 32 international destinations in 23 countries.
- Jetstar targets price-conscious customers with a "no-frills" service, while Qantas is a full-service airline offering amenities like meals and inflight entertainment.
- Qantas provides First, Business, Premium Economy and Economy on international flights and Business and Economy on domestic flights,
- Qantas improves passenger comfort with amenities like skybeds, special menus, lounges, online check in and self service kiosks.

### d) Interdependence with Other Key Business Functions

Operations are central at Qantas, relying on coordination with human resources, finance, and marketing. These functions support and complement operations, essential for the successful transformation of inputs into final outputs.

The operations function heavily relies on human capital (people) as a major input. They communicate their human resource needs to the Human Resources department, which is responsible for recruiting, training, and retaining operational staff.

The finance function is responsible for monitoring, recording, and analysing financial transactions. It provides regular and periodic reports on financial performance to support operational management and decision-making. Operational activities like purchasing and leasing new planes rely on available funds.

The marketing function plays a crucial role in connecting operations with customers by providing market requirements. Operations influence marketing decisions by determining capabilities and constraints in pricing, product design, and promotion.

## 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 their inputs based on the criteria of lowest overall cost, consistent quality, and timely delivery. There can be cost savings by locating some business operations in different countries. Qantas has increasingly outsourced certain functions, such as maintenance and IT, to lower operational costs.

Globalisation has enabled Qantas to access new markets overseas, with over 70% of Qantas' assets geared toward the global market, including 50% focused on Asia. Qantas aims for growth by expanding into new overseas markets, enhancing shareholder returns, improving customer service, and promoting the international recognition of the Qantas brand. Qantas has recently established a number of low-cost airlines in Asia under the Jetstar brand to capitalise on the growth in that region.

However, globalisation also exposes Qantas to increased international competition. Additionally, Qantas has to compete on an uneven playing field, as 70% of the 40 airlines that operate to and from Australia receive financial and bureaucratic assistance from their respective governments. These subsidised airlines distort the market, making it challenging for Qantas to compete.

## 2) Technology

The adoption and ongoing technology upgrades are inherent to Qantas ability to maintain cost leadership and a competitive edge, enabling superior service. This may lead to lower total labor costs, but up-skilling staff might incur increased training costs and higher wages for existing employees.

Qantas utilises new, efficient Airbus and Boeing planes with increased capacity, lower fuel consumption, and enhanced passenger experience (bigger windows, quieter, higher humidity and cabin pressure to reduce jet lag). The airline introduced the Perth-London route in 2018 and plans to launch direct flights from the east coast of Australia to New York and London (Project Sunrise) in 2025.

Advancements in in-flight entertainment systems and seating have made travel more comfortable. Qantas has introduced inflight Wi-Fi on its domestic services and plans to extend this to its international fleets technology continues to improve.

New technological developments in data capture and digital transformation allows customers to book and check-in online, eliminating the need for queues. This allows Qantas to save money on paper costs and personnel. The collection of detailed data has enabled Qantas to target and personalise its 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 by Skytrax, the global benchmark for airline quality, covering airport, onboard products, and services.

Qantas' ongoing success hinges 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.

Operations at Qantas face continual pressure to meet and exceed customer expectations, encompassing punctuality, comfort features like online check-in, kiosks, in-flight entertainment, and service quality from cabin and ground staff. Qantas is also sensitive to evolving customer preferences, changes in consumer sentiment, and environmental considerations impacting travel choices.

Qantas faced severe criticism for a drop in customer standards when it resumed operations after the COVID pandemic. This included chaos at airports, mishandled baggage, long waiting times at its call centers, and flight delays. These operational issues adversely affected brand preference.

## 4) Cost-based Competition

The aviation markets in which Qantas operates are highly competitive. Competitors include major foreign airlines, some of which are government-owned or controlled, and some with greater financial resources and lower cost structures than Qantas.

Australia's aviation policies foster a highly competitive environment, allowing liberal entry rights for domestic and international markets. This has attracted foreign competitors, intensifying competition for passengers, particularly on international routes.

To stay globally competitive, Qantas maintains a constant focus on minimising costs through technology adoption, alliances, outsourcing, human resource reforms, and operational restructuring.

### 5) Government Policies

Qantas is affected by policies from three government levels in Australia—Local, State or Territory, and Federal. Government policies have significantly impacted Qantas. For example, economic policies (monetary, fiscal policy etc) can have a direct impact on the level of national economic activity thereby affecting the demand for Qantas' services.

Industrial Relations Legislation significantly affects how Qantas operates. For example, it determines the way pay rates and other conditions of work are negotiated between Qantas and its employees. The Albanese government has recently 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 has resulted in reduced profitability for Qantas.

Qantas faced hundreds of millions of dollars in expenses due to the Carbon Tax introduced by the 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 focused on stopping the spread of the Coronavirus. Both federal and state governments 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 and cuts to domestic flight routes.

### 6) Legal Regulation

To remain in operation, a business like Qantas must adhere to regulations and laws established by various levels of government in Australia, with penalties for non-compliance that can be quite severe. Here are some specific examples:

- Qantas is subject to the regulatory oversight of the Civil Aviation Safety Authority (CASA) and is mandated to maintain operating licenses.
- Under the Qantas Sale Act 1992, the Federal Government imposes restrictions on foreign investment, limiting it to 49%, which in turn restricts the company's access to equity capital.
- The Federal Government mandates random alcohol and drug testing for safety-sensitive roles within the company.

- Additionally, the Federal Government implements security regulations aimed at countering terrorism.
- State Government regulations, such as those pertaining to occupational health and safety (OH&S), anti-discrimination, and workers' compensation, also apply to Qantas.
- Qantas is regulated by the ACCC, which enforces the Competition and Consumer Act to ensure fair competition. Qantas has faced penalties, including a \$20 million fine for raising freight charges. The ACCC also took legal action against Qantas for selling tickets for over 8,000 cancelled flights in 2022. Approval from the ACCC is required for Qantas' alliances. Recently the ACCC blocked Qantas' Alliance Aviation acquisition and terminated its alliance with China Eastern.

## 7) Environmental Sustainability

There is a growing scrutiny of the airline industry's carbon footprint. Flying contributes around 2.5% of all global man-made CO<sub>2</sub> emissions. Airlines, including Qantas, are making efforts to showcase their environmental commitment. However, transitioning to eco-friendly practices presents a substantial challenge for the airline sector. Aircraft are designed to operate on fossil fuels, and although sustainable alternatives exist, the production of such alternatives is insufficient to power more than a small fraction of the world's flights.

Governments may impose taxes on airlines based on their carbon footprint, and with travelers actively seeking more sustainable options, much is at stake.

Qantas has recently introduced environmentally sustainable initiatives under its Climate Action Plan, which includes:

- Targeting a 25% reduction in net carbon emissions by 2023 and net zero emissions by 2050. This will be accomplished through fleet renewal, the use of commercially viable biofuels, the incorporation of lightweight equipment like slimline seats and carbon fiber food service trolleys, optimising flight planning using satellite technology, and implementing a carbon offset scheme.
- Decreasing electricity consumption by introducing a new tri-generation plant in Sydney, employing electric ground support equipment to service aircraft between flights, and installing LED lights.
- Minimising water consumption by utilising recycled water for aircraft cleaning.
- Committing to achieve zero single-use plastics by 2027, by using products in compostable or recycled packaging.
- Setting the goal to make all Australian-based operations completely free of general waste by 2030, which includes flights, lounges, and office buildings
- Pioneering Australia's first dedicated sustainable aviation fuel refinery in Queensland, utilising sugar cane waste and other agricultural by-products to produce jet fuel.

## 8) Ethical and Social Responsibility

Modern society demands businesses, like Qantas, go beyond mere profitability and legal compliance. There is a broader public expectation for businesses to conduct themselves ethically and socially responsibly. Operations management at Qantas must consider the consequences of decisions on stakeholders, ensuring social and moral responsibility.

Examples of ethical and social responsible behaviours at Qantas include:

- Operating a health surveillance program that continually monitors workplace conditions to improve the quality of working life. . Additionally, they implement flexible work practices to promote work-life balance.
- Launching the Reconciliation Action Plan, a program aimed at employing Indigenous Australians and supporting Indigenous suppliers.
- Investing 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).
- Enforcing strict requirements on its suppliers, prohibiting the use of child labor, forced labor, or involuntary labor.
- Providing support and secondary employment opportunities to staff who were impacted by ongoing stand downs from COVID.
- Taking a leading stance on vaccinations and employee mental health.
- Operating repatriation flights to bring Australians home during COVID-19 and out of Israel.

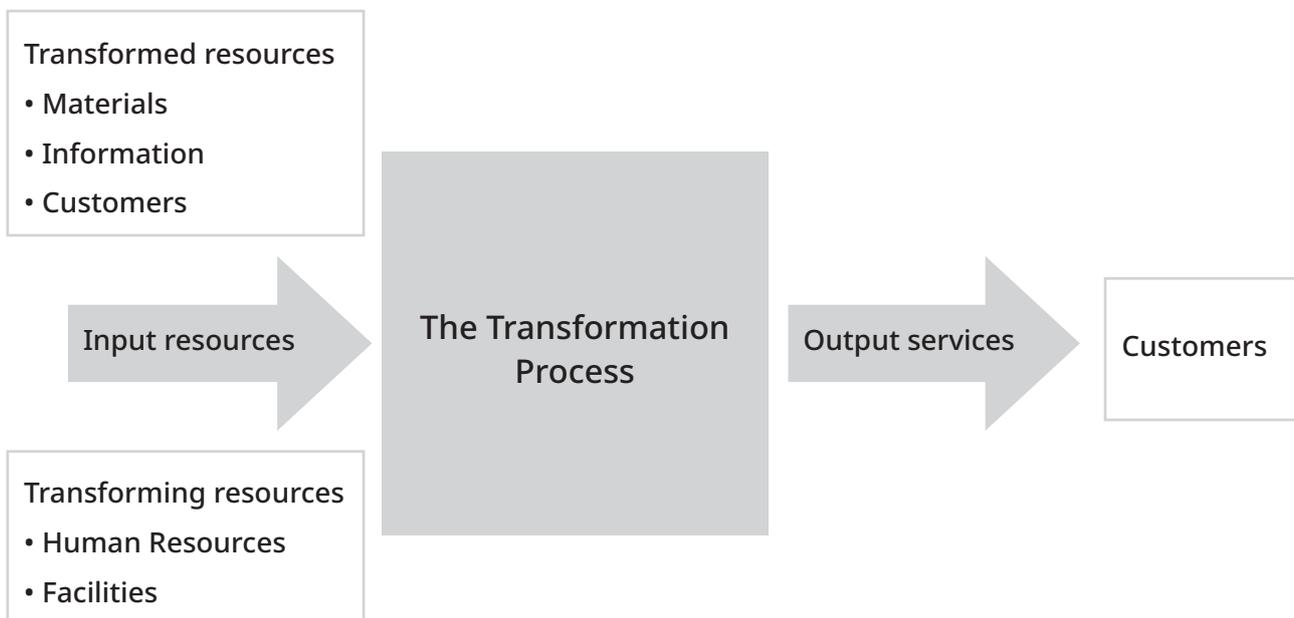
Recently Qantas' ethical and social responsibility has come under scrutiny due to:

- Resistance in repaying any of the \$2 billion it received in corporate welfare, including JobKeeper, during the pandemic, despite downsizing staff and achieving substantial profitability.
- Accusations of misleading and deceptive conduct by the ACCC.
- Accusations of engaging in anti-competitive behaviour after the federal government blocked Qatar Airways' attempt to increase flights to Australia.
- Illegal outsourcing of baggage handling during COVID.
- Achieving record profitability at the expense of soaring ticket prices, record complaints concerning flight delays, lost luggage, cancellations, credits and refunds and a sharp decline in trust among customers.

## 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 resources undergo changes as a result of the operations processes. The primary transformed resources include:

- **Materials:** Two broad categories of materials are used as inputs to the operations process:
  - Raw materials are substances in their natural state, such as mineral ore, timber, oil, and water. For Qantas, the prime example is fossil fuel.
  - Intermediate goods are those that have undergone some transformation from their 'raw' state and are used as inputs for further processes. For Qantas, examples include food ingredients, stationery and computers.
- **Information:** Qantas relies on accurate information from internal and external sources for efficient operations. External sources include government statistics, market reports, media, and academic papers. Internally, the focus is on financial and operational statistics. Information becomes a transformed resource when the gathered data is analysed and used as direct inputs into business processes. For Qantas, individual customer bookings (information), made online

or through Qantas or a travel agent, are analysed and transformed into decisions regarding which aircraft to use and which services to offer.

- Customers. Customers themselves become transformed resources when they use the products or services offered by the business. In the case of Qantas, customers undergo transformation by having their location changed from their starting point to their new destination.

### *b) Transforming Resources*

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

- Human Resources (Labour). Termed Human Capital, these individuals at Qantas cover diverse roles such as cleaners, baggage handlers, pilots, sales managers, and others. They handle input assembly, machinery operation, sales fulfillment, output distribution, and customer interaction management.
- Facilities (Capital). These are the physical assets that are either owned or leased, essential for the production of the business output. For Qantas, these assets encompass terminal buildings, maintenance facilities, spare parts inventory, aircraft, and even computer systems and motor vehicles.

## **2. Transformation Processes**

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

Operational processes must focus on determining the quantity of output to produce. The transformation processes required to meet this demand are influenced by factors referred to as the 'Four V's.'

- a) V1 – Volume: How much output is produced. High volume routes such as the Sydney to Melbourne route, utilise large aircraft to lower unit costs. This route ranks as the second highest revenue generating route in the world.
- b) V2 – Variety: The mix of outputs produced. The greater the number of variations in output, the more complex the transformation process becomes. Qantas, with its diverse range of destinations, necessitates a flexible transformation process, which can lead to higher unit costs.
- c) V3 – Variation in Demand: How demand changes over time. Seasonal changes can predictably cause wide demand variations. For instance, Qantas anticipates increased demand during school holidays and special events. However, unpredictable events beyond Qantas' control, like September 11, the SARS epidemic, and COVID, have led to sharp declines in airline bookings, presenting more challenging management issues.
- d) V4 – Visibility: How much of the process directly involves the customer. Service industries, like Qantas, often have high visibility due to continuous customer interaction throughout the process, resulting in higher unit costs compared to manufacturing industries with lower visibility.

### *b) Sequencing and Scheduling*

Sequencing involves determining the order in which tasks must be executed. For example, before an aircraft can take off, essential steps must be carried out, including cleaning, refueling, and a thorough inspection by certified engineers.

Scheduling accounts for the time required to complete each of these tasks. The Qantas flight schedule, as viewed by customers, displays departure and arrival times, but it also encompasses the critical aspects of ensuring that every flight has the necessary components in place, such as pilots, cabin crew, catering, airport facilities, and engineering support. Moreover, certain routes and specific time periods warrant the scheduling of additional flights. Qantas employs the Sabre Air Flight Suite Systems, a sophisticated scheduling software, to automate its flight scheduling process, enabling swifter turnaround times.

### *c) Technology, Task Design and Process Layout*

Research and science develop tools that, when applied, enable businesses like Qantas to perform tasks more efficiently or at a lower cost. Technology at Qantas, such as online check-in, booking, and electronic bag tags, significantly boosts productivity, often by directly replacing human capital.

Task Design at Qantas involves breaking down the transformation process into individual tasks. Human resource and operations analyse and assess this breakdown to determine the required number of staff, necessary skills, and potential training or retraining needs. If necessary, additional or more specialised staff may be recruited.

A significant expense for Qantas is the space for terminals, hangars, and maintenance where operations occur. An optimal process layout groups machines and equipment based on function, enabling efficient space and labor utilisation while eliminating bottlenecks.

### *d) Monitoring, Controlling and Improvement*

After creating 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. This involves detecting any discrepancies between planned and actual activities, taking corrective actions, and imposing new plans if necessary. For example, when sudden border changes and COVID restrictions occurred, Qantas had to adjust schedules, ground the fleet, and stand down staff.

## Outputs

This is the final service delivered to Qantas' customer.

### Customer Service

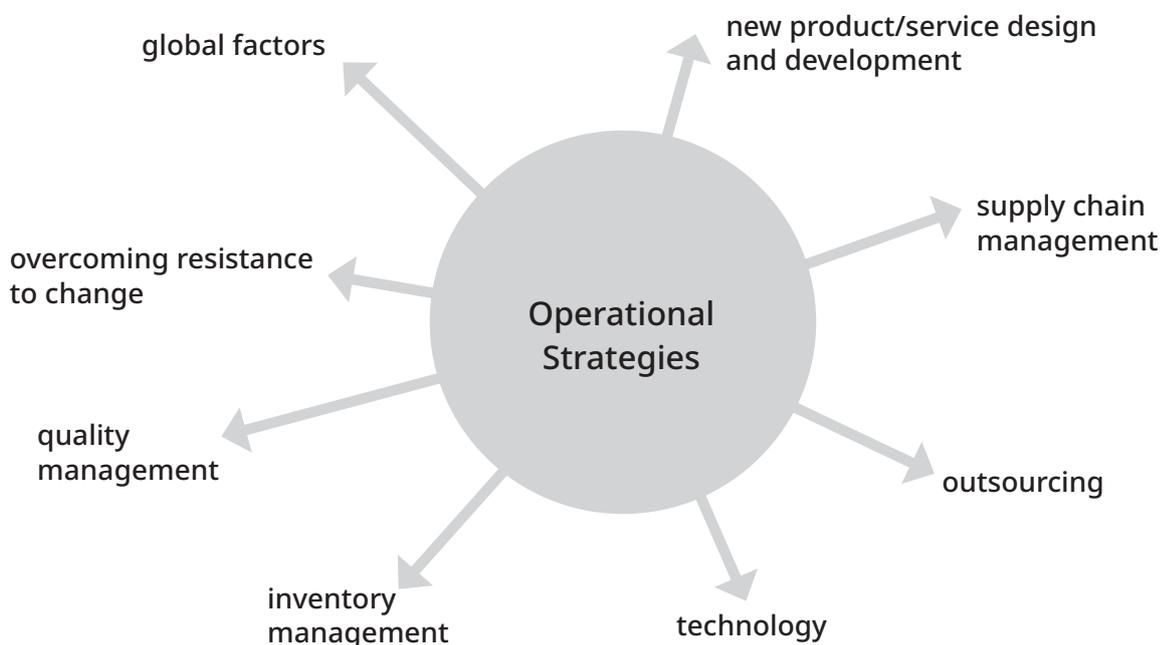
Customer service at Qantas involves meeting customer needs. Customer service statistics serve as valuable internal inputs for the planning process and for forecasting future customer needs and expectations. This feedback supports continuous improvement and establishes direct communication between customers and operations managers.

Qantas remains committed to delivering the highest levels of customer service and has adopted the "Net Promoter Score" as a key metric for assessing customer satisfaction. The Qantas Closed Loop Feedback Program facilitates 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 emerging market demands can necessitate the development of a new product or service for a business. Companies, such as Qantas, must continuously seek new services, upgrade existing ones, and stay competitive and profitable to ensure their survival. Bringing new services to the market involves conducting research and analysis to identify market

opportunities, designing products to meet these opportunities, and rigorously testing the products before commencing production. Factors like new technology and emerging markets often serve as catalysts for new product development.

In response to the growth in the Asian aviation market, Qantas has recently launched new airlines, including Jetstar Asia and Jetstar Pacific (which was recently sold to Vietnam Airlines), as well as Jetstar Japan and Jetstar NZ. Before the onset of COVID, Qantas had plans to introduce new long-haul flights from Sydney to London and New York, but these plans have been deferred to 2025.

## **b) Supply Chain Management (SCM)**

Qantas relies on third-party providers for essential supplies in its business operations. Qantas collaborates with over 10,000 suppliers, with an annual expenditure of approximately \$12 billion. Managing inventory is a significant cost factor in the operational process, particularly when dealing with essential materials like fuel. These materials must be sourced, purchased, stored, maintained, and processed efficiently.

Using SCM as an operational strategy involves four key components:

- Sourcing involves the purchasing function, requiring businesses to forecast quantity and quality requirements for operational inputs. It's crucial to assess potential suppliers for reliability and flexibility.
- Global sourcing allows Qantas to obtain supplies without being restricted to local providers, offering cost advantages. However, it comes with risks related to fluctuating exchange rates, foreign laws, and customs. For example, Qantas has employed pilots in New Zealand, cabin staff in Asia, and outsourced engine maintenance activities to Malaysia and the US, often at lower wages than those paid in Australia..
- E-commerce, involving buying and selling on the internet, has transformed supply chain management by replacing manual processes with real-time information on quantity, quality, availability, source, and price. It also facilitates electronic funds transfer for payments.
- Logistics at Qantas ensures the availability of physical inputs like pilots, cabin crew, baggage handling, maintenance, and catering in the right quantities and at the right locations and times. This guarantees smooth and efficient operational processes, particularly for flights, without disruptions.

## **c) Outsourcing**

Outsourcing at Qantas involves employing external providers to carry out certain aspects of the operational process. This approach is adopted for cost-effectiveness and efficiency compared to in-house tasks. Currently, Qantas outsources a significant portion of its IT operations, call center functions, flight attendant services, maintenance activities, and ground handling operations.

The opposite of outsourcing is vertical integration, where the business internally undertakes all tasks and generates all inputs without external involvement. For example, Qantas maintains its own catering division for supplying meals and operates its travel agencies like Qantas Holidays, Jetset, and TripADeal.

### *Advantages of Outsourcing for Qantas*

In employing outsourcing as an operational strategy, significant benefits include:

- **Capital Saving:** Another business provides factory space and machinery at its own expense.
- **Labour Saving:** Staff management and expenses are born by the external business.
- **Enhanced Dependability:** Access to multiple external suppliers ensures a secure supply chain.
- **Cost Savings:** The external business can offer inputs at a lower cost compared to in-house production.
- **Access to Specialised Skills:** The external business possesses skills that are unavailable in-house.
- **Increased Flexibility:** The external business can manage variations in demand.
- **Management Efficiency:** After establishing contracts, management can focus exclusively on in-house tasks.

### *Disadvantages of Outsourcing for Qantas*

Despite the advantages, there are issues to consider:

- **Dependency:** The operations process relies on external parties for input supply, and disruptions in the external supply chain can lead to significant internal disruptions and expenses.
- **Loss of Control:** There is a potential loss of control over standards.
- **Quality Concerns:** – Control over the inputs used by the outsourced supplier is no longer within the company's domain.
- **False Economy:** Outsourced inputs may become more expensive over time, warranting constant review of the decision.
- **Cost Implications:** The one-off cost of redundancies to staff no longer required offsets the savings from outsourcing.
- **Industrial Problems:** Downsizing as a consequence of outsourcing can lead to labor disputes.
- **Damage to Public Image:** Negative publicity regarding jobs moving offshore can harm the company's public image.

## **d) Technology**

Qantas relies on technology and airline technology is both complex and continually advancing. There are two broad categories:

### *1) Leading edge*

Leading edge (or cutting edge) technology represents the forefront of knowledge and research. Successfully integrating the latest technology into the business can yield significant rewards 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 for domestic routes and A350s for Project Sunrise.
- Offering inflight Wi-Fi on domestic routes.
- Incorporating fuel analytics with the Flight Pulse App, which utilizes recorded data to enable pilots to reduce fuel consumption and carbon emissions.
- Collaborating with a Canadian agricultural technology company to develop a new biofuel derived from a type of mustard seed.
- Implementing a digital health passport app, allowing customers to prove their vaccine status for border crossings.

However, high reward also attracts high risk:

- The decision to adopt might be premature, before full development and adaptation for its intended purpose.
- Competent technical support might not be readily available due to the novelty of the technology.
- Supporting software may require debugging in the early stages of usage.
- Making the wrong or premature decision can result in substantial costs, wasted time, damage to customer satisfaction levels, and loss of competitive advantage.

## 2) *Established technology*

Established technology is well-stabilised, widely used, and proven in the market. This includes purchasing Boeing Dreamliner planes to replace the last of the 747s and using tried-and-tested applications like computer-aided design, computer-aided manufacture, electronic funds transfer, and software for Gantt charts and Critical Path Analysis (CPA). While these technologies may not necessarily confer a competitive advantage, their absence may lead to a competitive disadvantage due to their universal availability.

## **e) Inventory Management**

Inventory management oversees the ordering, storage, and retrieval of material inputs in production, representing a significant capital expenditure. Maintaining an essential amount is desirable for smooth and efficient operations. Excess quantities incur additional production costs, while holding too little can lead to disruptions and sales loss. This issue is more significant for manufacturing businesses, unlike Qantas, which doesn't store products to meet customer demand like manufacturing companies.

## **f) Quality Management**

This operations strategy oversees all activities at Qantas, aiming to maintain a consistent, reliable, and excellent level of service. It emphasises that Qantas's long-term success depends on 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 at Qantas focus on defect identification and correction. This is done through the inspection and maintenance of planes after flights. Qantas recently conducted an immediate inspection of its Boeing 737 aircraft after structural cracks were discovered in one plane during a scheduled maintenance check. Taken in response to global concerns about cracks in Boeing 737 aircraft with over 30,000 take-offs and landings, Qantas inspected its fleet. Although none of their planes reached that flight activity level, inspections revealed cracking in two aircraft, leading to their immediate grounding for specialist repairs.

- Quality assurance (QA)

This involves establishing procedures to prevent defects, focusing on prevention rather than just detection. Qantas implements industry best practices, using the IATA Operational Safety Audit (IOSA) and Civil Aviation Safety Authority (CASA) procedures as benchmarks for operational safety management.

To prevent coronavirus transmission, Qantas implemented thorough cleaning of evacuation flight aircraft, disposing of reusable items and using hospital-grade disinfectants. COVID-19 safety measures included contactless check-in, self-service bag drop, social distancing, self-scanning boarding passes, hand sanitizing stations, and frequent cleaning of high-traffic areas. Services were streamlined, in-flight entertainment temporarily halted, and enhanced cleaning procedures introduced, along with the provision of masks and sanitising wipes.

- Quality Improvement (QI)

This aspect involves a continuous focus on improvement to enhance the quality of Qantas’ service over time. It requires all stakeholders at Qantas to collaborate to improve processes, services, and the company’s culture. Recent initiatives include investments in new aircraft, lounge upgrades, improved baggage tracking, wireless in-flight entertainment rollout, and enhanced food offerings, all aimed at improving the overall quality of Qantas’ service.

## g) Overcoming Resistance to Change

There is a range of factors which encourage, precipitate or even necessitate changes in Qantas' operations. These factors include events like the September 11 attacks, the SARS epidemic, fuel price spikes, the global financial crisis, evolving customer preferences, the rise of low-cost carriers, and most recently, the impact of COVID..

Qantas encounters notable constraints and restrictions in implementing changes, broadly categorised into two main areas:

- Financial Restrictions

Resistance to change at Qantas can stem from the direct and immediate costs associated with those changes.

- a) Cost of New Equipment: Qantas has invested billions in new equipment, including efficient aircraft, enhanced screening technology, upgraded IT systems, and improved engineering facilities.
- b) Redundancy Costs: Staff reductions at Qantas result in significant redundancy payments. Since 2020 Qantas paid out about \$1 billion in redundancy payments due to the restructuring necessitated by COVID.
- c) Retraining Costs: Major changes at Qantas necessitate substantial investments in retraining, such as the implementation of new security measures and the introduction of new aircraft. Intensive training was needed for Qantas pilots to get them back in the cockpit when flying resumed in 2022.
- d) Plant Layout Costs: The acquisition of new aircraft prompted the reorganisation of maintenance operations at Qantas to enhance capacity, efficiency, and accommodate larger planes like the A380.

- Human Restrictions

Resistance to change at Qantas can arise because of the impact on employees

- e) Inertia: Some managers, staff, and even some owners may respond unenthusiastically to change.
- f) Change in Skillset: Staff may feel apprehensive about changes, as their current skills may become irrelevant, necessitating the learning of new skills, particularly in IT. This may lead to feelings of personal insecurity and inadequacy, especially among older staff.

## h) Global Factors

Businesses like Qantas are inevitably influenced by global factors.

### 1) Global Sourcing

Global sourcing is the practice of procuring goods and services internationally, extending beyond geopolitical boundaries. Qantas sources various supplies globally, from stationery to aircraft, resulting in significant cost savings. Expanding its international supplier base has enabled

Qantas to benefit from global efficiencies, including lower-cost skilled labor, more affordable raw materials, and economic incentives such as tax breaks and low trade tariffs.

## *2) Economies of Scale*

Qantas, the largest Australian airline, leverages economies of scale to reduce operational costs. Qantas serves a diverse array of destinations and offers more services during morning and evening peak hours on key routes compared to its competitors. Both the variety of destinations and the frequency of peak-hour services are vital drivers of business travel, a highly profitable segment of the market dominated by Qantas.

Large airlines like Qantas also secure more favorable agreements with various suppliers, the most significant being aircraft manufacturers like Boeing and Airbus. Qantas leverages cost advantages through diversification, operating various business segments such as full-service carriers, low-cost carriers (Jetstar), and freight services. This diversification enables the sharing of common costs across segments, exemplified by minimal additional costs for transporting freight in passenger plane cargo holds.

## *3) Scanning and Learning*

The increased level of globalisation results in heightened competition and the rapid introduction of new technologies, leading to continuous changes in the business environment. To remain competitive, Qantas must keep pace with global developments, staying well-informed and continuously testing their relevance to current operations. Qantas management must continually acquire, analyse, and evaluate a growing volume of data and information to enhance or adapt operational processes.

## *4) Research and Development (R&D)*

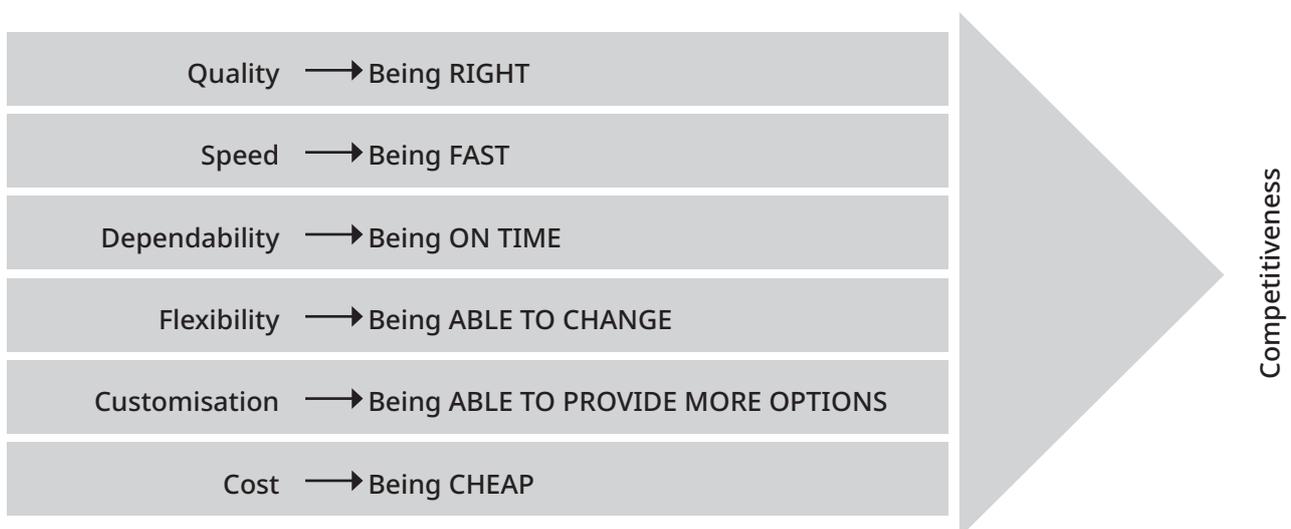
Qantas' Research and Development (R&D) function focuses on creating and implementing new knowledge and ideas to develop and enhance products or services, providing a competitive edge. Notably, Qantas allocated \$50 million to research sustainable fuel from mustard seeds for reduced carbon emissions. Additionally, the airline conducted ultra-long research flights to gather data on in-flight passenger and crew health for Project Sunrise approval.

## Effectiveness of Operations

Qantas' operations are assessed through six performance objectives: quality, speed, dependability, flexibility, customisation, and cost.

In 2022, Qantas encountered operational challenges upon the reopening of borders, leading to a decline in its performance. Criticised for this decline, Qantas fell from the 5th to the 17th position in the 2023 Skytrax world aviation rankings (often referred to as the Oscars of the aviation industry). It's important to note that Qantas was not the only airline dealing with recent challenges. Airlines worldwide struggled to return to their usual business operations.

After a reputation setback, Qantas is actively addressing issues related to airport cancellations, call center experiences, on-time performance, and lost baggage. These critical operational indicators are gradually returning to levels observed before the onset of the COVID pandemic.



### Quality

Quality means Qantas consistently producing its services to meet customer expectations (doing things right). Qantas' premium status has declined due to customer dissatisfaction with its quality. After the 2022 border reopening, customer dissatisfaction arose, notably due to baggage mishandling, with some waiting up to 6 days for their bags. Qantas was also criticised for an "unfair" Covid credit scheme which was considered inflexible. The airlines quality suffered further from the failure to prioritise modernising their fleet, resulting in an average fleet age of 15 years, compared to competitors like Emirates and Qatar with a fleet age of 10 years.

Recently, Qantas implemented measures to enhance quality and improve the customer experience, including lounge upgrades, new menus, and more comfortable cabins with a new generation fleet. Qantas has also revamped its app to provide customers with more control over their bookings, introduced baggage tracking, and expanded the current range of redemption options for frequent flyers.

### Speed

Speed means Qantas providing their service fast. Qantas has implemented several operational strategies to enhance the speed of their services. These strategies include online flight booking,

online and mobile check-in, new group boarding procedures, and the introduction of new check-in kiosks for obtaining digital boarding passes and printing bag tags.

Qantas has already introduced direct flights from Perth to London and will begin flying non-stop from Australia east coast to London and New York starting in 2025. This new route will be 3 to 4 hours quicker and eliminate the need for transfers through a hub airport.

The rapid resurgence of travel in 2022 placed significant pressure on Qantas in terms of speed. Airports experienced lengthy queues and extended wait times, especially during school holidays. Customers endured marathon waits when trying to connect to Qantas' call center to make booking changes or obtain refunds.

### *Dependability*

Dependability refers to how reliably and consistently Qantas carries out its intended functions. Before the COVID pandemic, Qantas had the highest on-time performance among major domestic airlines, reaching 85%.

The unexpectedly swift resurgence in travel demand following the rapid relaxation of travel restrictions in 2022 placed significant pressure on Qantas' dependability. Upon resuming operations, Qantas' on-time performance briefly dropped to 44%, with cancellations at 6.7%. However, by the end of 2023, on-time performance rebounded to the mid-70% range, with cancellations decreasing to around 3.5%.

### *Flexibility*

Flexibility is Qantas' ability to adapt its operations. COVID demanded high flexibility from Qantas, leading to frequent schedule adjustments, the retirement of remaining 747s, grounding of most international fleet for 18 months and the deferred delivery of new planes due to sudden border changes and restrictions. Qantas had to also organise challenging repatriation missions to rescue Australians stranded overseas, often with short notice. To address uncertainty during state border closures, Qantas allowed passengers to change their flight date or time without penalties.

As border restrictions eased, Qantas restarted its passenger services to accommodate a surge in domestic and international travel. The process of bringing an airline back into service was complex. Extensive maintenance was necessary to ensure the aircraft were flight-ready. This maintenance included replacing the jet's wheels and brakes, as well as updating emergency equipment like oxygen bottles and fire extinguishers. Engineers also conducted engine runs, landing cycles, and test flights. Intensive training was essential for pilots' return to the cockpit, involving simulation sessions, classroom instruction, online tutorials, and test flights.

### *Customisation*

Customisation means providing Qantas customers with more options by making minor adjustments to the product. Qantas achieves this by being a member of the Oneworld Alliance,

which enables it to offer services to over 900 destinations in more than 170 countries. Qantas further diversifies its product range with Jetstar as a no-frills alternative and various seating classes, including economy, business, premium economy, and first class. Customers can use frequent flyer points, pre-purchase baggage, select seats, and book flights with specific assistance.

## Cost

Cost performance at Qantas is about doing things economically (cheaply). Pre-COVID, Qantas reduced costs by approximately \$500 million annually through technology, outsourcing, and fuel hedging. In response to COVID challenges, additional cost-cutting measures were implemented, leading to an annual reduction of over \$1 billion in the cost base.

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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 at Qantas:

1. Strategic Role
2. Interdependence with other key business functions

### Influences on Marketing at Qantas:

1. Factors influencing customer choice
2. Consumer laws
3. Ethics

### Marketing Process at Qantas:

1. Situation analysis
2. Market research
3. Establishing market objectives
4. Identifying target markets
5. Implementation, monitoring and controlling

### Marketing Strategies at Qantas:

1. Market segmentation
2. Product
3. Price
4. Promotion
5. Place
6. People, processes and physical evidence
7. E-marketing
8. Global marketing

### Effectiveness of Marketing at Qantas:

Sales performance, sales analysis, market share, profitability

## Role of Marketing

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### Interdependence with other Key Business Functions

Due to its central role, marketing at Qantas must be closely coordinated with other business activities.

Finance at Qantas relies on marketing to generate funds as marketing strategies are often expensive. 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. The effectiveness of Qantas' marketing strategies is assessed using financial criteria such as sales, market share, and profitability analysis.

The selection of the right personnel at Qantas is crucial in delivering services that meet consumer expectations. The staff's performance can significantly influence the outcome of Qantas' marketing efforts. To ensure a cohesive approach, marketing is closely aligned with Human Resources in developing job descriptions and designing training programs.

Operations at Qantas may impose constraints on marketing by setting physical limitations, such as flight schedules and the implementation of new initiatives like in-flight entertainment and Wi-Fi services. To address these challenges, the utilisation of marketing strategies like sales promotions and advertising can be instrumental in boosting sales during non-peak times and managing fluctuations in demand.

### Influences on Marketing

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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 play a significant role in consumer behaviour. Perception, motives (such as comfort, safety, and reliability), and attitudes all exert influence on the choices made by Qantas customers.
- **Sociocultural influences:** Social groups also impact buying behavior. This includes factors like social class, culture, and peer groups.
- **Economic influences:** Economic factors have a substantial impact on purchasing decisions. Since travel is often considered a discretionary expenditure, a decline in economic activity can result in a noticeable decrease in the demand for Qantas' services.
- **Government influences:** Government policies have a direct impact on purchasing decisions. Economic policies set by the government can affect the level of economic activity and, consequently, the demand for Qantas services. Recent government actions, such as border closures and pandemic rules had a profound impact on the decisions made by Qantas customers.

## 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 discloses the true costs of fares, including previously hidden charges and levies, in response to ACCC legal action for misleading 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 about refund rights during delays or cancellations on Jetstar flights.
- The ACCC has launched legal action in 2023 alleging Qantas engaged in false, misleading and deceptive conduct by continuing to sell tickets on flights that have been cancelled during COVID.

## 3. Ethics

Qantas has an ethical responsibility to both its customers and society in the marketing of its services. This responsibility encompasses environmental responsibility, truthful and accurate advertising, and fair competition. Qantas has articulated plans aimed at reducing its environmental impact, involving measures such as the reduction of 100 million single-use plastics and a commitment to eliminating waste destined for landfills. Moreover, through fleet renewal, recycling initiatives, and the adoption of solar and electrical power, the airline has effectively curtailed its greenhouse gas emissions.

Despite these efforts, Qantas has faced ethical scrutiny due to ACCC lawsuits and alleged misinformation about COVID-related refunds. The airline faced accusations of anti-competitive behavior, including alleged influence over government decisions to block Qatar's efforts to expand flights to Australia. Additionally, the airline was criticised for charging high fares despite service issues and record profits.

## 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
- Return to profitability in 2023 with record result
- Multi brand strategy (Qantas, Jetstar)
- Extensive network and schedule (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 lounges and facilities
- Globally recognised brand name and logo
- Excellent safety record
- Largest Australian based airline loyalty programme
- Successful fuel hedging programme

### Weaknesses

- Significant damage to Qantas' brand
- Most complained about business with ACCC
- Scrutiny at parliamentary enquiries
- High risk nature of airlines
- Recent sharp falls in revenue and profitability due to COVID-19
- Wafer thin Balance Sheet caused by COVID losses
- Recent brutal cost reductions and job losses
- Ongoing disputes between Qantas management and unions
- Operational challenges as borders reopened post COVID
- Staffing shortages as airline grows again
- Ageing fleet
- Prospect of substantial fines from ACCC

### Opportunities

- New Airbus and Boeing 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
- Elevated interest rates increasing the cost of Qantas' borrowings
- Competitive challenges from other airlines
- Trade war between US, Australia and China (impacting on freight)
- Increases in fuel prices (continued war in Ukraine, tensions in the Middle East)
- Increases in government regulation
- Increased costs associated with more rigorous COVID practices
- Weaker Australian dollar
- Elevated risk of labour unrest (workplace disputes)
- Tight labour supply which makes it harder for Qantas to recruit staff.

## Competitor Analysis

Since Ansett's collapse, Virgin Australia, established in 2000, has been Qantas' primary domestic competitor, holding 35% of the domestic aviation market. Despite having a less extensive service frequency and domestic network than Qantas, Virgin Australia competes vigorously, especially in the budget travel niche. The pandemic led to financial challenges for Virgin Australia, which went into voluntary administration (later acquired by Bain Capital). Virgin Australia now operates as a predominantly domestic service with a significantly reduced fleet, functioning as a slimmed-down mid-range airline.

Internationally, Qantas faces competitors with government ownership or support, such as Singapore Airlines, Air New Zealand, Cathay Pacific, and Middle Eastern carriers like Emirates, Etihad, and Qatar. Additionally, Chinese airlines (China Eastern, China Southern, and Air China) have aggressively expanded into Australia in recent years. Post-COVID-19, Qantas' market share has increased as overseas carriers adopt a conservative approach to capacity, focusing on opportunities closer to their home markets. These competitors are now scaling up capacity to meet the growing demand.

## Product Life Cycle

Qantas' marketing success relies on adapting to the product life cycle, employing different strategies at each stage (see Figure 7). After significant losses due to COVID, the airline has shifted from recovery to renewal and growth.

**Figure 7: Product Life Cycle**

Stage in PLC	Example	Characteristics	Marketing Strategies Employed
Growth	Qantas Domestic	<ul style="list-style-type: none"> <li>Increased revenues well above pre Covid levels</li> <li>Significant return to profitability with record result</li> <li>Capacity returned to above pre- COVID levels</li> <li>Strong travel demand from leisure and business travel</li> </ul>	<ul style="list-style-type: none"> <li>Marketing ramps up including the launch of new advertising campaigns</li> <li>Multi-million-dollar order to replace fleet kick off in 2023</li> <li>New kiosks to speed up travel</li> <li>Improving customer experience to rebuild airlines brand and reputation</li> <li>Rise in airfares to match steep increase in fuel prices</li> <li>Introducing a new group boarding procedure</li> <li>Roll out of baggage tracking technology</li> </ul>

Stage in PLC	Example	Characteristics	Marketing Strategies Employed
Growth	Qantas International	<ul style="list-style-type: none"> <li>• Increased revenues well above pre Covid levels</li> <li>• Significant return to profitability with record result</li> <li>• Increased flying to 81% pre COVID levels</li> <li>• High levels of pent-up demand</li> <li>• Planes full as passengers catch up on travel</li> <li>• Strong forward bookings</li> </ul>	<ul style="list-style-type: none"> <li>• Launch of new “Feels like Home” advertising campaign with a post pandemic angle</li> <li>• Investments in Boeing and Airbus aircraft</li> <li>• Project Sunrise to launch in 2025</li> <li>• Rise in airfares to match steep increase in fuel prices</li> <li>• New kiosks to speed up travel</li> <li>• Upgrading lounges enhanced menu</li> <li>• Introducing a new group boarding procedure</li> <li>• Roll out of baggage tracking technology</li> </ul>
Growth	Jetstar Domestic	<ul style="list-style-type: none"> <li>• Increased revenues to pre Covid levels</li> <li>• Strong turnaround to profitability</li> <li>• Capacity returned to pre-COVID levels</li> <li>• Planes full as passengers catch up on travel</li> </ul>	<ul style="list-style-type: none"> <li>• New Jetstar advertisements across digital, video and social media</li> <li>• Roll out of wireless inflight entertainment</li> <li>• Launch of new Jetstar App</li> <li>• Introduction of new fuel efficient aircraft</li> </ul>
Growth	Jetstar International	<ul style="list-style-type: none"> <li>• Increased revenues to pre Covid levels</li> <li>• Strong turnaround to profitability</li> <li>• Lots of pent up leisure demand</li> <li>• Planes full as passengers catch up on travel</li> </ul>	<ul style="list-style-type: none"> <li>• New Jetstar advertisements across digital, video and social media</li> <li>• Roll out of wireless inflight entertainment</li> <li>• Launch of new Jetstar App</li> <li>• Launching new routes</li> <li>• Arrival of new fuel efficient aircraft to support growth in new markets like Bali</li> </ul>
Growth	Jetstar Group in Asia	<ul style="list-style-type: none"> <li>• Return to profitability with the exception of Jetstar Japan</li> <li>• Jetstar Japan forecast to return to profitability in 2024</li> </ul>	<ul style="list-style-type: none"> <li>• Growing capacity and aircraft utilisation in line with increased leisure demand and international flying</li> <li>• Plans to grow fleets</li> </ul>

## 2. Market Research

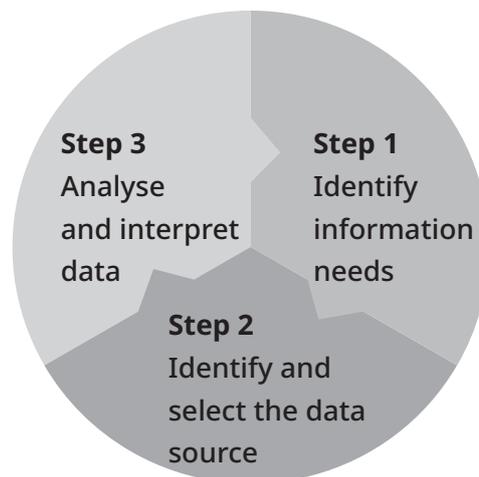
Qantas utilises market research to gather and analyse information for informed marketing decisions. Effective marketing strategies rely on accurate, up-to-date, detailed, and relevant information. Qantas follows a series of steps in its market research process, as outlined in Figure 8.

The first step involves identifying information needs, such as customer preferences, attitudes, brand preferences, buying intentions, and characteristics.

The second step is selecting data sources, utilising both primary methods like in-flight surveys, mail surveys, and complaint monitoring, and secondary methods such as government statistics, airline publications, and interviews with competitors' executives..

The final step involves analysing and interpreting the data. For example, Qantas made changes, like replacing cold food boxes with hot meals and providing menu choices for business class travelers, based on recent customer survey results.

**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 include:

- Increase sales (revenue) and decrease costs (expenditure)
- Maintain a combined domestic market share of 70%
- Sustain loads around 80% by matching capacity with demand
- Improve customer service standards and experience
- Enhance complementary portfolio businesses like Freight
- Strengthen partnerships with other airlines for international network expansion
- Align Qantas and Jetstar with Asia's growth.
- Grow frequent flyer program members and partners

Due to COVID-19 and travel restrictions, Qantas had to adjust its objectives, but for 2024, the focus is on:

- Increasing international capacity to 100%
- Focussing on customer experience with investment in digital, aircraft, lounges, and Loyalty program rewards
- Rebuilding the brand and reputation
- Developing new products, services, and processes for increased revenue and efficiencies.

#### **4. Identifying Target Markets**

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

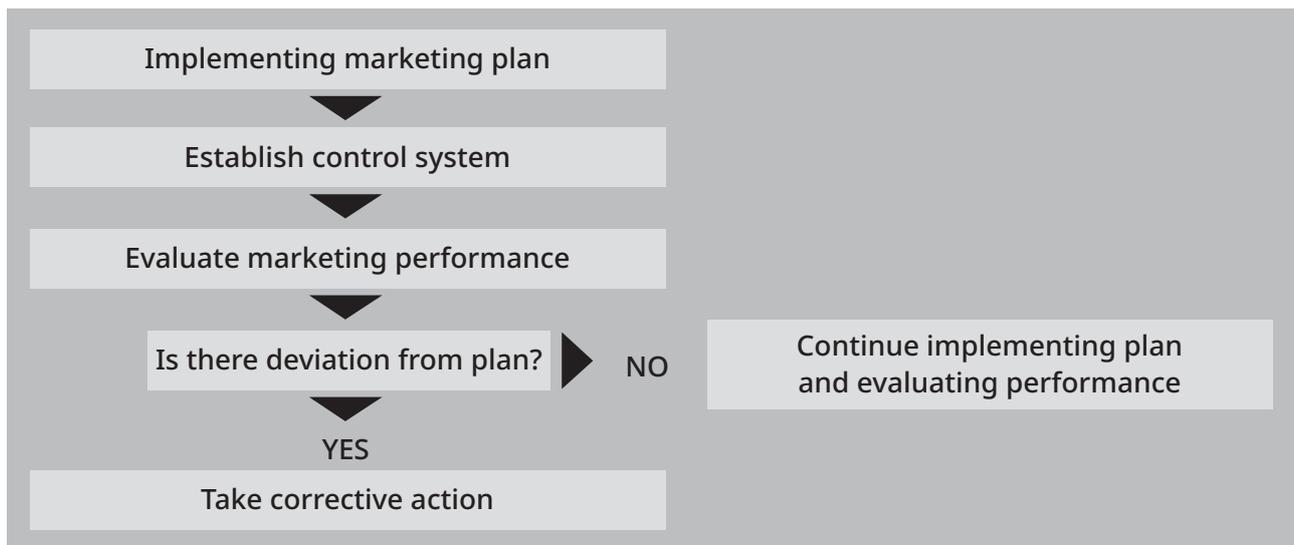
#### **5. Developing Marketing Strategies**

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 39.

#### **6. Implementing, Monitoring and Controlling the Marketing Plan**

The implementation phase involves translating the marketing plan into action. Qantas systematically monitors, controls, and adjusts marketing activities using various tools.

- (i) Developing a financial forecast involves using statistical models, past sales data, executive judgment, and consumer surveys. It also includes estimating costs for market research, promotion, product development, and distribution.
- (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 the budget domestic carrier Jetstar in May 2004 to counter Virgin Australia's growing share of the aviation market.
- Lowering prices, adjusting flight frequencies, canceling and delaying new plane orders, and reconfiguring aircraft with more economy seats in response to the Global Financial Crisis (GFC) in 2009.
- Cancelling orders for new planes and exiting poor performance routes in 2014 in response to significant losses.
- 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 and border closures.
- Ramping up of operations with the re-opening of domestic and international borders.
- Increasing airfares to match steep increase in fuel prices from Ukraine war and escalating Middle East tensions.
- Scrapping COVID deadlines on flight credits after sustained criticism.
- Investing in customer improvements to restore Qantas' damaged brand and reputation.

## Marketing Strategies

### 1. Market Segmentation

Market segmentation involves dividing potential or current customers into smaller groups to facilitate analysis and planning. This practice allow Qantas to:

- Enhance customer satisfaction, improve competitiveness, and achieve financial goals efficiently.
- Customise the marketing mix for specific market segments to refine the product, set appropriate prices, determine the sales location, and focus promotions more effectively.

Qantas faces complex market segmentation with distinct customer needs, spanning from stopover preferences to varying fare levels and expectations for in-flight service and comfort.

Qantas uses behavioral segmentation, particularly focusing on trip purpose for both business and leisure travelers. The business segment includes routine, conference/seminar, and emergency business, each with distinct needs. The leisure segment comprises holiday and visiting friends/relatives.

Qantas also addresses diverse customer needs through specialised brands:

- Jetstar (domestic) targets cost sensitive travellers on low yielding leisure routes within Australian destinations like the Gold Coast, Sunshine Coast and Whitsundays.
- Jetstar International serves leisure travelers to unprofitable Qantas destinations like Bangkok, Phuket, and Osaka.
- Jetstar Asia, Jetstar Japan and Jetstar NZ cater to intra-Asia travel and domestic markets in New Zealand.

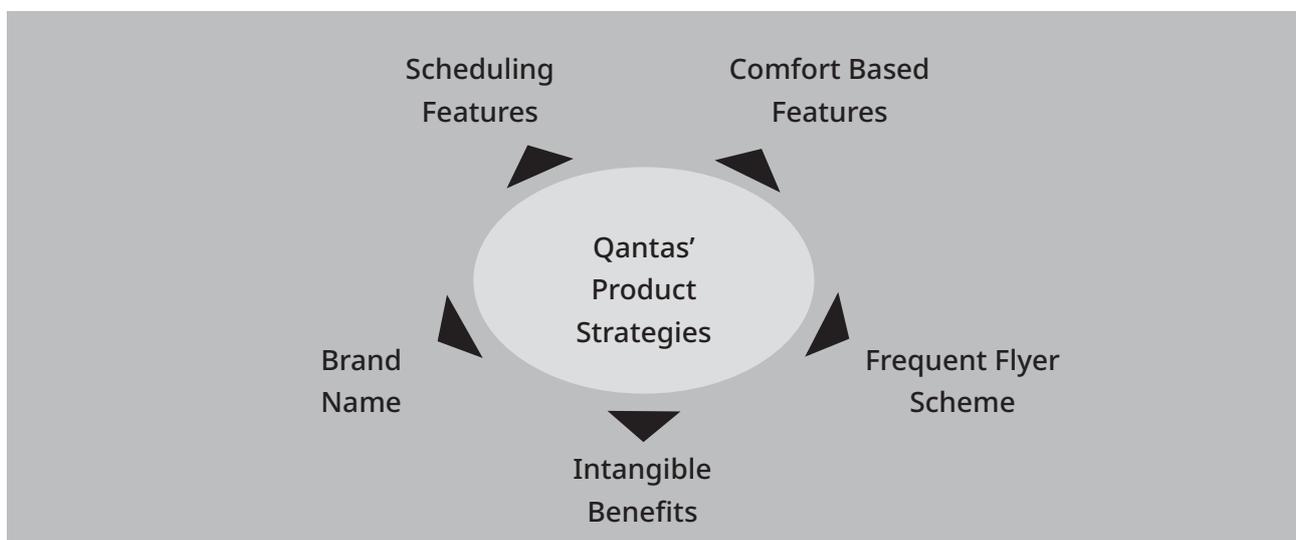
## 2. Positioning

Positioning is the image that Qantas projects in relation to its competitors. Qantas employs various positioning strategies to highlight its services:

- By positioning in relation to its competition as evidenced by the successful launching its own no-frills carrier Jetstar, Qantas countered the erosion of its market share to Virgin Australia.
- By positioning in relation to a target market. For example Qantas has prioritised the lucrative corporate/business segment through initiatives such as the City Flyer express service, lounge upgrades, the Frequent Flyer Scheme, and the Qantas Club services.

## 3. Formulating the Marketing Mix

Figure 10: Product Strategies



## Product

Product encompasses attributes and benefits tailored to meet Qantas' customer needs. These include:

- **Scheduling features** encompass route frequency, departure or arrival times, the number of stops or direct flights, and aircraft type. Qantas, as the largest domestic carrier, offers comprehensive national coverage with a City Flyer express service, ensuring flights every 30 minutes on high-density routes. Internationally, Qantas serves 32 destinations in 22 countries across Africa, Asia, Europe, and Oceania, extending its reach to 1000 destinations globally through its Oneworld partners.

Jetstar operates from Melbourne, Sydney, and Brisbane, focusing on Australian leisure destinations and international routes to Asia and the Pacific. Jetstar Asia, Jetstar Japan, and JetStar NZ cover various destinations in Asia and New Zealand.

Qantas strengthens its service with strategic partnerships, including Oneworld, Emirates Alliances, and American Airlines, providing access to the best connecting airlines.

- **Comfort based features:** integral components of Qantas' packaging, encompass lounges, in-flight meals and drinks, in-flight entertainment, and seat width. Examples include:
  - New Airbus and Boeing aircraft designed for market-leading passenger comfort, featuring a revamped menu by chef Neil Perry, ergonomic seats, and advanced inflight technology.
  - Qantas is investing \$100 million to upgrade its domestic and international lounges.
  - Qantas Club for business customers provides private meeting rooms, workstations, photocopying, local faxing, postal services, refreshments, news, entertainment, and showers at major Australian ports.
  - Qantas' international Business Class offers a Skybed, trained attendants, new food and wine, premium noise cancellation headsets, and a self-service bar. Business Class lounges provide private work suites and wireless internet access.
- **The Qantas Frequent Flyer Scheme (FFS)** With over 13 million members and numerous partners, the Qantas Frequent Flyer Scheme enhances customer retention (relationship marketing), expands market share, and optimises seat occupancy. Members accumulate points primarily through flights with Qantas or its partners. Beyond loyalty benefits, the scheme builds a valuable customer database for direct marketing. Participating companies, including hotels and car rental firms, contribute to the program. Credit card loyalty program points, from American Express, Qantas Telstra Visa Card, and selected banks, can be converted into Qantas Frequent Flyer points.
- **Intangible benefits** such as the Qantas history and safety record.
- **Brand name:** Qantas, a leading Australian brand, wields significant marketing influence with a brand name carrying substantial commercial value. The airline's success relies on maintaining a positive reputation and robust brand recognition, symbolised by the kangaroo and the 'Spirit of Australia' logo, distinguishing Qantas from competitors.

However, Qantas has witnessed a decline in its once illustrious brand image due to criticism of customer service, legal issues, and industrial disputes. This has led to Qantas transitioning from being one of Australia's most trusted brands to one of its least trusted.

**Price**

Price is a pivotal aspect of any marketing plan, as it can be adjusted swiftly and as needed. Historically, the International Air Transport Association (IATA) and the Two Airlines Agreement regulated prices based on a formula involving flag fall and distance.

Qantas employs multiple pricing methods:

- Cost plus margin: Determining production costs and adding a profit margin.
- Market: Aligning most fares with market demand and supply.
- Competition-based: Monitoring the pricing strategies of other airlines, like Virgin Australia.

Pricing strategies employed by Qantas include:

- Price penetration: Utilised for Jetstar, emphasising the lowest possible price, especially post-COVID to stimulate travel resumption.
- Price skimming: High prices adopted to Business and First Class, along with a 20% premium for non-stop long-haul routes like Perth to London, and planned routes from Sydney to London and New York.
- Promotional Fares: Not explicitly advertised as a discount, these are quoted as a price. Offered in the economy cabin during subdued demand or to match competitors. Conditions may include departure time limitations or inclusion in holiday packages with hotels, meals, and transfers.
- Loss Leading: Implemented during Jetstar’s launch with extremely low fares to gain initial market share, including fares as low as \$19 on the Sydney-Melbourne route.

**Promotion**

Promotion is the means by which an organisation communicates its products and its image to the consumer.

**Figure 11: Promotional Strategies Used by Qantas**



Promotional strategies used by Qantas include:

- **Advertising:** Qantas uses advertising agencies to create media campaigns for television, radio, magazines, newspapers, brochures, posters in travel agents and billboards including a giant billboard erected above Qantas Drive.

In 2004 Qantas debuted its renowned “I Still Call Australia Home” commercial at a record-breaking cost of \$10 million, marking the most expensive advertisement in Australian history, premiering during the opening ceremony of the Athens Olympic Games.

Pre-COVID, Qantas featured its destinations in campaigns like “I’ve Been Everywhere,” showcasing Australian travelers in Qantas-served countries. Other successful campaigns included “The Reasons People Fly with Qantas,” highlighting staff, and the “Feel Like Home” initiative, featuring five real-life passenger stories.

In 2020 a social media video recreated “I Still Call Australia Home,” featuring the Australian Girls and Gondwana Choirs, encouraging future travel post-COVID. In 2021, the “Fly Away” commercial envisioned international travel’s future, depicting three sets of Qantas flyers with diverse reasons for travel, all receiving vaccinations in a pro-vaccination message..

In 2022, Qantas launched a star-studded campaign, including Kylie Minogue, Hugh Jackman, Troye Sivan, sports stars, and an Aboriginal elder, remaking “I Still Call Australia Home” to showcase Australia as the world reopened.

In 2023, Qantas revamped its “Feel Like Home” campaign, portraying a post-pandemic narrative with a touching reunion between an Australian mother and her son living abroad for four years.

- **Sales promotions:** During slow demand periods, Qantas uses short-term sales promotions to spark customer interest. For example, during the launch of Jetstar, it offered 100,000 tickets at \$49 and introduced a two-for-one ticket sale where a second passenger could fly for the cost of taxes and charges. Post-COVID-19, as the Qantas network resumed operations, the airline employed various sales promotions to encourage customers to return to flying.



Source: [www.jetstar.com.au](http://www.jetstar.com.au)

- **Personal selling:** Entails sales representatives directly engaging with travel agents, businesses, and government departments to promote and sell Qantas’ services.
- **Publicity:** Enhancing Qantas’ image involves diverse communication channels like news releases, feature articles, press conferences, and interviews. Qantas organized a competition to name its eight Dreamliner fleet with iconic Australian names. In 2020, a ‘1 in 100 bookings wins a trip on us’ promotion aimed to boost travel post-border restrictions. In 2021, Qantas introduced its largest giveaway for fully vaccinated passengers, offering Qantas points, fare discounts, and a chance to win a year’s flights and accommodation.

Qantas has a history of sponsoring sports like rugby union, cricket, netball, and the Australian Olympics. Notably, the 30-year sponsorship of the Wallabies recently concluded due to a major overhaul in response to COVID.

The company actively supports environmental causes (Clean Up Australia), charities (CARE Australia, Starlight Children's Foundation, World Vision), and cultural activities (Australian Youth Orchestra, Sydney Dance Company, Art Gallery of NSW).

- **Opinion leaders:** Qantas employs actor Hugh Jackman as its global opinion leader. By having Jackman endorse their services, Qantas aims to enhance its awareness, reputation, and brand recognition.

### Place/Distribution

The product's interface and purchasing process must be easy; otherwise, its selling potential, regardless of quality, will be constrained. Qantas employs both direct and indirect methods for distribution:

#### Direct (sale of products direct to the consumer)

- Direct sales via its own retail outlets including a network of wholly owned Qantas Travel Centres called Qantas Holidays. Qantas has also invested in Viva, Jetset, Jetabout, and TripADeal, reducing the likelihood of the owner entity selling competitor tickets.
- Telephone sales centres.
- Airport ticket sales.
- The Internet is a crucial distribution channel for Qantas, with about 70% of domestic leisure bookings and 35% of international bookings processed through qantas.com. Jetstar achieves over 90% of its ticket sales online. Qantas stands as one of Australia's leading websites, drawing eight million monthly visits.

#### Indirect (using intermediaries)

- Through various travel agency chains like American Express, Community Travel, Flight Centre, and Harvey World Travel, Qantas maintains strong relationships with travel agents. The airline carefully selects intermediaries based on reputation, financial strength, and expertise. Although these intermediaries significantly contribute to Qantas's bookings and ticket sales, the lack of control over the primary distribution source is frustrating. Lowering commission rates paid to travel agents is part of Qantas's cost-cutting strategy to encourage online bookings. The Computer Reservations System (CRS), provided by Qantas to travel agents, plays a substantial and growing role in product distribution.

## 4. People

The quality of Qantas' services relies on the capabilities of its human resources. Since most customers interact directly with Qantas employees, particularly during ground services such as ticketing, check-in, and baggage handling, the impression they convey significantly influences Qantas' perception. Staff must possess suitable attributes and undergo role-specific training. To ensure a positive customer experience, Qantas invests over \$275 million annually in staff training.

## 5. Processes

Qantas employs efficient processes to ensure timely service delivery, predominantly utilising automated and digital systems. These processes not only save costs on paper and personnel but also enhance the customer experience by allowing travelers to bypass airport lines and hassle. Additionally, they contribute to environmental sustainability by reducing paper waste.

Qantas passengers, without assistance from travel agencies, can independently search for flights, select convenient schedules, track routes and rates, and complete the ticket purchase online. Customers can also check in online through the airline's website or mobile app, providing name and booking confirmation. After completing the check-in process, passengers can print their boarding pass, receive it via email, or access it through a mobile app.

To enhance efficiency, Qantas replaced traditional check-in kiosks with streamlined electronic terminals that can check in passengers and print bag tags in seconds. With the majority of Qantas customers already utilising online check-in or digital boarding passes, the new kiosks are primarily intended for quick bag tag printing, taking less than 20 seconds.

In an effort to expedite the boarding process, Qantas is testing a new group boarding procedure. Instead of economy passengers lining up together, they will only proceed to the aircraft when their allocated group number, based on seat location, is called. This approach aims to streamline the movement of passengers from the gate to the plane.

## 6. Physical Evidence

Qantas' customer decisions are influenced by various physical aspects, including signage, website, terminals, lounges, and uniforms.

Qantas provides a uniform for all staff to enhance their professional appearance. In 2013, the airline adopted a new uniform designed by Martin Grant, incorporating a European cut inspired by French navy and elements of Qantas' red, replacing aboriginal prints. In 2016, Grant designed a new uniform for Qantas pilots. In 2023, Qantas updated its uniform regulations, allowing flight attendants to choose inclusive grooming options, eliminating gender-based style guidelines.

**Figure 12: Qantas flight attendant uniforms**



## 7. E-Marketing

E-marketing employs electronic mediums, primarily the internet, to conduct marketing activities. E-marketing is extensively used by Qantas via:

- **Email:** Monthly emails to Frequent Flyers showcase special offers like flight and accommodation deals.
- **Website:** Customers can book flights, access flight details, and learn about the latest product innovations, including wireless in-flight entertainment and Q bag tags.

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**

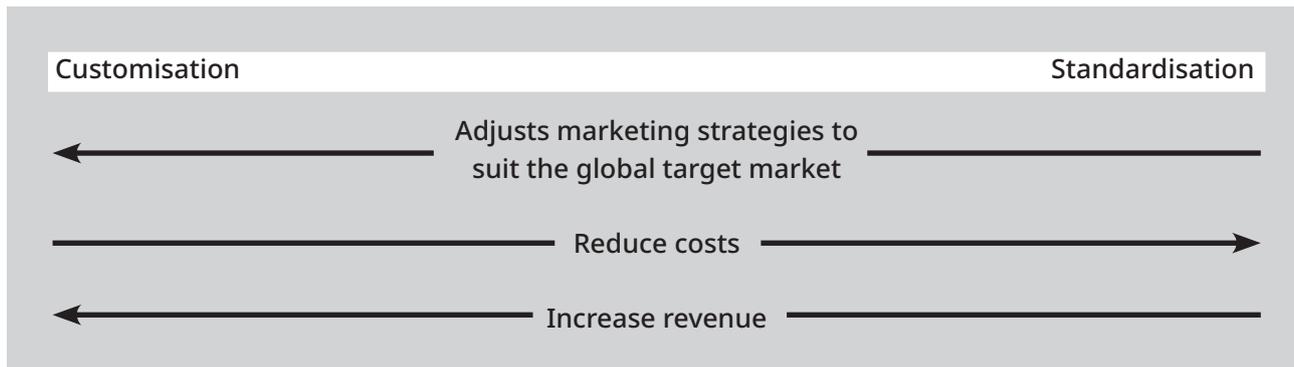
Qantas utilises a uniform global brand and logo, the flying kangaroo, to increase international revenues, foster growth, and safeguard against global competition. This branding signifies safety, reliability, engineering excellence, and customer service, ensuring instant recognition worldwide. Additionally, it enhances profit margins by reducing packaging, design, and advertising production costs.

- **Standardisation**

Qantas standardises its marketing mix elements for economies of scale through global strategies, primarily driven by alliances. These alliances expand global products for customers, including the One World Explorer fare, reciprocal frequent flyer programs, lounge access, and global freight cooperation, ensuring a seamless travel experience. The consistent presence of the One World name and logo on member planes and ticketing enhances Qantas' corporate image in new markets, aiding in capturing a larger market share, particularly in premium customer segments.

- **Customisation**

Qantas employs a customised (differentiated) marketing strategy for its new airlines in Asia under the Jetstar brand. Qantas adjusts its marketing approach to align with this specific global target market. The airlines feature a new name, a refreshed appearance, and embrace a more culturally sensitive style. In-flight menus prioritize 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. Prior to COVID, Qantas experienced a significant increase in total sales, underscoring the effectiveness of its marketing strategies. However, between 2020 and 2022, Qantas' total sales plummeted due to the impact of COVID-19. During this period, many of Qantas' marketing strategies were temporarily suspended due to travel restrictions. In 2023, Qantas' total sales rebounded, surpassing its pre-COVID levels, which serves as an indication of the effectiveness of its marketing strategies.

	2023	2022	2021	2020	2019	2018
Total Revenue \$M	19815	9108	5934	14257	17966	17128

- b) Sales analysis dissects Qantas' overall sales into various services, such as Qantas Domestic and International, Jetstar, etc. This segmentation provides Qantas with a wealth of information to evaluate its marketing strategies for each segment.

Revenue \$M	20223	2022	2021	2020	2019	2018	Variance%
Qantas Domestic	6980	3448	2745	4672	6098	5945	102
Qantas International	7749	3706	1598	6077	7420	6925	109
Jetstar Group	4235	1440	1440	3006	3961	3795	194
Qantas Loyalty	2189	1334	984	1224	1654	1519	64

c) Market share analysis measures the percentage of sales captured by Qantas. Before the onset of COVID-19, Qantas' domestic market share remained consistently around 60%, with its international market share at 26%.

A pared back rival Virgin Australia and the removal of Tiger saw Qantas increase its domestic market share peaking at 74%. However, the current domestic market share for Qantas is slightly below the coveted 70%, standing at around 65%. As international flying resumed Qantas international market share improved as overseas carriers took a conservative approach to capacity and focus on opportunities closer to home markets. These carriers have since increased their capacity approaching pre COVID levels.

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. Qantas' record results in 2023 as well as managing a skinny profit in 2020 and respectable losses in 2021 and 2022 underscore the effectiveness of Qantas' marketing strategies.

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

	2023	2022	2021	2020	2019	2018
\$M						
Qantas	2176 < 1270(D) 906 (I)	(1003) < (765)(D) (238) (I)	(1123) < (575)(D) (548) (I)	229 < 173(D) 56 (I)	1025 < 740(D) 285 (I)	1163 < 765(D) 398 (I)
Jetstar	404	(796)	(541)	(26)	370	457
Qantas Frequent Flyer	451	292	272	341	374	345

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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. What does Qantas need to do to improve its brand reputation?
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](http://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.

### Word Search

Locate the terms relating to Marketing at Qantas

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

1. Strategic role of financial management
2. Interdependence with other key business functions

### Influences on Financial Management at Qantas:

1. Sources of finance
2. Financial institutions
3. Government
4. Global market influences
5. Ethical issues related to financial reports

### Financial Management Processes at Qantas:

1. Planning and implementing
2. Monitoring and controlling
3. Financial ratios
4. Limitations of financial reports

### Financial Management Strategies at Qantas:

1. Working capital management
2. Profitability management
3. Global financial management

### Effectiveness of Financial Management at Qantas:

Profitability, growth, efficiency, liquidity, solvency

## Role of Financial Management

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Financial management involves effective and efficient management of a business's financial resources. It plays a crucial role at Qantas, enabling the achievement of strategic goals in liquidity, solvency, profitability, efficiency, and growth.

### Interdependence with other Key Business Functions

Given its central role within the corporation, financial management at Qantas must coordinate with all business activities.

Finance relies on marketing to generate funds. Marketing strategies, such as Qantas' new lounges, check-in facilities, and carriers, are costly and require funding. Qantas' marketing plan incorporates a significant financial dimension, including budgets for each business segment (Qantas, Jetstar, freight) and their associated marketing strategies. Qantas evaluates its marketing strategies using financial criteria like sales, market share, and profitability.

Human resources need funds for staff remuneration and strategies like training. Recent financial management decisions, such as outsourcing, grounding the fleet, staff stand-downs, and downsizing, have impacted staffing levels and led to industrial disputes. Staffing constitutes Qantas' largest expense, and effective staff management is crucial for Qantas to maintain profitability.

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

### Influences on Financial Management

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The business environment significantly impacts Qantas' finance, presenting challenges that demand financial responses.

#### *a) Sources of finance*

Qantas requires funds to operate and grow, particularly for its fleet renewal. For instance, the company has placed a multi-billion dollar order to replace domestic and international fleets, with an estimated cost of \$12 billion over the next five years.

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

- Qantas employs equity finance, sourcing funds from owners through retained earnings and asset sales (internal), as well as selling shares via the ASX (external). The record levels of profitability from 2015 to 2019 allowed substantial amounts of retained earnings to be reinvested in the business. In response to the challenges posed by COVID-19, Qantas bolstered its balance sheet by generating \$800 million from the sale of surplus land near Sydney Airport and raising over \$2 billion through the sale of shares.
- Qantas also utilises debt finance, borrowing funds. Between 2020 and 2022, Qantas raised an additional \$2.4 billion in debt through loans secured against wholly owned aircraft to generate cash and offset the impact of COVID.

### *b) Financial institutions*

Qantas uses financial institutions (financial intermediaries), particularly banks, investment banks, and the ASX to invest surplus funds and obtain financing.

### *c) Government*

Air travel is closely linked with economic growth as is often discretionary (optional). Government policies, including fiscal and monetary measures, influence Qantas by affecting air travel demand. Fiscal Policy influences demand through changes in taxes and government spending while monetary policy affects the money supply and interest rates. Changes in company tax directly impact Qantas, as the airline pays taxes to the government on its earnings. Shifts in interest rates directly affect Qantas by influencing its borrowing costs on debt.

The financial impact of the government imposed lockdowns, travel restrictions and border closures on Qantas from COVID was considerable. To address the effects of COVID-19, Federal and State Governments implemented measures to support businesses, including Qantas.

Qantas benefited from several 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 including availability of funds (ease of borrowing) and interest rates (cost of borrowing). The 2009 Global Financial Crisis led to an 88% profit fall, prompting Qantas to cut capacity, defer/cancel orders, restructure, raise \$500 million, and replace Qantas with Jetstar on some routes. The Coronavirus Pandemic represented the most significant shock in global aviation history, causing a considerable impact on Qantas with a sharp decline in global travel demand and substantial losses in 2021 and 2022. Geopolitical tensions, such as the ongoing war in Ukraine and violence in the Middle East, further contribute to uncertainty and volatility.

### *e) Ethical issues related to financial reports*

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

### b) Monitoring and controlling

The financial statements of Qantas, including the Income Statement (Figure 16), the Balance Sheet (Figure 18), and the Cash Flow Statement (Figure 17), summarise transactions, are legally required, and inform management decisions.

Figure 16: Extracts from Qantas Income Statements 2018–2023

	2023 \$m	2022 \$m	2021 \$m	2020 \$m	2019 \$m	2018 \$m
<b>Sales and Operating Revenue</b>						
Net passenger revenue	16923	5951	3766	12183	15696	14944
Net freight revenue	1380	1963	1316	1045	971	895
Other sources	1512	1194	852	1029	1299	1289
<b>Total sales and operating revenue</b>	<b>19815</b>	<b>9108</b>	<b>5934</b>	<b>14257</b>	<b>17966</b>	<b>17128</b>
<b>Expenditure</b>						
Manpower and staff related	4261	3024	1970	3646	4268	4291
Selling and marketing	765	362	236	666	932	921
Aircraft operating-variable	3996	2328	1555	3520	4010	3653
Fuel	4555	1848	835	2895	3846	3232
Technology and digital	451	452	320	489	488	477
Depreciation and amortisation	1762	1801	1877	2045	1996	1528
Other	1336	183	1139	3433	952	1492
<b>Total expenditure</b>	<b>17126</b>	<b>9998</b>	<b>7932</b>	<b>16694</b>	<b>16492</b>	<b>15594</b>
Statutory Profit (EBIT)	2689	(890)	(1998)	(2437)	1474	1534
Net finance revenue/(costs)	(217)	(301)	(301)	(271)	(282)	(182)
Profit before tax	2472	(1191)	(2299)	(2708)	1192	1352
Income tax expense	(728)	331	607	744	(352)	(399)
<b>Net Profit (Statutory Profit)</b>	<b>1744</b>	<b>(860)</b>	<b>(1692)</b>	<b>(1964)</b>	<b>840</b>	<b>953</b>
<b>Underlying PBT (Non-Statutory Measure)</b>						
Statutory Profit (EBIT)	2689	(890)	(1998)	(2437)	1474	1534
Items not included in underlying	(7)	(668)	525	2832	134	213
<b>Underlying EBIT</b>	<b>2682</b>	<b>(1558)</b>	<b>(1473)</b>	<b>395</b>	<b>1608</b>	<b>1747</b>
Adjusted for net finance costs	(217)	(301)	(301)	(271)	(282)	(182)
<b>Underlying PBT</b>	<b>2465</b>	<b>(1859)</b>	<b>(1774)</b>	<b>124</b>	<b>1326</b>	<b>1565</b>

Source: Qantas (2018-2023), Annual Reports.

Figure 17: Extracts from Qantas Cash Flow Statements 2018–2023

	2023 \$m	2022 \$m	2021 \$m	2020 \$m	2019 \$m	2018 \$m
Net cash provided by operating activities	5085	2670	(386)	1083	3164	3413
Net cash used in investing activities	(2625)	(240)	(722)	(1571)	(1563)	(2201)
Net cash used in financing activities	(2628)	(1310)	(181)	1853	(1150)	(1296)
Net (decrease)/increase in cash held	(168)	1120	(1289)	1365	451	(84)
Cash at the beginning of the financial year	3343	2221	3520	2157	1694	1775
Effects of ER changes on cash	(4)	2	(10)	(2)	12	3
<b>Cash at the end of the financial year</b>	<b>3171</b>	<b>3343</b>	<b>2221</b>	<b>3520</b>	<b>2157</b>	<b>1694</b>

Source: Qantas (2018-2023), Annual Reports.

Figure 18: Extracts from the Qantas Balance Sheets 2018–2023

	2023 \$m	2022 \$m	2021 \$m	2020 \$m	2019 \$m	2018 \$m
<b>CURRENT ASSETS</b>						
Cash	3171	3343	2221	3520	2157	1694
Receivables	1046	1102	579	522	1101	840
Other financial assets	222	641	176	216	334	474
Inventories	290	269	279	306	364	351
Other	376	278	175	388	232	279
Total current assets	5105	5633	3430	4952	4188	3638
<b>NON-CURRENT ASSETS</b>						
Receivables	11	5	54	124	77	110
Other financial assets	151	199	185	139	184	112
Investments using the equity method	25	57	57	59	217	222
Property, plant and equipment	11849	10224	10787	11726	12776	12851
Intangibles	687	778	745	1050	1225	1113
Rights of use assets (leases)	1303	957	1109	1440	1419	nil
Deferred tax assets	367	853	706	167	nil	nil
Other	856	947	734	369	449	601
Total non-current assets	15249	14020	14377	15074	16347	15009
Total assets	20354	19653	17807	20026	20535	18647
<b>CURRENT LIABILITIES</b>						
Payables	2732	2474	1813	2351	2366	2220
Interest bearing liabilities	799	669	969	868	610	404
Other financial liabilities	51	67	17	238	202	105
Lease liabilities	581	384	383	524	459	nil
Provisions	1272	1101	1136	1539	967	853
Revenue received in advance	6662	5863	3277	2784	4414	4018
Total current liabilities	12097	10558	7595	8304	9018	7600
<b>NON-CURRENT LIABILITIES</b>						
Payables	nil	nil	44	99	nil	nil
Interest bearing liabilities	4370	5291	5861	5825	4527	4344
Other financial liabilities	311	246	5	47	48	25
Lease liabilities	976	888	1016	1381	1293	nil
Provisions	580	794	689	651	475	367
Deferred tax liabilities	nil	nil	nil	nil	694	910
Revenue received in advance	2010	2066	2154	2256	1466	1446
Total non-current liabilities	8247	9285	9769	10196	8503	7092
Total liabilities	20344	19843	17364	18500	17521	14692
Net assets	10	(190)	443	1526	3014	3955
<b>EQUITY</b>						
Issued capital	2186	3186	3186	3104	1871	2508
Treasury shares	(106)	(8)	(18)	(51)	(152)	(115)
Reserves	200	649	432	(173)	111	479
Retained earnings	(2275)	(4024)	(3106)	(1357)	1181	1080
Equity attributable to members	5	(197)	440	1523	3011	3952
Outside equity interests	5	7	3	3	3	3
TOTAL EQUITY	10	(190)	443	1526	3014	3955

### c) Calculating ratios

Financial ratios are mathematical tools that enable managers and stakeholders to analyse and interpret financial statements. These ratios are categorised into measures of financial performance, including profitability, liquidity, gearing, and efficiency.

Comparative ratio analysis can be utilised to assess Qantas' financial performance across previous years (2018-2022) and against similar firms in the same industry, such as Air New Zealand and Singapore Airlines. Caution is advised when comparing Qantas to its competitors, as many of them receive subsidies from their respective governments.

The COVID-19 pandemic has significantly impacted Qantas, as evident in their financial ratios from 2020 to 2022. The year 2019 represents the most complete financial period unaffected by the pandemic, whereas 2020 included five months under COVID-19 conditions.

Certain ratios, such as the Rate of Return on Owner's Equity and Debt to Equity, have recently taken on almost mythical figures. This is due to the accumulated losses from COVID, which have eroded the equity section of Qantas' Balance Sheet.

**Fig 19: Key Qantas Ratios 2018-2023**

		2023	2022	2021	2020	2019	2018
Profitability	Net Profit Ratio	12%	-20%	-30%	0.09%	7.40%	9.10%
	Rate of Return on Owners Equity	247%	-978%	-354%	8.10%	44%	40%
Liquidity	Current Ratio	0.42:1	0.53:1	0.45:1	0.6:1	0.46:1	0.48:1
Gearing	Debt to Equity Ratio	1069.2	32.5	13.41	4.69	1.34	1.1
Efficiency	Total Expense Ratio	86%	110%	135%	117%	92%	91%
	Revenue Seat Factor	83%	68%	63%	82%	84%	83%

### Profitability Ratios

Profit performance is crucial for shareholders, long-term creditors, employees, and suppliers as businesses, including Qantas, require sustained profitability for survival. The airline industry prefers to use the underlying profit measure as it eliminates one-off changes and irregular payments, providing a more accurate reflection of performance.

Qantas' Net Profit Ratio (refer to Figure 19), which measures the proportion of each dollar of sales contributing to net profit, was 12% in 2023. This compares with 7.4% for pre-COVID 2019 and negative 20% in 2022. The rate of return on owner's equity (refer to Figure 19), which measures the return earned by management on the owners' funds, was 247% in 2023. This compares with 44% for pre-COVID 2019 and negative 978% in 2022. These ratios highlight Qantas' improved profitability and recovery from the pandemic.

## Liquidity Ratio

Liquidity is crucial for covering immediate expenses and facilitating Qantas' growth and investment. The current ratio (refer to Figure 19) which measures Qantas' ability to meet short term obligations, was 0.42:1 in 2023. This compares with 0.46:1 for pre-COVID 2019 and 0.53:1 in 2022.

## Gearing Ratio

The debt to equity ratio measures Qantas' ability to sustain its operations in the long term and serves as an indicator of its financial stability. Instead of using the traditional debt-to-equity ratio, airlines employ a more complex ratio.

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

Qantas' debt to equity ratio (refer to Figure 19) sharply increased to 1069.2 in 2023 from 1.34 in pre-COVID 2019 and 32.5:1 in 2022. The increased borrowing to mitigate COVID impacts and \$7 billion in pandemic-related losses have made Qantas highly geared and less financially stable.

## Efficiency Ratios

Efficiency ratios, such as the total expense ratio and revenue seat factor, measure Qantas' ability to manage its assets to generate profits at a minimum cost to the business.

The total expense ratio (refer to Figure 19) which measures total expenses as a proportion of total revenue was 86% in 2023. This compares with 92% in pre-COVID 2019 and 110% in 2022.

The airline industry uses the revenue seat factor ratio (RSF) as a key indicator of efficiency, measuring the percentage of total passenger capacity utilised by paying passengers. The Revenue Seat Factor (refer to Figure 19) was 83% in 2023, compared to 84% for pre-COVID 2019 and 68% in 2022.

### *d) Identifying the limitations of financial reporting*

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

- Qantas provides comprehensive notes to its financial statements to assist stakeholders in better understanding the financial reports and to provide more clarity on Qantas' financial position.
- Special circumstances, such as major weather events, geopolitical tensions, and pandemics, may distort the analysis of Qantas' results.
- 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 do not provide a complete picture of their debt since they do not disclose when these debts have to be repaid.

- Valuing Qantas' assets is challenging as they change over time and the depreciation of long-term 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 \$5 billion in the last six years reducing its overall cost base by about 20%. Qantas moved decisively in response to the massive drop in profitability from 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).
- Reforming employment practices with better rostering, increased use of technology, casualisation of the workforce and securing workplace agreements within a 3% wages policy framework.
- Segmenting their businesses into cost centers to give greater clarity with costing: Qantas International, Qantas Domestic, Jetstar, and Qantas Loyalty (Frequent Flyer).
- Hedging for new aircraft acquisitions and fuel costs.
- Conserving fuel (launched a pilot app to improve fuel optimisation).
- Restructuring fleet (new generation planes use less fuel and are cheaper to operate).
- 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 3 year recovery plan delivered \$1 billion in cost benefits. To achieve this Qantas:

- Stood down 25000 employees until flying resumed.
- Made 9000 staff redundant.
- Retired the remaining 747s and initially grounding aircraft including most of the international fleet.
- Cancelled its share buy back and deferring dividends.
- Cut executive salaries.
- Postponed 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 exercising options for fuel hedging due to significant declines in fuel prices.

**Revenue Controls:** Total revenue in 2023 increased by 117% compared to 2022 and was 10% higher than pre-COVID 2019. Qantas estimates that it lost \$25 billion in revenue over the COVID period.

Recent strategies employed by Qantas to control revenue include:

- Establishing clear sales objectives and implementing a sales reporting system that regularly breaks down sales figures into business segments.
- Partnering with Emirates, American Airlines and China Eastern to expand its international network.
- Ending the 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.
- Increasing airfares in response to strong demand, lack of capacity and increases in the price of fuel.
- Diversifying revenue by expanding services such as travel, catering, and freight to mitigate the impacts of Qantas' core airline business's peaks and troughs.
- Enhancing marketing strategies, including installing self service kiosks, next generation check in and launch of new advertising campaigns.

### *b) Working capital (liquidity) management*

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

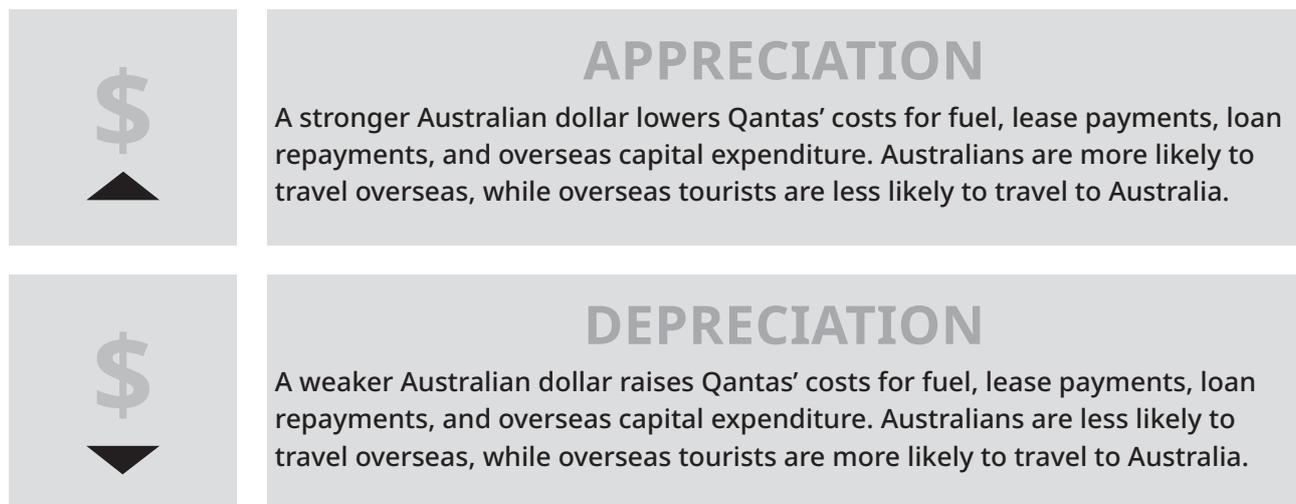
- Controlling current assets, such as cash, accounts receivable and inventories.
- Controlling current liabilities such as payables, interest bearing liabilities and trade creditors.
- Leasing aircraft, buildings, and plant and equipment has improved liquidity and freed up cash for use in other areas of the business. Trends in the debt market, tax depreciation, deterioration in aircraft residual rates, and the need for greater fleet flexibility have increased the appeal of leasing for Qantas. Leasing planes allowed Qantas flexibility during COVID-related travel restrictions.
- Sale and leaseback of commercial property has improved liquidity and freed up cash for other business areas. Qantas, one of the few airlines owning terminals globally, sold its Sydney Airport Terminal 3 for \$185m in 2016 and Melbourne Airport Terminal 1 for \$355m in 2019 leasing them back for a fixed period. In the 2022 Mascot land sale, certain areas were leased back for 2 to 10 years.

## c) Global financial management

### 1. Exchange Rates

Qantas is exposed to financial risks in its international operations due to fluctuations in foreign exchange rates. Significant expenses, including jet fuel purchases, operational costs like lease and interest payments, and capital investments such as new aircraft acquisitions, are mainly denominated in foreign currencies, notably in US dollars. Approximately 38% of Qantas' revenue comes from other currencies, with around 14% in US dollars. Changes in foreign exchange rates also influence travel decisions made by Australians.

**Figure 20: 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 rate increases in both Australia and the US have resulted in higher interest payments for Qantas on its borrowings.

### 3. Hedging/Derivatives

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

Qantas utilises derivatives, such as forward cover and options, to hedge future fuel and aircraft purchases. Forward cover entails entering into a foreign exchange contract to exchange one currency for another at a predetermined exchange rate on a future date. An option contract provides the buyer with the right, without obligation, to buy or sell foreign currency at a predetermined date in the future.

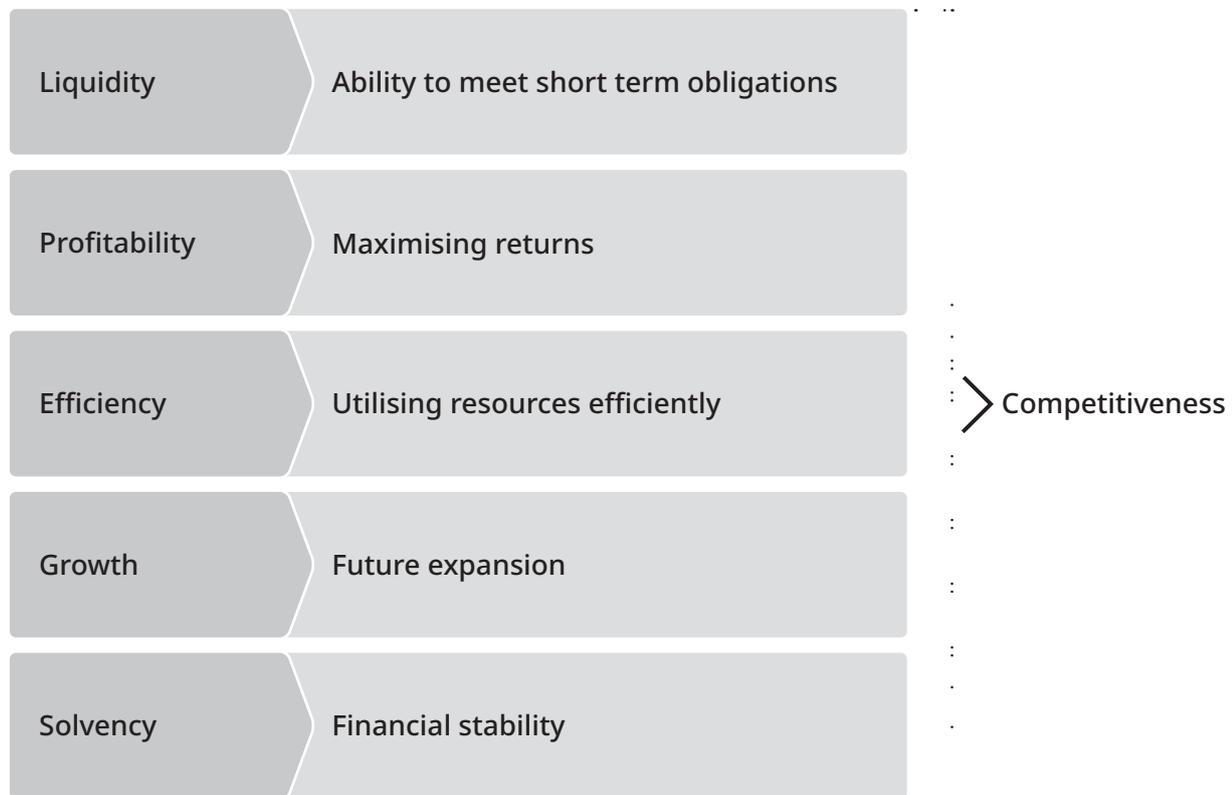
Qantas had hedged 90% of its fuel needs during the COVID period, providing protection against record fuel prices resulting from the Ukraine war. A reduced level of protection (Qantas is currently only 50% hedged) could expose it to higher prices. Fuel prices have increased by about 30% since

May 2023. Australia’s low dollar is also not helping. Qantas expects its fuel bill in the first half of 2024 to increase by over \$200 million even after hedging.

Qantas earns revenue in many currencies and incurs costs especially fuel, maintenance and leasing in other currencies. Another derivative used by Qantas is the “swap,” 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, particularly in profitability and solvency, suffered between 2020 and 2022 as the airline was virtually grounded due to the COVID crisis. However, Qantas’ results are significantly better than what might have been expected given their circumstances. The airline entered the crisis with an exceptionally strong financial position, boasting a robust balance sheet and stellar profits since 2015. Astute financial management, including rapid cost-cutting and placing Qantas into hibernation, helped minimise the financial impacts of the pandemic. After three years and \$7 billion in accumulated losses, Qantas returned to profitability in 2023, achieving a record result.

### 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 with a negative working capital position. The airline holds very little cash reserves and uses the cash received, often in advance, to pay long-term debt, and reduce interest costs. Qantas has facilities in place, including a standby facility of \$1.6 billion and short-term notes, to draw cash when needed to pay creditors. In 2020 and 2021,

Qantas enhanced liquidity by cutting capital expenditure, deferring dividends, and securing additional debt and equity funding to offset its COVID-19-related cash deficit.

At one point during the pandemic travel halt, Qantas was losing \$40 million per week in cash, even with grounded planes and staff being stood down. This was because there are large recurring fixed costs in running an airline, such as debt payments and leasing arrangements for Qantas' fleet, which are difficult to reduce.

### *b) Profitability*

Profitability in the airline industry is relatively poor. The industry is both capital-intensive and highly competitive. Variable costs, particularly in fuel and labor, form a significant share of expenses and are challenging to control.

Since its \$646 million loss in 2014, Qantas has turned its profitability around, achieving outstanding and record results. On track for a substantial profit of over \$1 billion in 2020, the COVID crisis led to a modest \$124 million profit due to imposed travel restrictions and border closures.

Qantas reported losses of \$1.8 billion in 2021 and \$1.9 billion in 2022 due to the impact of COVID-19. Compared to its competitors, Qantas has fared remarkably well. Examples of year-end losses for other airlines during COVID include Singapore Airlines at \$4 billion, Emirates at \$6 billion, and Delta at \$12 billion.

In 2023, Qantas reported a profit of \$2.47 billion, marking a robust return to profitability driven by high airfares, strong travel demand, and \$1 billion in cost-cutting—resulting in its biggest full-year result on record.

### *c) Efficiency*

In recent years, Qantas' efficiency has risen despite a COVID-related hiccup. The increasing RSF and decreasing expense ratio attest to successful financial strategies and effective asset management. This improvement stems from the introduction of new and more efficient aircraft, new IT systems, restructuring, improved aircraft utilisation, and faster, more efficient maintenance turnaround times.

### *d) Growth*

In recent years, Qantas has focused on growth by expanding into new routes, acquiring new planes, and increasing capacity, especially in Asia—the fastest-growing aviation market globally. The airline opened a pilot academy in Queensland, hired new personnel, and planned long-haul flights from Sydney to London and New York (Project Sunrise). However, due to COVID, Qantas scaled down operations, grounding around 100 aircraft, storing Airbus A380s in the Mojave Desert, deferring plane deliveries, and making 9000 redundancies. Despite these challenges, Qantas introduced new domestic routes in response to increased regional travel demand during international border closures.

While most airlines are still plotting a path to post-COVID recovery, Qantas' financial objectives have shifted to growth with major fleet decisions. This includes replacing its domestic fleet with new Airbus A320 neo and A220s from 2023, upgrading the international fleet with 12 Airbus A350s for Project Sunrise and another 12 Boeing 787s. Additionally, Qantas acquired a controlling stake in the online travel business TripADeal to tap into the booming packaged holiday sector.

### **e) Solvency**

The capital-intensive nature of the airline industry means that airlines like Qantas are typically highly geared. Between 2015 and 2019, Qantas used increasing profitability to reduce debt, improving financial stability despite significant spending on fleet and lounge upgrades. This effort led to an upgraded investment credit rating for Qantas, translating to a lower interest bill.

Qantas' relatively low gearing levels, compared to other airlines, aided its survival during the pandemic, unlike Virgin Australia, which collapsed after a few weeks. Despite a 2020 share placement, cost savings, a surplus land sale, and a strong rebuild in revenue, Qantas' gearing has increased significantly from 2020. Currently, Qantas is running a highly leveraged balance sheet, borrowing an additional \$1 billion to combat COVID and meet the running costs of the company. The accumulated losses of \$7 billion have virtually wiped out shareholders' funds (equity) which stood at \$5 million in 2023. In the pre-COVID year 2019, Qantas had shareholders' funds of \$3 billion. Qantas' solvency faces additional strain from an estimated \$12 billion fleet renewal plan over the next 5 years.

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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 2018 and 2023.*
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 high 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, Russian invasion of Ukraine and tensions in the Middle East 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 survived COVID-19 while airlines like Virgin Australia went bust?*

## Word Search

Locate the terms relating to Finance at Qantas

P	C	O	S	T	C	O	N	T	R	O	L	S	G
R	P	J	E	E	A	F	R	N	R	S	F	E	E
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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I	S	N	I	I	T	I	E	P	H	I	O	G	N
T	A	G	U	Y	T	I	D	I	U	Q	I	L	O
Y	G	Q	S	O	I	L	K	S	N	L	T	O	O
T	E	B	A	L	A	N	C	E	S	H	E	E	T

OPTIONS  
 EQUITYFINANCE  
 JOBKEEPER  
 FUEL  
 COSTCONTROLS  
 LIQUIDITY  
 PROFITABILITY  
 GEARING  
 BOEING  
 BALANCESHEET  
 HEDGING  
 LEASING  
 RSF

# CHAPTER 5

## Human Resources

### Role of HR Management at Qantas:

1. Strategic role
2. Interdependence with other key business functions.

### Influences on Operations Management at Qantas:

1. Globalisation
2. Technology
3. Quality expectations
4. Cost based competition
5. Government policies
6. Legal regulation
7. Environmental sustainability
8. Corporate social responsibility

### HR Management Processes at Qantas:

1. Acquisition
2. Training and development
3. Maintenance
4. Separation

### HR Management Strategies at Qantas:

1. Leadership style
2. Job design
3. Recruitment
4. Training and development
5. Performance management systems
6. Rewards
7. Outsourcing/employing a global workforce
8. Workplace dispute resolution

### Effectiveness of HR Management at Qantas:

Staff turnover, absenteeism, accidents, levels of disputation, worker satisfaction

## Role of Human Resource Management at Qantas

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### Strategic Role of Human Resources

Qantas, one of Australia's largest employers, manages a workforce of over 25,000 full-time staff, with 93% based in Australia across 200 job categories. The human resource function at Qantas is crucial for overseeing the employer-employee relationship and plays a pivotal role in reducing costs, enhancing working life, ensuring legal compliance, and managing change effectively, ultimately strengthening Qantas' competitive advantage.

### Interdependence with other Key Business Functions

Human resource management is pivotal at Qantas and must align with other business activities.

Human resources need funding for staff remuneration, training, and development. Recent financial decisions at Qantas, including outsourcing, flight cuts, and launching new airlines in Asia, have affected staff levels and increased industrial disputes. Efficient staff management is crucial for Qantas to sustain profitability and productivity, considering staffing is the company's largest expense.

Human resources affect how marketing performs. The right staff must be employed and trained to create services that satisfy Qantas' consumers. People are now recognised as an essential part of the marketing mix at Qantas.

The efficiency of Qantas' operations is influenced by the quality of its human resources. Furthermore, the adoption of new operational technologies, such as new aircraft and security systems, requires Qantas staff to undergo training. Operational changes, such as staff standing down and downsizing due to COVID-19, have altered the size and composition of the workforce.

### Outsourcing

Qantas has increasingly turned to outsourcing (i.e., contracting out business operations to outside suppliers) to enhance cost-effectiveness and simplify its business.

Qantas utilises domestic subcontractors for cost savings, expertise, and competitiveness. Examples include:

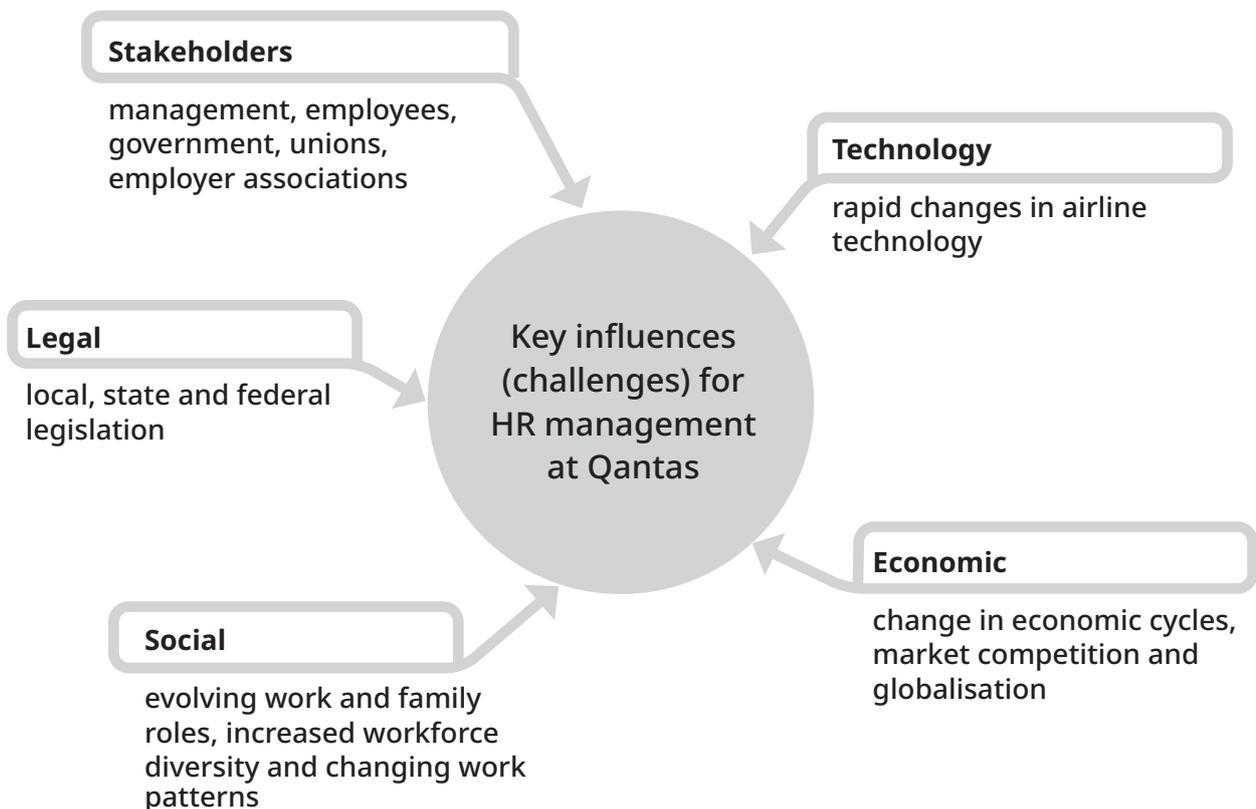
- Jetstar outsourcing call center operations to Melbourne Operator Sales Force.
- Qantas outsourcing domestic voice, data, and services to Telstra.
- Qantas outsourcing its data centres, mainframe, computing, and project management to IBM
- Qantas outsourcing ground handling and cleaning at major Australian and regional airports.

Qantas utilises global subcontractors for cost savings, expertise, and competitiveness. Examples include:

- Qantas contracts maintenance jobs overseas to Singapore, New Zealand and the US.
- Qantas establishing a base in London for approximately 400 of its international flight attendants.
- Qantas outsourcing IT applications support and maintenance to companies in India.
- Qantas outsourcing the entire reservation system to Munich-based company Amadeus, covering fare inventory, seat allocation, departure control, and boarding passes.

## Key Influences on Human Resources at Qantas

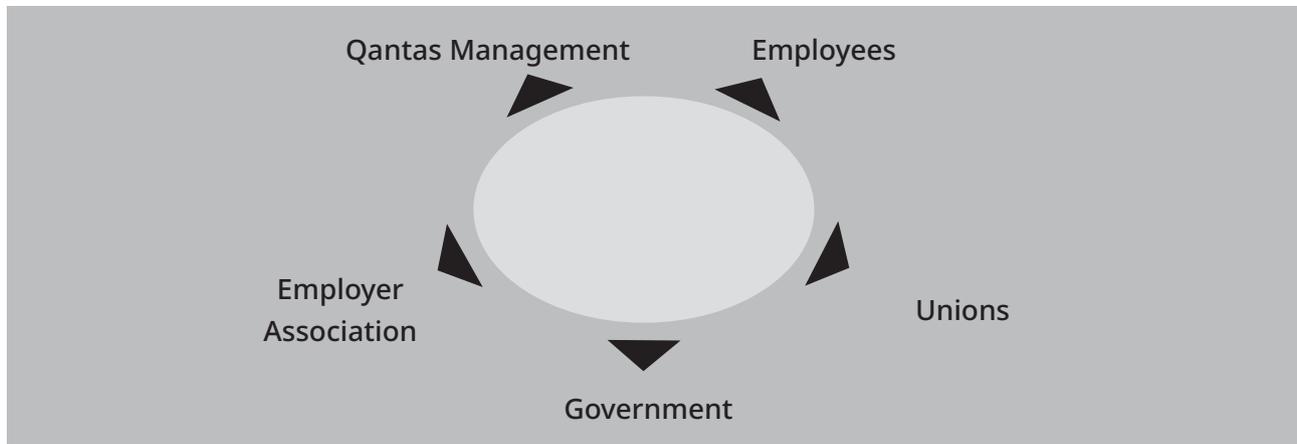
Several key influences impact the human resources function at Qantas, presenting environmental and organisational challenges for HR managers.



## 1) Stakeholders

Qantas' stakeholders all possess a vested interest, and conflicts can arise from competing needs and expectations.

### Human Resources Stakeholders at Qantas



#### *Qantas Management*

Qantas has reformed its human resource practices to reduce costs and enhance labor flexibility. This includes organisational restructuring, increased outsourcing, the launch of discount airlines, and the hiring of more casual staff. In pursuit of improved labor efficiency, Qantas has taken a relatively confrontational stance with unions. The airline was compelled to stand down thousands of staff and make 9,000 redundant as part of its strategy to weather the challenges posed by COVID.

#### *Employees*

Qantas employs over 25000 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 strongly backed union actions and, at times, rejected initially negotiated enterprise agreements. Qantas employees have recently faced challenges, uncertainty and anxiety due to the impact of COVID on both their short and long-term employment prospects.

#### *Unions*

Qantas has a highly unionised workforce, 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 expressed dissatisfaction with Qantas' efforts to cut labor costs and have waged political, community, and at times, industrial campaigns against the airline. During COVID, unions assisted members in adjusting to new employment arrangements and securing government-backed support payments during stand-downs.

## *Employer Associations*

Qantas is a member of the Australian International Airlines Operation Group, affiliated with the Australian Chamber of Commerce and Industry. This association works nationally and internationally to represent Qantas' concerns to the Federal Government and the broader community.

## *Government Organisations*

Governments enact and enforce employment relations legislation for Qantas, including the Fair Work Act (amended by Secure Jobs, Better Pay), Corporations Law, Work Health and Safety Act, and Workers Compensation, utilising departments, agencies, 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 that encompass the human resource function, including:

### *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) in 2006 amended the Workplace Relations Act, granting Qantas greater staffing flexibility and aiding in labor cost reduction. New agreements only needed to meet minimum and award classification wages set by the Fair Pay Commission. The legislation allowed Qantas to create their own workplace agreements (AWAs) for new businesses like Jetstar International, without union or employee bargaining. WorkChoices made it more challenging for unions to enter the workplace or organise industrial action. Protected industrial action required approval by secret ballot and was limited to the bargaining period. The rights of entry for unions became increasingly restricted and regulated.

The Rudd Government introduced the Fair Work Act in 2009, replacing WorkChoices. While retaining certain elements of WorkChoices, such as laws on industrial action and restrictions on union right of entry, the Act brought about significant changes in workplace relations, impacting Qantas. For instance, it established a safety net of 10 minimum conditions covering rules on leave, weekly work hours, notice, redundancy pay, and a wage umpire. Fair Work Australia oversaw worker rights and reviewed minimum pay annually. The Act prohibited the creation of new AWAs and imposed stringent penalties on Qantas if they refused to bargain in good faith.

The Albanese government introduced the Fair Work Amendment (Secure Jobs, Better Pay) legislation in 2022, amending the Fair Work Act to modify rules and introduce new workplace laws, including a system for multi-employer bargaining. This system enables workers in sectors to negotiate one pay deal across multiple employers. The reform also empowers the Fair Work Commission (FWC) to arbitrate disputes over flexible work and impose new caps on rolling fixed-term contracts. Qantas opposed the new legislation, believing it would increase costs, lead to higher levels of industrial conflict, and grant unions undue power.

**b) Obligations to provide a safe workplace**

Qantas, in compliance with the Work Health and Safety Act, ensures employee health and safety through its WH&S program, incorporating an integrated safety management system, fatigue risk management, an employee recognition program, a well-being and mental health initiative, and an annual Safety Conference. Recently, Qantas monitored the alertness of pilots and cabin crew on test flights to gather data about their well-being on long-haul flights. During the pandemic, Qantas implemented remote work, physical distancing, regular workplace cleaning, and disinfection to ensure safety. The airline mandated staff vaccination for a secure environment and initially required vaccination for all international passengers.

**c) Obligations to take out insurance**

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

**d) Obligations to prohibit discrimination**

Qantas complies with Anti-Discrimination Legislation, prohibiting bias in race, age, marital status, gender, or sexual preference. All managers undergo regular training to identify and prevent discrimination. Qantas has an Inclusive and Diversity Strategy, removing age barriers, promoting LGBTQIA inclusion, and embracing cultural diversity to enhance the employee experience.

**e) Obligations to promote equal employment opportunity**

Qantas ensures equitable treatment for female employees under the Equal Employment Opportunity Workplace Act. The company implements measures for gender diversity, with a new target of 42% women in senior roles by 2024 (building on the achieved 38% in 2021). Vanessa Hudson's recent appointment as Qantas' first female CEO is a notable milestone. The company also aims to reach a 40% intake of female pilots by 2028.

**Figure 21: EEO at Qantas**

	2023	2022	2021	2020	2019	2018
% of women employed at Qantas	46.4	44.8	43.6	43.0	42.0	42.3
% of women in senior positions	39.1	37.4	38.1	37.0	36.0	35.0
% of women on Qantas Board	40.0	38.0	40.0	40.0	36.0	36.0

**3. Economic Influences**

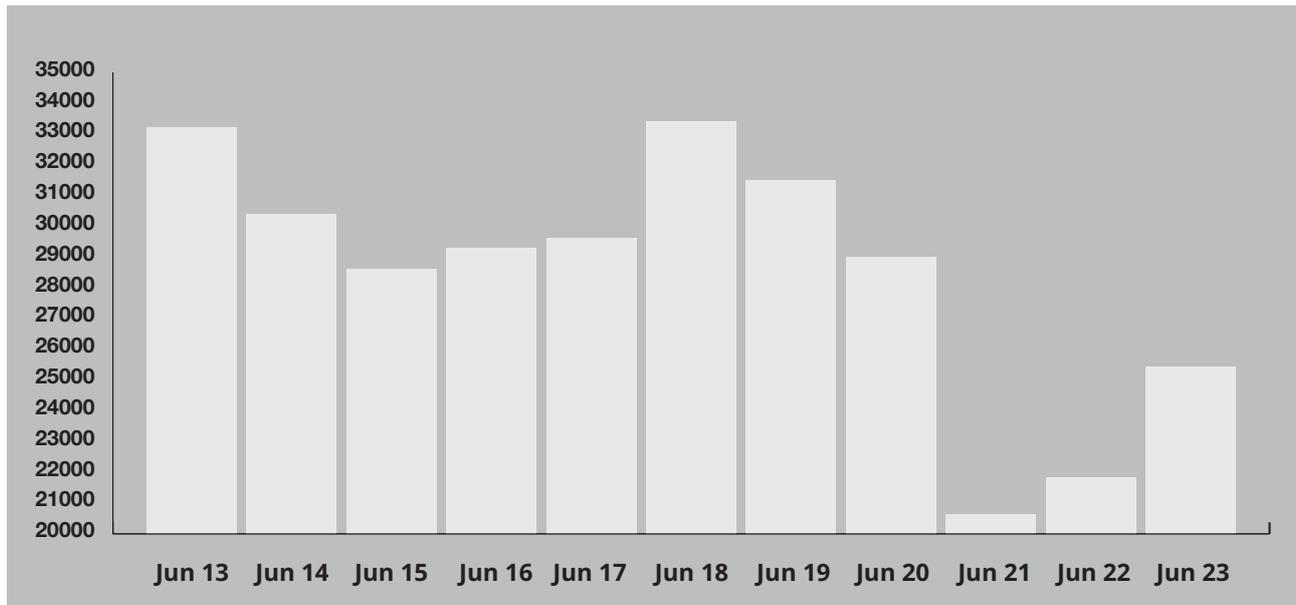
The level of economic activity in Australia and the rest of the world tends to fluctuate, impacting Qantas' human resources. The demand for labour at Qantas, like in all businesses, is determined by the demand for its services.

COVID and the resulting decline in air travel significantly impacted Qantas' human resources division. To cut costs, the airline initially stood down 25,000 staff and later made 9,000 staff redundant, including pilots, cabin crew, engineers, ground workers, and corporate staff. Other

cost-cutting measures included reducing executive management salaries, shelving bonuses, freezing non-essential recruitment, and postponing plans for the Mackay Qantas Pilot Training academy while reducing student numbers at the Toowoomba pilot academy.

The 2022 border reopening increased travel demand, prompting Qantas to hire more staff to address a skills shortage caused by previously stood-down workers finding jobs elsewhere. Despite a tight labor market, Qantas is still working to fill numerous roles, especially in engineering, freight, and logistics, with new recruits requiring extensive training.

**Figure 22: Full Time Qantas Staff 2013/23**



#### 4. Technological Influences

Qantas has experienced significant technological changes in recent years. These changes range from implementing new security systems in response to terrorism threats to cost-cutting measures aimed at maintaining competitiveness. Technological upgrades involved new Airbus and Boeing aircraft, updated inflight entertainment systems, online check-in, and self-service kiosks. This necessitated Qantas staff to acquire new skills, with certain positions becoming redundant, particularly due to technological advancements like online check-in.

#### 5. Social influences

Qantas has increased the proportion of part-time and casual employees to about 17% of the workforce, driven by the need to cut costs and improve international competitiveness. The airline prefers a more streamlined permanent workforce and utilises part-time and casual staff for flexibility in handling demand fluctuations. Outsourcing is also evident in various Qantas functions, such as IT, call-center operations, and maintenance.

The increased participation of women, now comprising 46% of Qantas' workforce, prompted the airline to update workplace practices. In response, Qantas has implemented more family-friendly practices, including the construction of new childcare facilities and enhanced support for

employees transitioning from parental leave. This support includes a “keep in touch” program for staff on maternity leave.

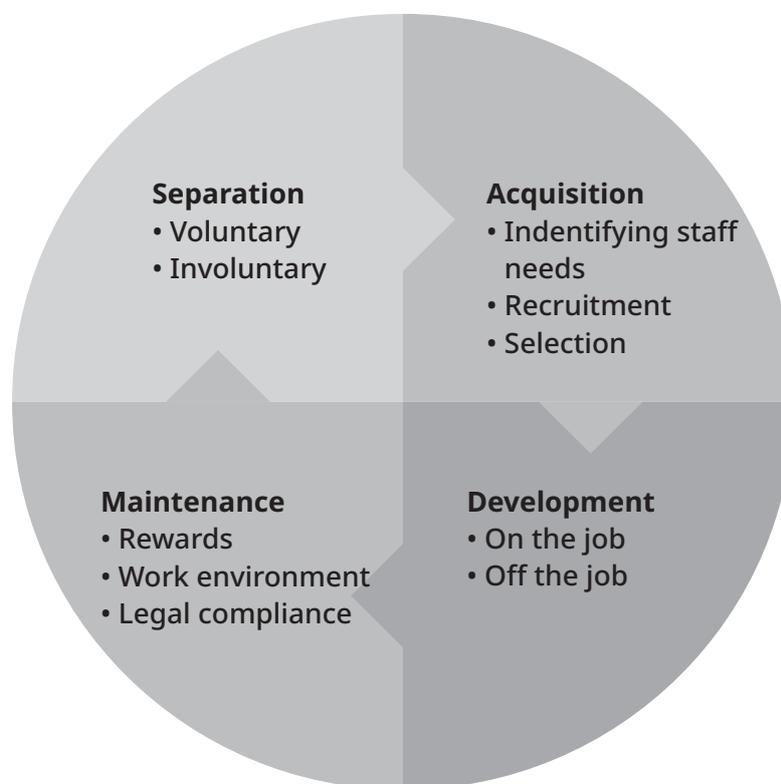
Population shifts have created a more diverse Qantas workforce, prompting the need for management’s cultural awareness to educate staff on anti-discrimination practices. Qantas is actively involved in social issues, including LGBTQI inclusion and Aboriginal and Torres Strait Islander reconciliation.

## Processes of Human Resource Management

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Human resource management at Qantas involves four main processes: Acquisition, Development, Maintenance, and Separation (see Figure 23).

**Figure 23: Processes of HRM at Qantas**



### a) Acquisition

At Qantas, acquisition involves identifying staff needs, recruitment and selection.

Identifying staff needs at Qantas involves conducting a job analysis to produce a job description outlining job activities, major responsibilities, and position details.

Recruitment at Qantas involves establishing a pool of potential candidates through internal and external channels, serving as the initial contact for potential employees. Owing to substantial costs, like advertising, these methods are continuously assessed.

Recruitment creates a pool of job applicants, while the Qantas selection process aims to identify the most suitable candidates. This critical process includes initial applicant selection, interviews,

ability and personality tests, reference and background checks, selection decisions, physical examinations for specific roles, and concludes with a job offer and employment contract. Selection errors can lead to costs such as lost production, damaged company reputation, absenteeism, employee termination, and the expenses of employee replacement.

## b) Development

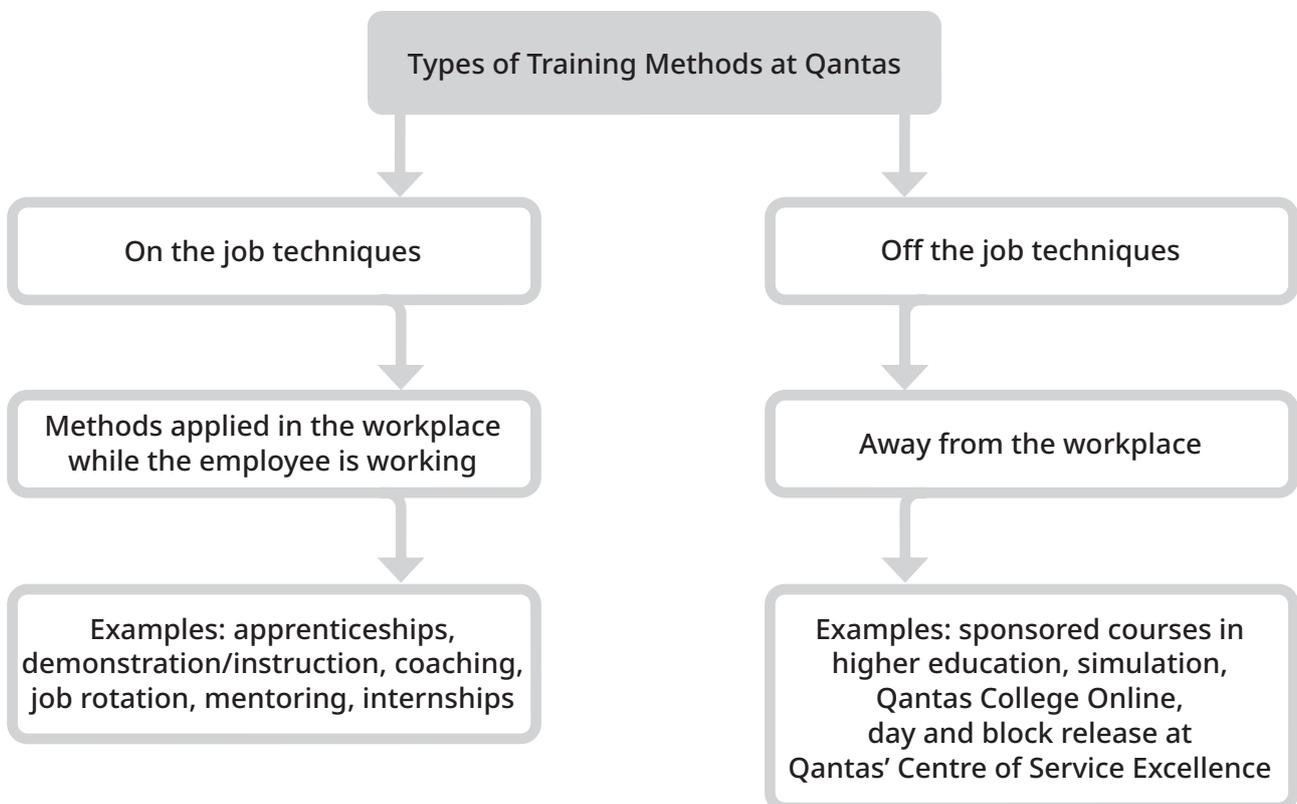
Qantas sees staff development as crucial for enhancing HR capabilities and maintaining a competitive edge. It involves improving employees' knowledge and skills to enhance job performance and organisational effectiveness, costing approximately \$275 million annually.

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)
- Making employees more versatile in its operation (more flexible and adaptable to change)
- Reducing absenteeism and staff turnover

Qantas employs various training techniques, categorising them into on-the-job and off-the-job methods, each with its advantages and disadvantages (refer to Figure 24 below).

**Figure 24: Types of Training Methods at Qantas**



**Figure 25: 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 focuses on retaining valuable staff and ensuring they are motivated and committed. This includes:

- Remuneration (compensation)

Qantas uses remuneration for recruiting, training, enhancing job satisfaction, and reducing staff turnover. While remuneration is crucial for employees, it constitutes a major cost for Qantas. Recent disputes with unions have centered around remuneration, and Qantas aims to limit pay increases to about 3% per year. Remuneration includes both monetary and non-monetary rewards, following a systematic approach based on job descriptions, pay structures, and performance appraisal, with various factors influencing employee remuneration (refer to Figure 26 below).

**Figure 26: Factors Influencing Remuneration at Qantas**

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

- Work environment

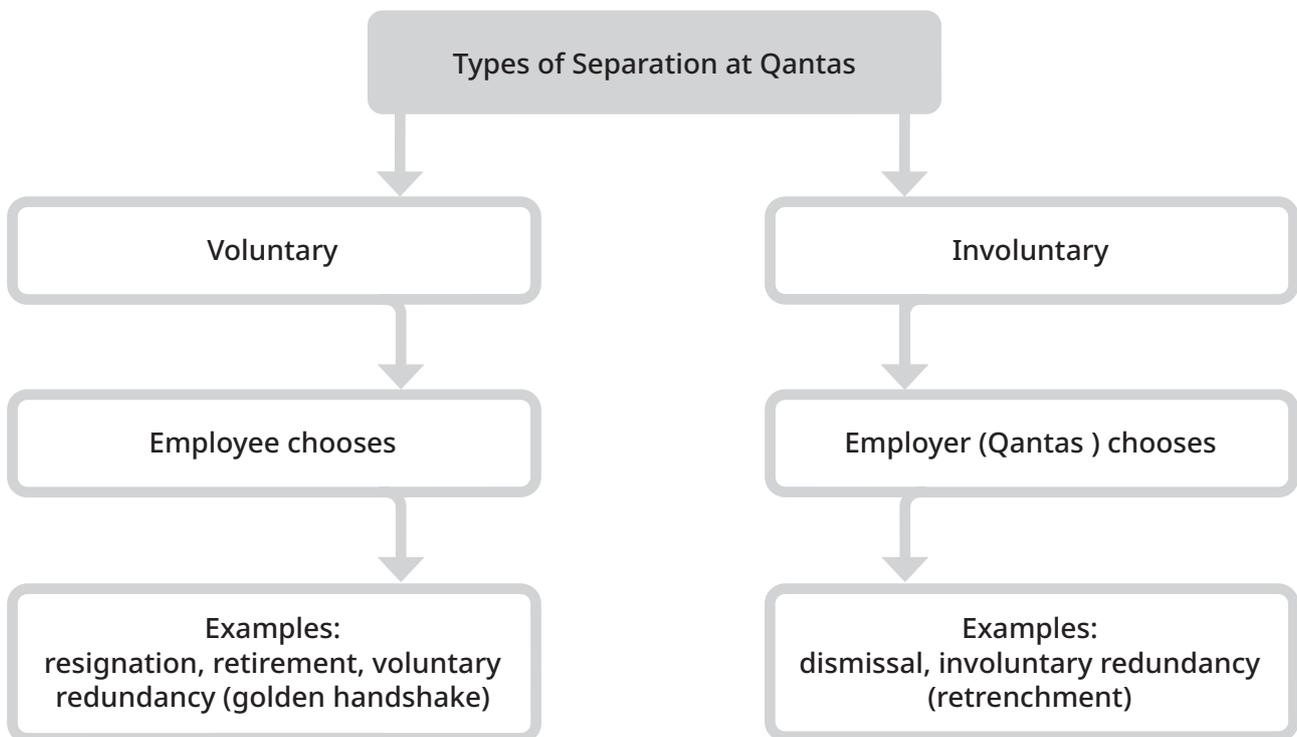
Qantas enhances staff motivation and retention through excellent facilities. Recent initiatives for work-life balance include increased part-time opportunities, extended paid maternity leave, a 'keep in touch' program for maternity leave, and new childcare facilities in Sydney, Melbourne, and Brisbane. COVID restrictions prompted adjustments to flexible work arrangements, with many Qantas staff working remotely to curb the virus spread.

- Complying with legislation, including anti-discrimination, workers' compensation, OH&S, superannuation, taxation, etc.

## d) Separation

Separation occurs when an employee leaves Qantas, marking the termination of the employment contract (see Figure 27). This departure can be voluntary (when the Qantas employee decides) or involuntary (when Qantas decides).

**Figure 27: Types of Separation at Qantas**



Due to the GFC, international competition, technological changes, declining profitability, and COVID-19, Qantas downsized its staff. This involved retrenching 5,000 employees between 2014-2016 and an additional 9,000 between 2020-2021, with careful management and compliance with legislation.

## Strategies in Human Resource Management

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Previously, Qantas HR managers were reactive, but now they adopt a proactive approach by anticipating and addressing potential issues before they arise. Examples of these strategies include:

### a) Leadership Style

Under government ownership and the domestic duopoly between TAA and Ansett, Qantas initially favored an autocratic leadership style with centralised decision-making and limited communication between workers and top management. However, following the deregulation of the domestic aviation industry in 1991 and Qantas' privatization in 1995, the airline transitioned to a more democratic leadership approach, providing employees with increased input into decision-making processes.

During the COVID, Qantas reverted to a more autocratic leadership style due to the urgent need for rapid decision-making. The shift to virtual communication made collaboration more challenging as physical meetings were replaced with video conferencing. The new CEO, Vanessa Hudson, is expected to bring a more democratic leadership style compared to her predecessor, Alan Joyce. She describes her approach as humble, genuine, approachable, and collaborative, emphasising the importance of diversity in opinions and ideas.

### b) Job Design

The better organised and efficient the various operational components of Qantas are, the more effectively the airline functions. Qantas involves a wide variety of tasks, from baggage handling to flying. Job design refers to the organisation of a set of tasks or an entire job. A well-designed job enhances both employee motivation and productivity.

Qantas employs various job design strategies:

- Job enlargement: assigning more and varied tasks to employees.
- Job rotation: moving employees from one task to another.
- Job enrichment: enabling employees to take on increased accountability, responsibility, and independence.

Well-designed jobs at Qantas address issues like work overload, repetitiveness, shift work, and occupational health and safety. The ongoing job design process at Qantas aims to involve employees, provide a sense of accomplishment, balance static and dynamic work, and offer feedback on performance.

### c) Recruitment

The main goal of Qantas' recruitment is to attract a sufficient number of applicants for various positions, ensuring optimal selection ratios for hiring qualified candidates. Qantas employs both internal and external recruitment strategies. Alan Joyce, the former CEO who oversaw Jetstar, was internally appointed.

Recruitment at Qantas paused during COVID-19, and Alan Joyce's CEO tenure was extended by three years for leadership stability. The reopening of borders in 2022 led to increased air travel demand, prompting a recruitment drive. Qantas faced challenges due to Australia's tight labor supply, and they reached out to 1500 cabin crew who had left during the pandemic.

After 15 years, Alan Joyce retired at the end of 2023. The new CEO, Vanessa Hudson, was internally appointed, having previously served as the Chief Financial Officer.

**Figure 28: 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"> <li>Familiarity with employees aid in accurate job placement</li> <li>Provides motivation of employees to perform well and develop skills</li> <li>Lowers overall training and induction costs</li> <li>Vacancies can be filled more quickly at a lower cost</li> </ul>	<ul style="list-style-type: none"> <li>Tends to increase selection accuracy</li> <li>Prevents the ripple effect that arises from hiring from within</li> <li>Tends to bring in new ideas and innovations</li> </ul>
Limitations	<ul style="list-style-type: none"> <li>Employees may not be prepared or qualified for the vacancy</li> <li>May cause a ripple effect as one vacancy filled from within causes another vacancy</li> <li>May lower the influx of new ideas and innovation</li> </ul>	<ul style="list-style-type: none"> <li>Increases the recruitment and selection costs</li> <li>Increases training and induction costs</li> <li>Takes longer to fill vacancies</li> <li>May lower employee motivation and morale</li> </ul>

## d) Training and Development

Qantas invests over \$275 million annually in carefully planned training programs to enhance employees' knowledge and skills, crucial for maintaining a sustainable competitive advantage in the face of rapid technological changes and global competition in the airline industry.

Recently, Qantas implemented training programs for new security procedures, international business class, engineering and maintenance, leadership and culture, customer service, people and safety, and information technology. Employees undergo 'exceptional service training' at the purpose-built Centre of Service Excellence. Qantas pilots undergo over 48,000 hours of annual training using state-of-the-art aircraft simulators. In 2019, the airline opened a \$20 million pilot academy in Toowoomba, with plans for another in Mackay put on hold due to COVID-19. These academies aim to train up to 500 pilots annually, ensuring a talent pipeline for Qantas. With

the reopening of borders, pilots required intensive training, including simulation time, online tutorials, and test flights to resume cockpit duties.

Qantas uses Qantas College Online for staff training, providing a web-based interface with a course catalog, online library, reference database, and discussion platform. These courses offer nationally recognised qualifications, and online tutors handle inquiries via email. Learning centers in major airports and remote access from home contribute to Qantas efficiently upgrading and maintaining its workforce's skills and knowledge.

In 2023, construction started on a new flight training centre in Sydney, poised to annually train 4,500 Qantas and Jetstar pilots and cabin crew from 2024. The multi-building facility will feature up to eight simulators, aircraft cabin mock-ups with emergency procedure equipment, and classrooms. Qantas also announced the establishment of the Qantas Group Engineering Academy in 2023, capable of training up to 300 engineers annually.

The benefits of these activities to Qantas include:

- Enhanced organisational productivity as employees can complete jobs more effectively.
- Improved quality of outputs.
- Enhanced ability to cope with change due to employees having a variety of skills.
- A more committed workforce.

### **e) Performance Management**

Qantas managers undergo performance appraisals, with their performance formally and systematically evaluated. Qantas managers are appraised on factors like job knowledge, output quality and quantity, initiative, and leadership. These appraisals serve to encourage high performers and motivate underperformers.

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 a comprehensive rewards management scheme to attract, retain, and motivate employees, ensuring equity, clear communication, defensibility, consistency, relevance, cost-effectiveness, and integration with the corporate strategy.

#### **Monetary rewards**

Competitive wages and salaries are the main financial rewards for Qantas employees. Performance-based pay, particularly for senior managers, ties direct remuneration to individual, team, and company performance. In 2018, Alan Joyce, earning nearly \$24 million, topped Australia's highest-paid CEO list, mainly from bonuses. Between 2015 and 2019, Qantas rewarded its non-executive staff with cash and travel bonuses due to record profitability.

Between 2020 and 2022, amid COVID-19, no staff bonuses were given. Executive staff faced pay cuts, and CEO Alan Joyce voluntarily went without pay for three months. In 2022, Qantas introduced a Recovery and Retention program, awarding 1000 shares to employees staying until August 2023. Qantas also announced a one-time recovery boost of \$5000 for EBE-covered employees upon finalising new agreements, along with a \$1000 staff travel credit.

Other financial rewards at Qantas include legally mandated entitlements like superannuation, as well as discretionary benefits such as company cars, extra maternity leave, health assessments, corporate health insurance rates, child care facilities, and flight/travel discounts.

### **Non-monetary rewards**

Employees often join Qantas for non-financial rewards like interesting and challenging work, job recognition, feedback, promotion opportunities, autonomy, positive relationships with co-workers, and a safe, healthy work environment.

## **g) Global Strategies**

The Qantas workforce, with individuals from 99 nationalities speaking 51 languages, is crucial for the airline's reputation. Effective management of employment relations is vital, especially for customer-facing roles, to attract and retain a skilled and motivated workforce. Managing a global workforce is challenging due to cultural, economic, and legal differences.

Qantas employs a polycentric and ethnocentric staffing approach, favoring host country nationals (HCNs) for foreign senior management roles to avoid relocating domestic staff. This provides two advantages:

- HCNs possess local knowledge of laws, culture, the economy, and language.
- It avoids expenses linked to expatriate managers, such as relocation costs.

The main disadvantage is that HCNs may need training to align with Qantas' business culture. If a suitable HCN is unavailable, Qantas opts for parent company employees in senior management positions (ethnocentric approach), providing cross-cultural training. Decision-making remains relatively centralised at the corporate headquarters in Australia.

As working conditions and living costs vary between countries, Qantas tailors reward systems to meet the host country's labor market circumstances, considering local laws on minimum wage, benefits, superannuation, and maternity leave. This approach, coupled with Qantas' provision of good working conditions, helps prevent a shortage of skilled labour.

Qantas outsourced functions like IT, maintenance, and call center operations to cut labor costs. The risk of using lower-cost overseas workers, especially in aircraft maintenance, may reduce work standards and create negative publicity.

## **h) Workplace Dispute Resolution**

An EBA (Enterprise Bargaining Agreement) establishes wage and working conditions, with 70% of Qantas workers being party to one. These agreements are negotiated between Qantas and employee-representing trade unions and, once agreed upon, become legally binding. After the agreement, EBAs go to the Australian Government Fair Work Commission for assessment

and approval, typically covering a finite period of around three years. Qantas, engaged with 16 unions, is party to 56 enterprise agreements involving approximately 20,000 employees, leading to constant negotiations for 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. However, this hasn't always gone according to plan at Qantas. COVID impacted the progress of recent negotiations and new EBAs. During union conflicts, former Qantas CEO Alan Joyce maintained a hardline stance. New CEO Vanessa Hudson signals a more cooperative tone, emphasising transparency, mutual trust with Qantas' staff and unions, and the development of a constructive relationship.

Two examples illustrating the dispute resolution process at Qantas involve the engineers and pilots.

### **Engineers Dispute Resolution**

In 2010, Qantas negotiated with its 16,000 licensed engineers, represented by the ALAEA, for a new EBA. They sought a 3% annual pay increase, new classification levels, and job security pay claims.

Qantas rejected these demands, leading to breakdowns in negotiations. The engineers voted for industrial action, planning stoppages, work-to-rule, and bans, later called off. The union's actions influenced Alan Joyce's decision to ground the airline. All parties were then compelled into binding arbitration.

In December 2011, the new 3-year EBA included annual 3% pay rises, enabling Qantas to implement new practices due to changes in Australian aircraft maintenance regulations. This involved a new license category and changes to checks on aircraft in transit.

In 2015, Qantas and the engineers negotiated a new EBA, marking an early resolution in stark contrast to the dispute three years prior. The new four-year deal included a pay freeze for the first 18 months, after which the engineers would receive 3% annual wage increases.

Negotiations for a new EBA began in October 2018, with the existing agreement expiring in January 2019. Negotiations stalled due to COVID and in 2022, the parties met again. The engineers were seeking a one-time 12% pay rise followed by three years of 3% pay rises, aiming to catch up for the four years since their last pay increase. They argued that they have accepted Qantas' requests for wage freezes or minimum increases multiple times, having not received a pay rise since 2019 and citing high CPI increases.

Qantas, while expressing commitment to pay rises, deemed the engineers' proposal unrealistic. They offered a 2-year wage freeze and 2% thereafter. Qantas highlights an additional incentive with a \$5000 bonus if the engineers accept the airline's pay offer, along with 1000 shares for every staff member.

The ALAEA applied for Protected Industrial Action with the Fair Work Commission to break the negotiation stalemate. In the postal ballot, 90% voted in favor. In September, Qantas engineers engaged in industrial action, delaying each shift by 1 minute. Negotiations continued, with the unions committing to no further industrial action for 2 months and imposing an embargo on

press comments. Qantas increased their annual wage offer from 2% to 3%. In 2023, a new EBA was secured, including a 2-year pay freeze during the COVID shutdown and a 3% increase for the next 5 years (2021-2025). The engineers will receive a significant benefit, a blanket upgrade of 2 levels (a lift of 9-13%), along with their bonus signing a new EBA and staying with the airline. The main trade-off is the exclusion of points for training on new aircraft during the EBA duration.

## **Pilots Dispute Resolution**

### **a) International pilots**

In 2013, a prolonged dispute between Qantas and its international pilots was resolved, focusing on pay rises and job security. The pilots were concerned about Qantas prioritising Jetstar's growth over Qantas and placing new aircraft in Asia. Negotiations repeatedly broke down with pilots and their union (The Australian and International Pilots Association). The parties resorted to binding arbitration over a new EBA before Fair Work Australia after Qantas briefly shut down its operations in 2011. Earlier, Qantas pilots lost their Federal Court challenge, preventing industrial action. They took symbolic action, wearing red ties and making in-flight statements advocating for Qantas planes to be flown by Qantas-trained pilots. The new agreement provided a 4.5% pay increase from January 2012, an additional 3% in January 2013, and another 3% in January 2014. However, the pilots forwent job security claims and conceded some productivity gains.

In 2015, Qantas and the AIPA settled a new amicable four-year EBA, featuring a wage freeze followed by annual 3% increases and improved access to airport lounges and long-term sick leave for pilots.

In 2019, Qantas international pilots engaged in negotiations for a new EBA tied to Project Sunrise, a plan for ultra-long-haul non-stop flights between the Australian east coast and New York and London. Alan Joyce indicated that Qantas might cancel the project or outsource its flying unless unions agreed to a new EBA and amended workplace conditions. Concerns about the proposed flights' length and crew fatigue were raised by the AIPA. Pilots believed they had conceded too easily in previous negotiations. Traditionally, pilot remuneration is tied to the aircraft's weight, and with the new planes being heavier, pilots felt their pay should be upgraded accordingly. The new EBA, signed in February 2020, included a 3% annual pay rise for pilots and additional overtime for the flights. Although pilots accepted the deal, they warned management that negotiations had strained the relationship with the pilot workforce.

### **b) Short haul pilots**

The Australian and International Pilots Association represents Qantas domestic route pilots. Negotiations for a new labor agreement started when their EBA expired in August 2013. Seeking a 3.9% pay increase, pilots faced Qantas offering an annual 3% pay rise and rejecting claims like guaranteed flying hours and changes to career progression. To avoid protected industrial action, formal negotiations resolved the dispute, resulting in a new EBA with an 18-month wage freeze and 3% annual increases for the remaining four years.

For the EBA expiring in August 2018, negotiations spanned nearly two years, culminating in a new deal signed in February 2020. The four-year agreement featured annual 3% pay increases, introducing measures like a new personal leave system and improved communication regarding duty changes.

### c) Jetstar pilots

The Australian Federation of Air Pilots (AFAP) represents Jetstar pilots. In 2015, after over two years of negotiations, Jetstar pilots approved a four-year EBA with an 18-month wage freeze and subsequent 3% annual increases. Their goals included improving salary and rostering for a better work-life balance. During breakdowns in negotiations, pilots took actions like refusing to work on days off, imposing strict duty limits, and organising four-hour stop-work meetings.

The union spent three years on a replacement EBA, expired in April 2019. Initial Qantas-pilot union negotiations failed to resolve issues, including demands for salary increases and changes in fatigue management. Pilots rejected the company's 3% annual increase offer, claiming they are Australia's lowest-paid in Australia. They argue that it's actually a pay cut because modern airlines operate at a faster speed. Pilots are paid by the flight hour, and the Dreamliner flies 4% quicker than the Airbus it replaced. Qantas argued that performance bonuses and wages above 3% would jeopardise affordable fares. Pilots voted for industrial action, leading canceled flights when the AFAP took part in 4-hour work stoppages costing Qantas almost \$25 million. COVID paused negotiations, resuming in 2022. A 2023 EBA secured 21% salary increases over six years, improved working conditions, as well as some concessions. Signing bonuses included \$5000 and a 1000-share reward for staying with the airline.

## Effectiveness of Human Resource Management

To implement costly HRM strategies like recruitment and training, Qantas management assesses their effectiveness using various indicators. The airline benchmarks these indicators internally, comparing them with previous years, and externally, against different organisations, typically within their industry.



### a) Staff Turnover

Staff turnover represents the proportion of Qantas' workforce leaving each year. In 2021 and 2022, Qantas experienced an increase in staff turnover, with employees being attracted to other companies due to stand-downs, repeated lockdowns, aviation uncertainty, and significant losses from COVID. Staffing had become a critical issue for Qantas as it prepared for growth, particularly in areas like technology, where turnover has reached 30%.

The high turnover rates have led to a skill shortage and increased recruitment, training, and development costs. In response, Qantas introduced a 2022 retention and reward scheme, offering eligible workers 1000 shares (worth over \$5000) for staying until August 2023. This initiative successfully reduced staff turnover from 10.4% in 2022 to 8.6% in 2023.

**Figure 29: Voluntary Staff Turnover at Qantas**

Staff Turnover	2023	2022	2021	2020	2019	2018
Number of staff that voluntarily left Qantas divided by the average number of full time staff	8.6%	10.4%	11.2%	4.3%	5.5%	4.8%

### b) Absenteeism

Absenteeism refers to voluntary non-attendance at work due to illness. Qantas has experienced a recent decrease in absenteeism rates, averaging about nine days per year. Elevated absenteeism at Qantas indicates dissatisfaction in the workplace, reflecting employee health, wellbeing, and productivity levels. The COVID pandemic significantly impacted Qantas' absenteeism rates, with staff contracting COVID and being in isolation, leading to difficulties in fulfilling their roles. Elevated absenteeism among airline, security, and ground staff resulted in passenger queues, flight delays, and cancellations.

### c) Accidents

Safety is emphasised by Qantas as one of its principal priorities, constituting a challenging aspect for airline management. Qantas' operations, work environments, and tasks exhibit diversity and variation, with certain duties carrying a higher risk of accidents than others. The measurement of accidents, or safety, is crucial for Qantas to enhance performance and reduce employee downtime.

Qantas employs two metrics to evaluate its safety performance: the Total Recordable Injury Frequency Rate (TRIFR), which gauges the number of lost-time injuries per million hours worked, and the Lost Work Case Frequency Rate (LWCFR), which measures the total number of injuries per million employees.

Decreases in both the TRIFR and LWCFR in recent years signify an improvement in Qantas' injury prevention performance. The comparison between the injury rates of 2023 and the period spanning 2000-2022 is affected by the COVID-19 pandemic. Reduced operations during those years resulted in lower injury rates.

**Figure 30: Accidents at Qantas**

Accidents	2023	2022	2021	2020	2019	2018
TRIFR	18.5	12.9	17	16.7	24.4	23.9
LWCFR	9.8	6.5	5.4	7.5	9.3	8.2

## d) Levels of disputation

Workplace disputes arise when conflicts emerge in the workplace. Typically, they stem from enterprise bargaining discussions related to remuneration, employee conditions, and job security. These disputes are critical for Qantas, impacting morale and potentially leading to disruptive industrial actions like work stoppages. Such disruptions can harm Qantas' services, affecting business performance, reliability, and brand.

Before 2015, Qantas grappled with industrial issues resulting from management decisions to cut jobs, casualise the workforce, establish low-cost carriers with lower wages and conditions, outsource functions, and adopt a tough stance in Enterprise Bargaining Agreement (EBA) negotiations. In 2011, Joyce even shut down the airline due to persistent strike activities.

Between 2015 and 2018, Qantas' EBAs were concluded more amicably in response to the airline's significant loss in 2014. All Qantas unions accepted an 18-month wage freeze, followed by modest increases of around 3%, coupled with productivity gains.

In the period from 2019 to 2020 (before COVID), several EBA negotiations broke down, with some unions even threatening industrial action. Qantas workers sought more substantial pay increases, aligning with Qantas' consistent record profits. They believed that their previous EBAs favored Qantas too heavily, especially with the wage freeze. Qantas workers were dissatisfied with Alan Joyce's tough stance on industrial relations, particularly given his status as one of the highest-paid CEOs in Australia. Additionally, Qantas workers were angered at being compelled to sign new EBA agreements to receive their full staff bonus.

Due to COVID, Qantas' EBAs were put on hold, but in 2022, they resumed negotiations. There is currently significant industrial tension among staff regarding proposed pay increases, pandemic-related redundancies, and outsourcing. Engineers, flight attendants, and ground handling staff have all engaged in industrial action, including work bans and strikes. Qantas faces the challenge of convincing its workforce to accept new enterprise agreements amid surging profits without undermining cost-saving targets.

## e) Worker Satisfaction

Worker satisfaction reflects how content employees are with their jobs. Worker satisfaction, crucial for motivation and productivity, is complex and depends on factors like rewards, interesting work, and communication. Qantas assesses it through staff surveys, feedback invitations, and external consultants. Before COVID, Qantas was named the most attractive place to work in Australia in the recent Randstad Employer Brand Research Awards. However, many employees felt bruised by COVID due to layoffs and operational glitches when Qantas resumed flying. Changes to staff schedules caused by high staff absenteeism led to widespread stress and fatigue.

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## Chapter 5: Review Questions

1. Identify the human resource stakeholders at Qantas and state the perspectives of each.
2. Outline the legislation covering human resources at Qantas.
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 to combat COVID.
6. How different will Vanessa Hudson's leadership style be compared to Alan Joyce?
7. Evaluate the effectiveness of HRM at Qantas.
8. Do you think Alan Joyce deserved 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 serves as an excellent case study for the HSC. It enhances students' comprehension of course concepts, enabling them to respond effectively to all sections of the HSC paper, including multiple-choice questions, short-answer questions, and business reports.**

Qantas is the ideal case study for HSC Section IV, aligning well with all four topics. In this 20% section, students integrate a case study, like Qantas, into their response, choosing one question from two options drawn from two HSC topics.

**Figure 37: Section IV HSC Questions 2012-2023**

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	Operations	Marketing
2024	?	?

This section requires a cohesive response, either in the form of a business report or essay. Students may be advised to opt for the business report option, as it is a distinct form of communication, differing significantly from the traditional essay style. Business managers, typically time-poor, prefer concise and accurate information for assessing situations and making decisions, avoiding the need to sift through non-essential material.

**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. Address the high-order descriptor used in the question, usually consistent between both questions.

**Figure 38: HSC Question descriptors 2012-2023**

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	To what extent
2024	?

3. Use appropriate business terminology and concepts from the syllabus.
4. Begin with a executive summary, outlining the report’s nature and scope. Clearly specify Qantas as the chosen case study for addressing the question.
5. Utilise headings to distinguish information in the report, and employ subheadings/bullet points for precise communication. Ensure that your report is well-organised and exhibits logical structure.
6. Clearly support your response with references to your case study Qantas.
7. Use diagrams, tables and graphs to demonstrate your understanding.
8. Ensure that you address all parts of the question.

Note: It is also possible for a Short-Answer Question (Section II) to require reference to a case study.

## Sample Business Report Questions and Answers

This section provides ideas and suggestions for common Section IV HSC questions. These outlines are not presented as the definitive responses to these questions. Each question is accompanied by a first draft response outlining 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 notable example due to the global nature of aviation, particularly with 75% of its assets oriented globally. Students should avoid presenting a mere narrative of marketing strategies, as a higher score requires evaluating their effectiveness in areas like sales, market share, and profit. Don't overlook global marketing strategies like standardisation, customisation, and global branding.

For example students can argue 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
- The airline has implemented an advanced segmentation strategy ie the launch of Jetstar generates profits from routes where in some cases losses were previously incurred.
- These strategies encouraged new product development i.e. Skybed, new Airbus and Boeing aircraft, new entertainment systems, next generation check in, on board Wi-Fi, etc.
- Qantas has successfully created new distribution outlets with an increasing number of customers booking flights online.
- These strategies are constantly revised to take into account changes in the external environment such as challenges posed by events like COVID.

### Sample Question 2

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

Qantas faces strong competition, particularly from Middle Eastern and Chinese carriers on international routes. This competition puts pressure on Qantas to improve operations in performance objectives like quality, speed, dependability, flexibility, customisation, and cost.

To answer this question, students should include syllabus-covered operations strategies like outsourcing, quality management, technology utilisation, and new service design. However, a mere description won't yield a top score; students must explain how these strategies impact Qantas' operational performance objectives and, consequently, its international competitiveness.

For example, Qantas consistently upgrades its technology infrastructure, blending cutting-edge and established solutions. This commitment is crucial for maintaining cost leadership and a competitive edge. The introduction of new Airbus and Boeing aircraft with improved cabins enhances passenger quality and comfort. These modern planes are more fuel-efficient, reducing costs. New check-in kiosks significantly speed up Qantas' services, cutting staffing costs and boosting overall competitiveness.

### Sample Question 3

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

Qantas, a major employer with over 25,000 staff, faces significant influences impacting its HR function. These influences pose environmental and organisational challenges, crucial for Qantas' business success, especially in terms of profitability.

Students should avoid a simple narrative of employment relations influences. Instead, they should explore the implications of legal, economic, technological, and social factors on Qantas' human resources. Considering success measures like profitability, staff turnover, absenteeism, and labor disputes is also essential.

For example, economic influences, like the impact of COVID-19, reduced demand for Qantas' services, prompting cost-reduction measures such as staff stand-downs and downsizing. Tough stances in EBA negotiations led to increased staff turnover and industrial tensions. Violations of labor laws resulted in compensation for outsourced baggage handlers. When borders reopened, Qantas faced a labour shortage, prompting a rushed recruitment and training process in a tight labour market.

### Sample Question 4

Examine the influence of globalisation on operations management.

Globalisation, as part of the business environment, has significantly influenced operations management, especially at Qantas. It signifies a interconnected world, one that is more integrated and interrelated. Addressing globalisation is a challenge that demands operational responses.

An A answer would highlight three ways in which globalisation impacts operations.

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.

Australia has intricate employment laws, blending State and Federal regulations, posing challenges for businesses like Qantas. Effective human resource management is crucial for Qantas to comply with Australian Employment Laws, averting fines, lawsuits, and negative publicity. Notably, a recent High Court ruling exemplifies Qantas' challenges in this area.

The High Court ruled that Qantas' outsourcing decision during the COVID pandemic violated the Fair Work Act, resulting in an order for compensation to the affected staff.

Students must link the human resource laws in the syllabus to their impact on strategies. For example, Qantas, like other businesses, must comply with Workplace Health and Safety Legislation, directly influencing strategies related to job design, training, and development. Well-designed jobs can effectively address health and safety concerns, shaping safety procedures at Qantas.

Businesses like Qantas must comply with Anti-Discrimination legislation, prohibiting bias based on factors like race, age, marital status, gender, or sexual preference. This significantly impacts the recruitment strategy at Qantas, requiring avoidance of any discriminatory practices in aspects like conduct during interviews and language in job advertisements.

Industrial Relations Legislation, notably the Fair Work Act and the recent amendment Secure Jobs Better Pay, profoundly impacts Qantas' human resource strategies. These laws influence employee compensation, establish awards (wage rates), and provide a safety net, including rules on leave and working hours. They also regulate enterprise bargaining, crucial for Qantas, which engages with 16 unions and has around 56 enterprise agreements. Additionally, this legislation governs the strategy for resolving workplace disputes, essential for Qantas amid recent disputes involving engineers, baggage handlers, and pilots.

### Sample Question 6

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

Businesses like Qantas utilise a mix of debt and equity finance to source funds. Students must establish a connection between these funding sources and their contribution to a business's financial objectives, including profitability, liquidity, efficiency, growth, and solvency.

For instance, debt, as borrowed funds, serves as an external financing source, impacting a business's financial objectives, with categories such as short-term and long-term debt having significant effects.

**Profitability:** Debt finance enhances revenue by facilitating ventures like Qantas launching Jetstar and new Asian airlines, leading to increased sales. It allows aggressive marketing to maximise returns, such as Qantas investing in new planes, in-flight entertainment, Wi-Fi, lounge upgrades, and promotion. However, it incurs interest expenses, reducing profitability.

**Liquidity:** Short-term debt, like the \$2.4 billion raised by Qantas from 2020-2022 to offset COVID-19 impacts, aids businesses in meeting immediate financial obligations. Leasing planes, instead of outright purchase, enhances liquidity by freeing up cash for other business areas. This approach also provides flexibility during crises, allowing Qantas to reduce fixed costs by not renewing leases in the COVID-19 period.

**Efficiency:** Long-term debt, like that used by Qantas, facilitates investments in cutting-edge technology, improving asset utilization and cost minimization. Qantas, for example, utilized debt finance to acquire fuel-efficient planes and implement processes like online bookings, check-ins, and kiosks, enhancing operational efficiency.

**Growth:** Long-term debt enables businesses like Qantas to expand. Qantas utilised debt finance for Asian network expansion, significant fleet decisions, acquiring TripADeal, and lounge upgrades to capitalise on growth opportunities.

**Solvency:** Debt finance directly influences a business's solvency, potentially reducing financial stability. Qantas, for instance, had to borrow more money to offset COVID-19 impacts, leading to a highly leveraged balance sheet and negatively affecting its solvency.

### Sample Question 7

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

Qantas' HR processes, encompassing acquisition, training, development, maintenance, and separation, must constantly adapt to economic and technological influences.

Economic fluctuations, both domestically and globally, significantly impact all human resource processes. For instance, during economic downturns like the one Qantas experienced in 2020-2021 due to COVID-19, the reduced demand for air travel led to decreased staff acquisition, limited training and development, reduced maintenance costs, and an increase in involuntary separations, with the company downsizing its staff by 9000.

Qantas, to cut costs and stay competitive, has embraced significant technological changes impacting its human resource processes. Acquiring staff with specific skills to match technological needs, using online platforms like Seek for recruitment, employing methods like psychological testing, and investing over \$275 million annually in training and development are results of technological advancements. These changes have also reduced the demand for labor, leading to increased involuntary separations, such as engineers being made redundant due to new aircraft requiring less servicing. Examples of technological advancements at Qantas include self-service kiosks and online check-in processes.

**Sample Question 8**

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

Qantas encounters financial risks in international operations, notably from fluctuations in exchange rates, impacting fuel, plane purchases, and lease payments primarily denominated in US dollars. These rate changes also influence travel decisions. Additionally, Qantas faces risks from changes in interest rates affecting loan repayments.

Qantas, like many global businesses, employs hedging strategies to mitigate financial risks. Using derivatives, such as forward cover, options, and swaps, Qantas hedges against currency fluctuations. Forward cover involves entering into a contract to exchange currencies at a predetermined rate in the future. Options grant Qantas the right to buy or sell a financial instrument at a specified price. Swaps align foreign currency costs with revenues in the same currency.

**Sample Question 9**

Analyse the relationship between market segmentation and marketing strategies.

Qantas employs market segmentation to identify distinct target markets. The airline categorises potential customers into groups with similar characteristics and responses to its marketing strategies. Qantas specifically uses behavior segmentation, focusing on trip purpose to differentiate its target market based on the reasons for travel.

The implication is that each target market receives a customised set of marketing strategies. For example, the strategies employed by Jetstar differ significantly from those used by Qantas Business Class. By tailoring marketing strategies through market segmentation, Qantas aims for increased sales, sustained market share, and enhanced profitability.

Jetstar, Qantas' budget airline, targets cost-sensitive domestic and international leisure travelers. Qantas employs a penetration pricing strategy, using frequent sales promotions to attract customers in this price-conscious market. To maintain competitive pricing, Qantas tailors its product strategies, offering limited comfort-based features such as inflight entertainment, meals, seat comfort, Wi-Fi, etc.

Qantas Business Class, the premium airline, targets less price-sensitive business travelers. Using a skimming pricing strategy, Qantas emphasizes its frequent flyer scheme in a relationship marketing approach. The airline offers various comfort-based features, including lounges, Wi-Fi, spacious seating, Skybed, menus from international chefs, inflight entertainment, and frequent flights to major Australian cities.

### Sample Question 10

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

Profitability, achieved through increasing revenue and decreasing costs, is the ability of a business to generate financial returns from its activities and serves as a primary source for business expansion.

Before COVID, Qantas consistently posted outstanding results since 2014, becoming one of the world's most profitable airlines. Strategies for revenue growth involved forming partnerships with carriers like Emirates, expanding Jetstar and Jetstar International into emerging markets like China, and improving marketing strategies. Effective cost control measures included fuel hedging, outsourcing, fleet restructuring, aligning operations into cost centers, and reforming employment relations practices.

Despite the COVID crisis striking in 2020, Qantas was initially on track for a substantial profit of over 1 billion dollars. Even with a 21% revenue decline in 2020, Qantas still managed to post a \$124 million profit. However, in 2021 and 2022, the airline faced significant setbacks, recording losses of \$1.8 billion and \$1.9 billion due to COVID-19 travel restrictions and border closures. Notably, this performance stands out as many other airlines reported massive losses during the same period, with some, like Virgin Australia, going out of business. Qantas' profitability recovery plan involved standing down staff, retiring and grounding aircraft, cutting share buybacks, deferring dividends, and minimising capital expenditure to reduce its cost base by \$1 million a year for the next few years. Following this substantial overhaul, Qantas returned to profitability with a record result.

Growth, in the long term, refers to the increase in the size and value of a business. It is crucial for maximising shareholder returns.

Before COVID-19, Qantas experienced successful growth, with shareholders receiving healthy dividends and the share price rising to \$7.40 in December 2019, up from \$1.40 in 2014. This growth was achieved through strategies such as launching new Jetstar-branded airlines in Asia, expanding routes in Asia, preparing for new long-haul routes (Project Sunrise) from Sydney to London and New York, purchasing new Boeing and Airbus aircraft, and establishing pilot academies in regional Queensland.

Due to COVID-19, Qantas had to curtail its growth objectives by scaling down operations and grounding about 100 aircraft, including most of its international fleet. This included storing Airbus A380s in the Mojave Desert, deferring new plane deliveries, and laying off 9,000 employees. Now that borders have reopened, Qantas has rekindled growth through significant fleet decisions shaping its international and domestic networks. The company has also reaffirmed its commitment to Project Sunrise and acquired TripADeal.

**Sample Question 11**

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

A situational analysis is an initial assessment of the market, examining a business's internal and external environment (SWOT) and its product life cycle stage (Introduction, Growth, Maturity, and Decline). This analysis aids in understanding the business's current position, influencing the selection of marketing strategies.

Qantas' marketing strategies have been influenced by its situational analysis.

Before COVID, Qantas reported record profitability, reduced debt, upgraded its credit rating, and planned expansion into Asia. The domestic and international economy were strong, with services in the growth or maturity stage of the PLC, prompting Qantas to order new planes, launch Jetstar-branded airlines in Asia, and enhance features like high-speed Wi-Fi and refurbished lounges. Additionally, plans were in place to launch long-haul routes to London and New York.

With COVID's onset, Qantas faced sharp revenue declines and substantial losses in 2021 and 2022. Border closures and lockdowns grounded international and domestic travel, weakening the global economy. Qantas services entered the decline stage of the PLC, prompting the airline to put most marketing strategies on hold, ground the fleet, and defer new plane orders. To foster customer loyalty, Qantas allowed flexibility in bookings, enabling customers to cancel or retain the value as travel credit during disruptions.

Post COVID, Qantas has intensified marketing strategies with the easing of restrictions. A multi-million dollar order for a domestic fleet replacement begins in 2023, while Project Sunrise is set to launch in 2025. New international and domestic routes have been added, and promotional efforts initially used penetration pricing and sales promotions to encourage travel resumption. Recently, airfares increased to match demand and rising fuel prices. Qantas has launched new advertising campaigns and upgraded kiosks to expedite check-in.

Recently, Qantas adjusted marketing strategies in response to heightened customer dissatisfaction and reputational challenges. Investments in customer initiatives include lounge upgrades, revamping the frequent flyer program with more reward seats, and offering larger meals with increased options.

**Sample Question 12**

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

Workplace disputes and worker satisfaction serve as two key indicators that Qantas utilises to assess the effectiveness of its human resource strategies.

Workplace disputes at Qantas involve conflicts arising during enterprise bargaining negotiations on remuneration, employee conditions, and job security. These disputes are crucial, as they can

lower morale and lead to industrial actions, impacting Qantas services, business performance, and brand. Qantas addresses disputes through grievance procedures, employing negotiation, mediation, conciliation, and arbitration.

A significant proportion of Qantas employees are represented by unions and are party to Enterprise Bargaining Agreements (EBAs). In the past, Qantas has faced industrial challenges arising from management decisions, such as job cuts, workforce casualisation, the establishment of low-cost carriers with less favorable wages and conditions, outsourcing of functions, and taking a tough stance in EBA negotiations. Although COVID-19 caused several of Qantas' EBAs to be put on hold, they are now back in consideration. Currently, there is substantial industrial tension among key staff, including baggage handlers, engineers, and pilots, regarding pandemic-related redundancies and outsourcing. Several unions have already initiated industrial actions, leading to disruptions in day-to-day operations and the potential for damage to the company's reputation.

Worker satisfaction pertains to how content employees are with their jobs. This factor holds paramount importance for Qantas because it directly influences motivation, productivity, staff turnover, and, consequently, profitability. Qantas employs various human resource strategies to enhance worker satisfaction including democratic leadership, effective job design, flexible working conditions, training, performance management, and rewards.

Pre- COVID, worker satisfaction at Qantas was generally high, despite challenges in employee relations during Alan Joyce's leadership. In fact, Qantas was recognised as the most attractive place to work in the Randstad Employer Brand Awards. However, the pandemic, marked by layoffs and disruptions upon flight resumption, negatively impacted worker satisfaction.

### Sample Question 13

To what extent do influences on operations affect business success?

Operational influences, including globalisation, technology, quality expectations, cost-based competition, government policies, legal regulations, environmental sustainability, and ethical responsibility, play a vital role in Qantas' success. Addressing these challenges is crucial for the airline's business prosperity measured by factors like quality, speed, dependability, flexibility, customisation, cost, and, ultimately, profitability.

This plan will specifically concentrate on the operational influence of technology and its impact on business success.

The integration of new technology significantly contributes to Qantas' success. It enhances quality, providing passengers with superior experiences, increases speed through extended flight routes and streamlined processes, and reduces costs by improving fuel efficiency and operational efficiency. This technological approach ultimately boosts revenue and profitability for Qantas.

## Glossary of Terms

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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

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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

