

Qantas Airlines Formal Report

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## Introduction

Qantas Airlines was established in 1920 in the Queensland outback, and is the world's 11<sup>th</sup> largest airline. The founding name of the company was the Queensland and Northern Territory Aerial Service Limited (QANTAS). The aviators Hudson Fysh, Fergus McMaster, and Paul McGinness are the founders of the company (Unstead & Henderson, 1970). It was initially a government owned initiative. The privatization of Qantas Airlines began in 1993 with 25% shares being sold to British Airways and completed in 1995. Qantas operations include passenger airlines, air freight business, Q catering, tourism, and E-commerce. The company mostly focuses on the air transport. The organization uses two complementary brands for the transport of passengers, Jetstar and Qantas Airlines. The airlines operate domestic, regional, and international routes. It has become one of the leading brands in Australia. They are well-known for safety, reliability, and good customer service ("*Qantas Airlines Business Report: Business Analysis Strategy*.", n.d.).

Qantas operates a number of subsidiary businesses. These include Qantas Link, which is an airline that operates over 2000 flights weekly to 56 different destinations. Q Catering is a subsidiary catering business that manages two catering companies, Q Catering and Snap Fresh caterers. They supply both airline and non-aviation markets. The Qantas Freight is a subsidiary in charge of air freight services that include cool rooms for transport of perishable goods, warm rooms for the transport of cold sensitive cargo, and safes/strong rooms to securely deliver cargo. Express Handling Group is a subsidiary aimed at the provision of handling services to regional and Jetstar airlines. Qantas Holidays is the subsidiary that sells destination packages to specific destinations and special events so as to make tourism easier and more accessible to the consumer. Jetstar airlines are wholly owned and operate in both the Australian and the Asian

Pacific. The company's Chief Executive Officer is Jayne Hydlicka. Qantas Defense is a subsidiary that offers support to the defense forces of Australia through offering special capability systems.

The company's Chief Executive Officer and Managing Director is Alan Joyce, who was appointed in 2008. The history of this corporate organization is showcased in the Qantas Heritage Collection. This is an exhibition located in the Sydney Domestic Terminal, in Australia. In 2012, Qantas airlines dissolved its long running partnership with British Airways and formed a ten-year agreement with Emirates. The aim of this move was to open up the Qantas Airline users to more than 70 Emirates destinations in Europe and attract more travelers. This merger includes both coordination of pricing and scheduling and network collaboration. This news led to the Qantas shares increasing by 6.7 percent at the end of the day following the announcement.

### **Discourse**

Following the privatization of Qantas in 1995, the company had to undergo changes in order to become more successful. These include a more flattened management structure to create an efficient direct line of communication, increases in training exercises, removal of inefficient work practices, placement of executives on contracts, and the introduction of new technology (Iacone, 1985).

Qantas Board of directors, who ensures the company runs appropriately to enhance shareholder value, is overseeing the current company governance. The system has measures for the accountability and control of its members. The company publicly discloses its corporate governance tools and financial returns to all its shareholders, following the principles and recommendations of the Australian Security Exchange (ASX). This ensures they maintain the highest level of corporate ethics.

The governance rests on the Qantas constitution, which is a document that outlines all terms and provisions of the constitution, designed to protect Qantas as a designated Australian airline. The board comprises of independent Non-Executive directors and Executive Directors.

The Qantas group has a business practice document that outlines all the principles and activities of the corporation and its governance. The Board-approved principles of the group are commission to safety, compliance with the laws and regulations, respectful treatment of people, true and fair financial reports, support of ethical standards, striving for environmental sustainability, safeguarding the Qantas group brand, reputation, assets, and risk management.

The values of the Qantas group include caring, wisdom from experience, forward thinking and planning, and the representation of the best of the history and contemporary of Australia. Jetstar strives to become the best low fare airline in the world. These values are responsibility, energetic efficiency, consistency, deep care and passion about customer satisfaction.

The group provides a transparent and non-discriminatory recruitment process. The selection and appointment of the best and most qualified candidates is a priority. The group strives to develop its employees, reward them for good work, grant promotions based on merit, and work towards making new employees assimilate as soon as possible.

The Qantas group has recognized that its highest environmental impact is the consumption of jet fuel. The group has set up a team of experts to reduce this impact, called the Fuel Optimization, which has set up a target to improve the efficiency of fuel by an average of 1.5% per annum. The group also considers using sustainable aviation fuel. The Qantas group is a member of the Association of International Aviation Transport (IATA) and has endorsed its vision to have no carbon fuel emissions within 50 years (Park, 2007). It has committed itself to

purchase more fuel-efficient next generation aircrafts over a period of the next ten years, such as the Airbus A380, Airbus A320 neo, and the Boeing 787 Dreamliner.

The financial statements of the Qantas Group remained relatively steady through the year 2010 to 2013. This ranges from 14.5 million Australian Dollars to 14.6 million A\$. However, the company made net profits of 4,181.0 million A\$ in 2012 and 4,315.0 million A\$ in 2013. There was a reduction in the sales percentage from 79.45% to 79.32%, which contributed to the flat total revenue, which is 15,724.0 million A\$ in 2012 and 15,902.0 million A\$ in 2013 ("*oneworld Qantas*", *n.d.*).

The Qantas Group offers several benefits to its members, such as external billings, flights with Qantas or Jetstar airlines, customer retention, and analytics. The external partners of this group benefit from the ability and information to influence customer behavior, insight into the needs of the customer, and presence of superior redemption offers. Some of the external partners include major retail outlets, banks, and Telecommunication firms.

The Qantas-Emirates partnership of 2012 offers several packages and benefits, such as international networks of up to sixty five destinations to Europe, Middle East, and North Africa. The domestic network will benefit from thirty two code shares, offering the travelers a comprehensive and seamless premium airline experience ("BRR - Straight from the source." QANTAS AIRWAYS LIMITED (QAN), *n.d.*).

Jetstar airlines have made several strides in the low cost market (LCC). This is due to the innovation of the group in charge. The Jetstar LCC uses unique marketing and advertising measures, such as the "my Jetstar" subscriber website, Friday fare frenzy, Pan Asia Pacific Brand, fly long-haul, and provides 80 new routes. The airline is the first LCC to provide iPads and the latest technology on the plane and first to fly Sharklet-approved A320 in Singapore. It

also has the leading social media popularity with 700,000 likes on Facebook. It is the first LCC to produce an avatar online customer care service called Ask Jess. The Jetstar group implemented the use of B787 to improve the facility for the provision of low cost units. This plane appears to increase the Jetstar profit margin in comparison to other LCC competitors. It improves the costs by using fuel-efficient engines and having reduced costs of engineering. Jetstar introduction into the Japanese market appears to have a lot of potential with a market assimilation of up to 30 percent. This is because the Qantas group already has brand strength in the country, and the Jetstar will also be the first LCC in Narita. The country has a large domestic market and appears to be six times that of Australia. Jetstar Japan is the leading LCC in the country with nine destinations and thirteen routes. In comparison to other Asia Pacific LCC airlines, Jetstar has taken the shortest time to break even and become one of the leading brands.

### **Recommendations**

The airline seeks to execute the strategy in order to return profits and deliver sustainable results to its stakeholders. The airline can achieve this through various changes. The company should build on its strong domestic business through utilizing brand loyalty, reducing prices, engaging people, recording customer satisfaction levels, enhancing customer service, providing training, and creating superior opportunities for frequent flyers. The company should increase customer satisfaction and loyalty by improving the aircraft interior and lounge areas, such as the lie-flat A330 and expansion of the Perth lounge in Singapore, Hong Kong, and LAX in Los Angeles. Another recommendation to improve profits is to open up gateways into the world (Dixon, 2005). The first step is utilization of the Qantas-Emirates partnership through offering travelers a gateway into the world. The company can achieve gateways into the world through improvement of the network proposition, establishment of key alliances, and strengthening of the

existing alliances and partnerships. Setting up networks to North and South America by creating daily flights to Dallas and Los Angeles also opens up the clientele, as it will attract global travelers ("*A new oneworld order.*" n.d).

To improve growth and subsequently profits, the airline should exploit the Asian market. This may happen through Jetstar airline in Singapore. This subsidiary should be used to create greater connectivity to key Asian business hubs, such as Hong Kong and Singapore, which would attract a corporate clientele through the creation of new and more frequent network schedules to Asia and China. Jetstar airlines target the consumer to increase the company profits. This is through creation of customer promise and loyalty through low fares, great goods and services, and provision of a consistent experience and more networks. A variety of places to fly to will attract more travelers. The airline offer more flexibility to the traveler through web check in services, more choices by offering travel bundles, and more responsive service through use of customer care avatars.

The airline should also consider creating a stronger business through the removal of major loss making travel routes, such as Hong Kong to London, Auckland to Los Angeles, Singapore to Mumbai, and Singapore to Frankfurt. Also, consolidation of the catering and engineering, improving fleet economics, and creation of programs to find methods to reduce costs will help to add strength to the business (Howard, 2002). The optimization of existing networks, cost reduction, and attraction and retention of customers are well-known ways to create a stronger business,.

Recommendations for the continued growth of Qantas globally include the acceleration of plans to change the company's business model and establish several stand alone segments, ensuring the employees are well motivated and show goodwill, reduction of the fleet complexity,

purchase of new, modern planes for the fleet, and continuing to seek out mutually beneficial partnerships with other airlines. Improvement of fuel consumption will reduce the environmental pollution and improve the operation costs and efficiency (Wensveen & Wells, 2011).

### **Summary**

The Qantas Group with its subsidiaries is a fast-growing corporate organization based in Australia. The subsidiaries include Jetstar Airlines, which are based in Asia. This organization aims to become the leading provider of first class air travel to the consumers and implements measures to ensure this. This includes the well-documented partnership with Emirates and focus on reduction of the environmental impact of the airlines.

### **Conclusion**

The vision of the Qantas Group is to become one of Australia's leading businesses and the world's leading airline. The achievement of these goals relies on committing to work together to achieve the highest standards of ethics and integrity, complying with safety laws and regulations, establishing and maintaining customer loyalty, and achieving their goals of environmental sustainability. The changes made by the Qantas and Jetstar Group have been effective and beneficial because there was pressure to change and become more competitive. The senior staff communicated a clear vision and ways to attain it, made the resources available, the motivated and rewarded the employees, and constantly evaluated and reinforced the change. Such great performance will lead the Qantas and Jetstar group to success.



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