

# Delivering Against Clear Strategic Pillars

DUAL BRAND STRATEGY

VIDEO

## MAXIMISING OUR LEADING DOMESTIC POSITION

The Qantas Group maintained its strong position in the Australian domestic market in 2016/17.

Through our dual brand strategy, Qantas continued to service the premium leisure and business market segments, while Jetstar provided low fares to millions of customers in the price-sensitive market. Between them, these two airlines have approximately 90 per cent of the domestic profit pool from two-thirds capacity share.

As the Australian economy continues to transition from the resources boom, we redirected some of our domestic capacity to the growing tourism markets on the east coast of Australia. This has offset the Group's exposure to the resources sector in Western Australia and

Queensland, ensuring continued earnings growth while still meeting the needs of our fly-in/fly-out customers.

Qantas Domestic maintained a clear lead as the airline of choice in the corporate travel market, and continues to grow in the small business and premium leisure markets. Our extensive network, premium on-time performance and service earned record customer satisfaction levels. Looking ahead, we are rolling out free, fast inflight Wi-Fi on our domestic A330 and 737 aircraft, which will further strengthen our position in the domestic market.

Jetstar is the preferred low-cost carrier in Australia for domestic travel<sup>1</sup> and is ranked as one of the world's safest low-cost carriers.<sup>2</sup>

<sup>1</sup> House of Brands Tracker, June 2017

<sup>2</sup> AirlineRatings.com





## BUILDING A RESILIENT QANTAS INTERNATIONAL

We have continued to build a more resilient and sustainable Qantas International by transforming the business, as well as leveraging opportunities with key partners including Emirates, China Eastern and American Airlines.

Through transformation, we have improved our cost base, increased aircraft utilisation and redesigned our network to high-growth markets, largely in Asia. At the same time, we've achieved record customer satisfaction levels and have continued to invest in product and service.

During 2016/17, we prepared to welcome the first Boeing 787-9 Dreamliner to our fleet, which will replace our older Boeing 747 aircraft. The Dreamliner is a game-changer for Qantas International. It provides unprecedented flying range, substantial cost efficiency and unrivalled customer experience, giving us a sustainable long-term advantage. It also allows us to change the structure of our network, and use our geography to our advantage.

A prime example is the new Perth-London route using the Dreamliner. The 17-hour flight will be the first regular, non-stop passenger service to link Australia with Europe when it commences in March 2018.

## QANTAS 787-9 DREAMLINER FACTS



### Responsive cabin lighting

The lighting in a Qantas Dreamliner will be adjustable to suit the time of day and service activity and includes a simulated sunrise to gently wake customers on morning flights.



### Fuel savings

The Qantas Dreamliner uses up to 20 per cent less fuel than other aircraft of equivalent size.



### Lower CO<sub>2</sub> and NO<sub>x</sub> emissions

Carbon dioxide (CO<sub>2</sub>) is produced as a result of fuel burn and reduced fuel consumption means fewer CO<sub>2</sub> emissions. The next generation engines in the Qantas Dreamliner also reduce nitrogen oxide emissions by up to 20 per cent.



### Smooth ride technology

The Qantas Dreamliner is equipped with a system that senses turbulence and commands wing control surfaces to counter it, smoothing out the ride so customers can enjoy a more comfortable flight.



### Calmer cabin

A holistic approach to cabin noise quality which implements multiple solutions throughout the aircraft addresses the causes of annoying noise and vibrations.



### Dreamliner windows

Windows on the 787-9 are 65 per cent larger than comparable aircraft and customers can adjust the amount of light that comes through electronically.

INTRODUCING  
DREAMLINER

VIDEO

## ALIGNING QANTAS AND JETSTAR WITH ASIA'S GROWTH

Asia remains the world's fastest growing aviation market, and is expected to be bigger than the North America and Europe markets combined by 2035. By 2030, two-thirds of the world's middle class will be in the Asia-Pacific region.

Our strong partnerships in the region, as well as our geography, ensure we are well placed to capitalise on this growth.

More than 50 per cent of the Qantas Group's international capacity is currently focused on Asia, with daily services into the major business hubs of Singapore, Shanghai, Beijing, Hong Kong and Tokyo.

This year, Qantas launched Sydney–Beijing and Melbourne–Narita and increased capacity to Singapore, Hong Kong, Bali, Jakarta and Manila to meet growing demand. Jetstar launched services to Ho Chi Minh City from Melbourne and Sydney and will start services between Melbourne and the Chinese city of Zhengzhou in 2017/18.

JETSTAR  
STRATEGY

VIDEO

Focusing on Greater China, we have a three-pronged strategy to take advantage of the country's huge growth:

1. Serve the key business hubs: Hong Kong, Shanghai and Beijing (with a population of 53 million between them).
2. Further strengthen our partnerships with China Eastern and China Southern, which provide the Group with 22 destinations in China.
3. Funnel inbound Chinese tourists — who take an average 2–3 domestic flights when visiting Australia — onto the Group's domestic network.

Jetstar-branded airlines based in Asia now have 54 aircraft in the region. This growing network — which remained profitable in FY17 — gives the Group a strong presence in key markets.

Jetstar Japan, which has entered its sixth year of operation and has grown to 21 aircraft, was ranked 58<sup>th</sup> in the top 100 most recognised brands in that country.<sup>1</sup>

During 2016/17, Jetstar Japan launched flights from Tokyo to Shanghai and announced plans for a third base for Nagoya.

Jetstar Asia continues to evolve its network out of Singapore and Jetstar Pacific has grown to tap into the increasing travel market both in and out of Vietnam.



<sup>1</sup> Campaign Asia Top 1000 Brands (Japan category)

## DIVERSIFICATION AND GROWTH AT QANTAS LOYALTY

Qantas Loyalty continues to provide a diversified, stable earnings stream for the Group, while strengthening loyalty to the Qantas brand.

The core Frequent Flyer program grew its membership by almost 4 per cent to 11.8 million, helped by the addition of 22 new partners (including Airbnb, Jaguar Land Rover and Samsung) as well as a renewed partnership with supermarket chain Woolworths.

We also have an extensive partner coalition network of over 270 partners across multiple sectors — including 50 airlines — that delivers a global network for airline redemption.

At the same time, Qantas Loyalty is taking advantage of business opportunities in other segments to grow revenue through a pipeline of new ventures. The Qantas Business Rewards Program strengthened our presence in the small business market. Red Planet and our equity stake in Data Republic have seen us continue to invest in big data services.

Looking ahead, Qantas Loyalty will continue to innovate and diversify for stable, non-cyclical earnings growth to achieve annual growth of 7–10 per cent through to FY22.

Now in its 30<sup>th</sup> year, Qantas Loyalty has diversified and expanded into new areas, bringing members fresh opportunities to earn Qantas Points. This includes travel, life and health insurance (Qantas Assure) and a travel money card that has captured 17 per cent of the market in four years (Qantas Cash).

In June 2017, we launched the Qantas Premier credit card, which offers a high rate of points earn as well as a number of travel benefits.

The credit card provides our business with another revenue stream and our customers with more choice and more ways to earn points.

Around 35 per cent of credit card spending in Australia currently earns Qantas Points.

Qantas Loyalty is more than the Frequent Flyer program. It's one of the world's most diverse airline loyalty businesses.

➤ At the same time as Perth–London flights went on sale, Qantas launched the third wave of our Feels Like Home brand campaign.

## INVESTING IN CUSTOMER, BRAND AND DIGITAL

The Qantas Group aims to be the first choice among customers in every market we serve.

Across our airline brands (Qantas and Jetstar) and the world-leading Qantas Loyalty programs, our investment in customer, product and service has translated into a clear premium over our competitors.

During 2016/17, we have kept investing to maintain this advantage.

### Investing in New Technology

Our investment in data and digital transformation has enabled more targeted and personalised communications, and allowed us to realise additional revenue opportunities. Coupled with further enhancements to the Qantas and Jetstar online process, we're able to deliver improved booking flows and a more personalised experience.

A major upgrade to the Qantas App allows our customers to keep track of their Qantas Frequent Flyer benefits, with a personalised news feed providing additional offers and news features.

We launched a Facebook Messenger bot called Qantas Concierge to give customers 24/7 personalised travel inspiration, along with faster responses and more relevant information.

The introduction of free, fast inflight Wi-Fi started midway through 2016/17 with a trial on a Boeing 737. Almost 90 per cent of customers rated their Wi-Fi experience as positive, with reliability of the service at 98 per cent.<sup>1</sup> The rollout will ramp up during 2017/18 with around 80 domestic aircraft equipped by the end of calendar 2018.

Our intention is to extend the service to our regional and international fleets as Wi-Fi technology improves.



<sup>1</sup> Qantas/ViaSat user data, June 2017

### Investing in a New Experience

We announced or delivered a number of customer improvements during 2016/17:

- Unveiled cabins for the 787-9 Dreamliner, including a class-leading Premium Economy, an updated Business Suite and an all-new Economy seat.
- Opened new international and domestic lounges in Brisbane.
- Announced direct Perth–London flights on the Dreamliner, which will be the first regular direct air link between Australia and Europe when it starts in March 2018.
- Started construction on a new lounge at London Heathrow, opening in late calendar 2017.
- Began work on an integrated domestic-international passenger hub at Perth Airport to save passengers significant connection time. This includes construction of a new transit lounge.
- Announced a refresh of Jetstar A320 cabin interiors with new seating and better overhead storage.

### Investing in a New Brand

In preparation for the Boeing 787-9 Dreamliner and our centenary in 2020, we are refreshing our iconic kangaroo brand. The new brand symbolises a new era of new destinations, new technology and a new standard of service.

This change is only the fifth time the red-and-white image on the tail of Qantas aircraft has been updated since it was first introduced in 1944. The last update was in 2007 to coincide with the introduction of the Airbus A380 to the Qantas fleet.

The Qantas Group continues to outperform against key brand and customer metrics. 70% of Australians prefer to fly with Qantas Group brands for domestic travel and over 50% prefer to fly Qantas to the USA.<sup>1</sup>

<sup>1</sup> House of Brands Brand Tracker, June 2017

## FOCUS ON PEOPLE, CULTURE AND LEADERSHIP

Airlines rely on multiple tasks and supply chains coming together at the right time to deliver a safe, reliable service for customers. Our people are central to making this happen and that's why we continue to invest heavily in training, engagement and leadership.

In 2017, engagement across the Qantas Group reached a record level. Based on our annual independent survey, around 80 per cent of employees understand and support the objectives of the organisation. Nearly 70 per cent said being part of Qantas and Jetstar inspired them to do their best work.

Growth within the Group is creating new career opportunities for our people, particularly as we continue to invest in new products and services. The introduction of the Boeing 787-9 Dreamliner into the Qantas fleet means building additional capability amongst our pilots, cabin crew and engineers.

Our program of ongoing customer service training has continued across Qantas and Jetstar. Around 10,000 Qantas and Jetstar customer-facing team members have participated in a program aimed at creating meaningful connections with our customers. This training has included staff in New Zealand, Australia, Singapore and Japan.

The focus on strengthening our desired culture continues and a program dedicated to this has been rolled out to over 8,500 of our employees. Around 1,000 leaders and supervisors received training to help them grow in their roles as part of our active investment in leadership development, and over 400 senior leaders participated in a residential experience designed to develop and engage this level of leadership.



### Diversity and Inclusion

We believe that embracing diversity helps us attract the best talent and leads to a more innovative mindset for the organisation.

In 2017, we improved our parental leave scheme to help address the gap in superannuation many women (in particular) experience by taking time out of the workforce to raise a family. This involves offering a further two weeks' paid parental leave that is paid directly into superannuation by default.

We provided over 2,000 leaders with tools to mitigate unconscious bias, creating a more inclusive culture and place to work. We also continued to roll out our Flex@Q program to offer greater flexibility in where and when our people work.

This flexibility is helping increase wellbeing and reduce absenteeism.

We expanded our policy on domestic violence to offer better support to people experiencing what is a significant issue in the broader community.

Our focus on recruitment and promotion processes has delivered our gender diversity objective of 35 per cent of female representation in senior management one year ahead of target. We will continue to embed these practices across all levels of our organisation to build strong pipelines and a platform to further improve the gender balance of our senior leadership team.



## QANTAS GROUP BELIEFS



Everyone has the right to return home safely



Customers determine our success



Being a fit, agile and diverse organisation drives innovation and simplicity



Working together in an inclusive manner always delivers the best Group outcome



Each employee deserves respect, trust and good leadership