

Talking On Air: Managing your air program in an uncertain world

00:06

Julian Walker: So we're at the top of the hour. Good morning. Good afternoon. Good evening. And wherever you're in, or calling in from, you're most welcome to join us today, as we look at how business needs to adapt to the changing and evolving travel environment, and we discussed some of the questions that have been about returning to travel. We are recording this conversation, so you can share it afterwards. And you can also revisit it at your leisure via any of your favorite podcast platforms and apps. I'm Julian Walker, this is business travel on the fly. And I'm delighted that we're joined today by representatives of two leading global airlines in the form of Kristin Shovlin, who's VP of sales operations and development at Delta Airlines. And also Jerome Salemi who is VP of commercial policy, Air France KLM. Together, we'll look at how to address some of the key issues for travel managers and their air programs, including 2021 RFPs, unused tickets, employee confidence, and of course, safety concerns. Now, as you will know, the airline industry has been hit hard by the pandemic, with increases in air passenger growth remaining sluggish still, despite bounce backs. And the bounce back of travel has been dampened by the high case numbers in major global markets, and also by governments reopening and closing borders, or removing and then reimposing quarantines, which has further damaged consumer confidence. However, businesses within the sector, whether they be TMCs, or airlines have made big advances in tools, services and safety measures to ensure that when company and country restrictions do ease, businesses are ready to start traveling and reconnecting face to face again, which we know is crucial to business growth and Innovation. So let's welcome our guest in the show. It's great to have you both here all the virtually. So let me kick things off, first of all with my first question, probably to you, Kristin, and we can come to you, Jerome afterwards. Kristin, how are you helping buyers as they look to negotiate rates for 2021 in such an uncertain period?

02:08

Kristin Shovlin: Well, first things, you know, we're spending a lot of time talking to our customers, you know, first off, we want to do a big shout out to everybody just to say thank you for being here today. This is an industry that comes together. And we're in this together. So just know that we all have your best interest, but to your questions, were really listening to our customers and taking a lot of guidance from them. So our ultimate goal, whenever you think about how we're approaching contracting, and the work, it all comes down to flexibility, being incredibly nimble, and listening, we're actually taking a lot of talent based on their overall feedback. And so we're really partnering with our customers, we kind of approach it in a couple of different ways. First off, we're letting them lead. So do you want to extend your contract and we're happy to do that. People are interested to renew, we will renew the contracts as well. We'll take a look at their footprints and see what their new opportunities are, what challenges they see because everybody is kind of navigating through this together. And sometimes they'll just say, let's do a review. Let's

take a look at it and see, are there some opportunities within the current contract that we need to go ahead and take a look at? People have stepped back to say thanks to adjust it in this time, they may want to take a look at a certain sector or certain market, maybe in a certain type of channel. We're really stepping back, and doing that collectively, we've always done that. So it's not a huge difference in the way we approach partnering with our customers, we do the same, because we do it across all of our JV partners as well. So Jerome and the Air France KLM team is included in all of this, we just really want to understand what what our customers need, and let them let them guide us. The other thing that we are also doing is we realize that data right now, there's a lot of noise in it, right? So we're taking a look at 2019. But we're also taking a look at what they feel their future footprint's gonna look like, and if they have certain opportunities that they need to reach. So we're tailoring programs at this time to our individual customers. And Julian. you and CWT has been fantastic working with us through that it really is a three way partnership and everybody's going in it and saying, Okay, what information do we have historical, what's new? What are those opportunities, and we're really sitting down rolling up our sleeves, and working collectively together to find the best deal for all of our customers. We need to address their issues, because it's really challenging. And so that's one of the things that we really have to think about. What's your footprint? What's your opportunities? Are there some new changes in your in your organization that we need to do it together? And we really are stepping back to say, what's the new normal for all of us? Because in a lot of ways, you know, government regulations are coming into it, new company policies are coming into our decisions. So it's all that new normal coming together. And how do we work collectively with our corporate travel managers, they're key in all of this, but that three way tie with CWT and the corporate travel managers, and really understanding the business and listening to them is how we're approaching it. Renew, extend, you know, are just modify a little bit is really where we're going.

05:12

Jerome Salemi: Perfect. Okay, and Jerome, you know, obviously as a partner with Delta that most of us is covered, is there anything else you wanted to add in terms of things that you're specifically looking at it with Air France KLM?

05:22

Jerome: We have the same philosophy as we had for a couple of years. For 2021. For the corporate travel managers, I would like to emphasize the importance of the corporate segment for the airlines. And despite the constraints we could have internally in terms of social activities in many countries, maintaining a close link with all of you is a top priority, and meaning the offense chemical managers, together with all the supporter will continue to assist cooperates and for 2021, there are at your disposal to discuss and to adjust, the corporate deals were needed. To concern in the RSP, clearly, the flexibility is also our motto for the coming period. So we'll adapt to fit to best the corporate customer expectations. So some agreements have already been extended after discussing together, and we'll continue to do so in 2021. And so it has to be discussed on the bilateral way between the corporate and the Air France KLM account manager.

06:22

Julian: Excellent stuff. And certainly, we'll support you on the the importance of the corporate sector for that. And actually, maybe if I could stick with you, Jerome and then look at that corporate sector, specifically, again, in terms of the business class passenger, and that doesn't mean that you know, it will only be a business class passenger that is corporate, but for the business class passenger, what sort of changes do you think we might see in a kind of traveler experience maybe either on board or, you know, with baggage courier services, lounge access, things like that? Do you have any thoughts on what might be experienced as a business class passenger going forward?

06:54

Jerome: Well, in this current context, I will say that the change in terms of customer experiences is for all cabins, not only the business class. So the COVID-19 situation imposed all airlines to revise the protocol of LC and sanitary measures for the whole journey. And I guess you're all aware about the changing that happened in the airport. So onward. So generally speaking for the customer, yeah, as a social distancing, the key one mandatory wear of face coverings during the whole flight, you have to stay seated as much as possible. For the airlines, yeah and for Air France KLM. We disinfect the cabin with the cabin air every three minutes with HEPA filters. We create physical distance between travelers on board as much as possible. And also we are just did, we offer logistics service on board catering on board minimizing the contact between travelers and crew. So we say for us and being on board is probably the safest place for customers. And we have been continuously monitoring the situation in link with the sanitary authorities. So as an example, since the 10th of July, Air France has reintroduced the second service on the long haul flight, and KLM is progressively upgrading also the catering onboard. For business class passengers. It's the same logic. In terms of lounges, yeah, at Charles de Gaulle, we reopened the two lounges at Terminal two F. So for the medium haul flights, and also we are starting to reopen the long haul lounges at all, K or M at terminal 2 E but implementing the LCM sanitary measures with the capacity limited to 60%. In Amsterdam, the same, the KLM crown lounge at Schiphol is now reopen on the on the Schengen area from 6am to midnight, and outside these hours, the customers are welcome at the KLM non Schengen crown lounge that is already opened.

09:01

Julian: Great stuff. Maybe Kristin can give us a perspective from Delta.

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Kristin: Really, we're taking first and foremost our guidance. We're leveraging industry experts, specifically the Mayo Clinic to really understand what our experience should be and how do we minimize those touch points with customers to ensure their health and safety. So everything that

we're doing throughout the whole business experience, really to think from curve to baggage, we're doing that. So on the business class, one of the changes that you'll notice is you still get the full service. But instead of doing multiple courses, we've actually packaged it all together. So you'll get the full dining experience but instead of the appetizer to the salad, to the entree, you're just going to have that all served once. Again, the ultimate goal was to reduce the interactions. We think we have the best sliders in the world but right now we want to really make sure for our customer safety we minimize that. We still have all your beer and wine and your spirit service, all the inflight entertainment and the likes. So that's from a business class, just a slightly modified way of serving. In order to, to really meet the needs. From a domestic side, we've actually pulled down our meal service, that, again, was to minimize the interactions, we make that announcement ahead of time. So people know before boarding, that on a domestic flight, we don't do the full first class meal service that we had in long haul flights on the domestic side, we really have gone to a very minimal service right now, again, we've added in a few items. Over time, we've just added back wine and beer. And you'll notice that we'll do that, again, in moderation based on scientific and based on the Mayo Clinic direction. You still get world class service from the Delta flight crews, they're incredible, really proud of each and every one of them. We'll continue to modify it, we'll take customer feedback, and then we'll augment our service going forward. So I will, the one thing I can tell anybody listening, this is an ever changing time period for all of us in this industry. So just note that things are going to continuously evolve throughout. And based on our customer feedback, based on industry experts, and again, based on the Mayo Clinic, we take some guidance from there, they're just one of the resources that we use. But our ultimate goal, safety, and minimize touches right out to make sure everybody we can build that confidence and get people back in the air.

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Julian: There's another subject, if I stick with you, Kristin, this has got nothing to do with Delta or Air France KLM, let me just tell you, I've experienced this on another much more scurrilous airline, who can't buy tickets, but they then canceled the return leg. So one, I you know, with a number of these things changing and I know certainly in the UK, it's very difficult because our government advice is changing and returning faster than a spinning top sometimes. You know, we have seen a lot of flights canceled at short notice, due to lack of capacity, but also probably due to shifts in government rules and everything. So what sort of things can you do? How can you give business travelers that confidence that once they booked their flight, not only will the ticket be on it, but it does include both the outward and the return bits? Should changes happen? Maybe Kristin we'll go with you first,

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Kristin: it's a great thing, because people need to be competent at what they booked, they can travel, I will tell everybody, the first two months kind of that March, April period, we had a higher cancellation of some of our flights initially. I think everybody, if you want to reflect back on that time, remembers, there was a lot of uncertainty and a lot of unknown. And so we already had a pretty full schedule that was in place at that time, and we had to pull it back, I will tell you, since

then Delta has taken a really specific point, we are building up our schedules based on customer demand, versus putting a big schedule out there and bringing it down based on customer demand. So we're really building that up. And so they should have a lot more confidence in the flights that we have booked and are out in the schedule, to be able to book and feel really confident that you're going to be able to find that they will, they will travel, our percentage of cancellation rate is really low now. And so the confidence, I hope you're going to start seeing that really build. And so based on where the customers are going, we will have that schedule, you know, you're going to have your own occasional maintenance, or you're going to have an occasional delay or cancellation. But you shouldn't see what I think a lot of people experienced in that first or second month across this industry. That was pretty unstable as everybody was trying to get their arms around what was going on. But I just looked at the stats the last couple months. And the the cancellation rate of the schedule is very minimal. And so that should hopefully help people feel really confident in booking Delta and our partners because we really want to build that stability, Julian to your point, because if people don't trust that they're gonna get home, they're not going to book. And so we really are here building trust and confidence in what we're doing. And having scheduled stability is a big key. And so if I can add one other thing I could add one other thing is, I'll reach out to your whole audience. And I'll reach out to all of your all of your team as well. The one thing that we are also doing is we're listening. And so if customers are coming back saying, hey, we need flights, we're starting to resume travel, especially all of our corporations to XYZ city. We're asking them to bring that forward to us. And we'll take a look at our schedule, we have added new flights to certain markets because of that, based on knowing that a customer is starting to resume travel. We've even retimed in the kind of reschedule them a little bit. So just know that we're in this together. And I've said that a couple times. And I truly mean it. This is something we all have to come together. So when you start thinking about that, especially when it comes to Delta and our partners, let us know if you're starting to say we're going to pick up travel and we need some flights. There's always an opportunity for that and then I'll make a shameless plug. We always have charter service as well. We've done some of that for some companies as well when they've had really specific flights. I know our colleagues have done that at Air France KLM as well. But let us know if you're starting something or there's something amiss in our schedule that would be really critical to you. And you know, you're going to have some, some need, let us know reach out to your sales representatives there to help you and make sure that we can have that right capacity out there.

15:18

Julian: Demand scheduling, very cool.

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Kristin: Yeah, travel with confidence, I'll tell you, will minimize our cancellations.

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Julian: Absolutely, brilliant stuff, but it's up, in Jerome in terms of that, obviously, we've talked about the partnership and the confidence element, anything you'd like to add, specifically?

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Jerome. Exactly on the same page as Kristin at Delta, the adaptation of the networks to the situation is indeed, a key challenge.

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From one side we would like to fly as much as possible to recover to the normal as soon as possible. From the other side, we have to be very cautious not to lose even more money with an aircraft on overcapacity, and further constriction. So two elements to mention, in Europe as a regulation requires all airlines not to cancel their flights in the 14 days before the departure. And Air France and KLM are complying with this and even are anticipating much more this cancellation to limit the impact for customers. So for example, early July, we cancel the flights in September, so we try to take at least two months in advance. Of course, we cannot guarantee anything in the current context. Some elements for operating are really beyond our control. However, we can ensure the corporate travelers that we will do our utmost to find solutions. All our teams are involved to support or customer contact colleagues, but also upsets people dealing with the travel agencies dealing with you and the corporates. As a third element that we have a rebook and refund policy, probably one of the most flex flexible policies now, when the airlines are canceling the flights, I remind that you obviously as different options are pre booking with them. And all fares are no now changeable without a fee. You'll also have the option to get a voucher of the total value of your initial ticket. And you can redeem this voucher until the end of December 2021 for any future travel date until the end of 2022. Lastly, you can request a refund and we reactivated the auto refund functionality in GDS, which enables a travel travel agent for CWT to proceed with this refund as quick as possible.

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Julian: That's excellent. In terms of that, Jerome? That's very good, because I know, you know, efficient use and exchange of unused tickets and things like that is a non standard approach across the industry. Is that sort of good, safe? No question, is there anything that you would like to add on that front in terms of facilitating the on exchange of unused tickets sort of thing,

18:05

Kristin: we've got a lot of, I use the word flexibility a lot, I think that's going to be the word for the next two years, we built programs in there. So we've got a couple of different options that you can do. First and foremost, you know, the Delta limited change space. So we made it pretty easy in that particular space. We've also extended all of the validity on these tickets to give people the opportunity to be able to use those as they go forward. We've allowed refunds from the

beginning. So one of the things we always said was we have your backs to this and we've worked really closely with your travel, your travel management company to identify what you want us to do in that particular space. So we've got a whole series of opportunities, I would say the biggest thing that I would state is it's not one size fits all, every corporation has a few different unique needs, that they're interested in doing. And so based on that, working in tandem, we really sat down to figure out what works best for your organization. Is it a refund, is it keeping the tickets live and knowing that they've been extended and we work really closely with CWT to make sure that they're leveraging those tickets as well, when when you go to book travel again. And we've also had some really unique situations. You know, this is a, you know, a different time and everybody's looking at some things we've had a couple of companies actually donate their tickets to causes.

They've come back and said, you know, right now the world needs help. And so the first one was as everybody knows when the pandemic hit here in New York City, we had a one of our top companies had donated all their unused tickets to help fly medical personnel into New York and then into a couple other cities. We recently had another one who donated it to a charity, knowing that a lot of people have reduced in that space. So it really is, let's be flexible. Let's find the right program that works for your organization. If it needs to be refunded, we've done that I know, we've pretty much reduced the backlog of all of that for those who wanted it. And then we had this really unique spin, spin on it a little bit with the unused tickets being donated to charity. So we're working with a whole series of different opportunities there. But the ultimate goal is we're flexible, we need to be where you need us to be. And then we're working on that. So there's a couple of different things and keep in mind with the change fees, and the ticket validity extension into 2022. That really allows people a lot of flexibility to use those tickets over the period of time as you start to rebuild your travel.

20:33

Julian: So we deal with the tickets and things like that. But obviously, some of the frequent fliers might find sometimes that some of the perks that they get offered aren't necessarily available. And maybe, because if I stick with you just to sort of talk about what sort of things are you doing with them? I mean, Jerome talked about the lounges opening up again, which is terrific, and we sort of covered that. But in some cases, they will be closed, how are you dealing with frequent fliers who feel that the perks they should be getting are not there? Because that's a sort of non tangible element really, in a funny kind of way?

21:03

Kristin: Yeah Julian, you're spot on, two things. We take feedback right from our frequent travelers as well of what they expect. Keep in mind, some of the closures or some of the limitations of some of the services have come directly from their feedback. People just didn't want a buffet of food, right? They from a health and safety, they didn't want that right away. So we do have some prepackaged meals. But to answer your direct question Is it comes back from what they tell us they want, we've extended their status through you know, so extended it beyond additional six

months on their sky club memberships. So we take a look at their membership. We've extended it, we've taken a look at the sky club, we've extended it, we open any clubs based on feedback where we know customers are being and then we've actually augmented, I started traveling, I'll tell you a personal story, I was probably one of the first people on a plane. I always tell people, if you've ever been in the Atlanta airport, I was the first person and there was nobody in a parking lot. So I was on a plane pretty early because I have an elderly parent. And so I had to go. And it was interesting, because there was nothing but what they told me is nobody wanted to touch any meal service. They didn't want to have any of that, any of that stuff. So when it came to the medallions, they basically said I'm going to be self sufficient initially. And so as we've worked through that, now they've come back and said, I want some of the amenities. So we have about 60% of our sky clubs back open. And we bought, and we've opened those based on volumes where people traveling. So again, based on what we're seeing from customers, we've taken their feedback directly on what are the services that they want. The first time I went in there, whether it was zero amenities, rightfully so except for just coffee. Now, they do have the various different drink services open, and they have some food options as well. And again, they've done really, they've been really strategic on how to set that up. So they've opened the clubs up again, they're extending out again, like I said, their status memberships, the sky club memberships, we still do board our premium customers first. So we have changed our boarding processes through the whole new delta clean initiative board from the back to the front. But we also call out for anybody who is a medallion member or somebody who is in the first class cabin of the business class cabin, can board first if they choose to, what we're finding is people really prefer to board later, that minimizes any of the interaction they have with anybody else, especially if they're sitting in the front of the cabin. So we've kept those priorities in the system. But in reality, we're allowing the traveler to really decide what they want to do and give them that flexibility. So I think you'll see that from the things that we have changed, many of that has been driven by the customer. And also based on the fact that we go out and do a lot of assessments leverage a lot of data. If nobody's touching a meal, or nobody's leveraging any of that kind of perks, we're pulling it down, and we're adding it back, as customers tell us, they're competent to be able to do that. And so I think the biggest thing is the flexibility is just extending out their, their time on their loyalty programs in order to make sure they get to use those in the future. And we'll also understand as they go into earning again, we'll take that into consideration as well.

24:12

Julian: Brilliant. Okay, good stuff. I was I was taking it personally earlier when you said we've got your wine, and we've got your beer on board. So I thought that was a personal message to me. So thank you. Excellent, thank you. So Jerome, in terms of that, is there anything you wanted to add? Because I know you'd sort of touched on the lounges earlier, is another thing that you want to do add to the sort of frequent fliers, perks, etcetera, elements. ,

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Jerome: No, the main concern in this, and Kristin, you said it's for the frequent travelers and so for flying Blue members is to lose the perks for 2021 more if they didn't fly enough, in 2020. So we

obviously took that into account very quickly at the beginning of the crisis. And so coming to the lot to reassure them about their personal situation. So we extended the exploration of their minds by one additional year, in order for them not to lose anything, we also announced that their statutes of flying blue, silver, gold, platinum ultimate will remain for 2021. So it's like freezing the year of 2020. And last but not least, we are rewarding the Flying Blue members with a double miles doubles experience that is points campaign when traveling before end of December. So we are planning also to animate them to get back on board in a safe way.

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Julian: Excellent stuff, good stuff. Well, I think yeah.

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Jerome: Just let me also we have also the same logic, we have an SME program called Bluebiz. And so it can, some of the companies here attending can be enrolled to the Bluebiz program. And we took also the same decision to extend by one additional year, the blue credits, so those are miles they earned. So in order also to reassure them about about the value we give to this segment.

26:04

Kristin: Hey Julian, I'll add on that for the Delta, kind of small, medium size as well. We're looking at 2019 spending for qualification in 2020. We're also eliminating some of the minimal spend, we all realize that for the first six months of the years, really, since probably March, some people have had to reduce their travel. So I think the biggest message from Jerome and I both is flexibility, listening to your customer and working with your agency partner and finding a solution. We're all in this in an uncharted time. So how do we find the right solutions to make sure that we have that for our travelers?

26:42

Julian: But just a quick question, I wonder, we started the conversation talking about how you're working with travelers and corporates to actually look at RFPs and things like that. And maybe, Jerome, if I start with you Just could you provide a little insight into what you think week demand throughout maybe this year and possibly next year will actually do to affect the rates for businesses? It's a little bit of insight onto that I'm not going to hold you to it. But I think if we could ask you both. But maybe I start with you, Jerome.

27:10

Jerome: It's a pretty tricky question. Yeah, we are in agreement. And we have multiple examples when the demand is lower than the supply it's too important. In details, for example of intra

European goods, even of the French or the Dutch West Indies, such as Martinique, the fares re being drecreased. We have other examples that due to a limited on of flight, while the demand is there. And typically the case of some guy from or to Europe. So here, Julian, there is no general rule. And so what we can ensure that it's the evolution of the fares for the moment, is not linked to any pricing strategy from an airline perspective. So we didn't change anything to our fare structure. Looking at the coming period, we can be a bit optimistic that slowly but surely we'll go to a stabilization of the situation with a decent level of supply compared to the demand. And in 2021, yeah, as a whole, the whole travel industry will be down compared to 2019, for sure. And even in 2022 and even 2023. However, it should not lead to fare increases. That's why France and KLM. We are betting today on a drop in our capacity by 20% in 2021. So quite huge. And we can decrease further compared to 2019. And still less 10% in 2020 compared to 2019. So it's a it's a big big drop and adjusting to to the demand. So we don't we don't foresee a big increases or fares or big decreases. We have to adapt our capacity to develop demand. And that is our main challenge for the coming months.

28:59

Julian: Absolutely no, no, that makes total sense. And Kristin, anything you'd like to add in terms of a Delta perspective?

29:06

Kristin: No, I think it's very clear, we'll stay competitive, we always will. We'll work at you know, your supply and demand is, as Jerome said, and it just is we're here to earn your business. And so from it from a pricing standpoint, it's not going to change. We're always incredibly competitive. And we're always looking at what's best for you, as well as what's best for all of us.

29:27

Julian: It was fascinating, truly fascinating and very insightful. And I think we've gone a long way to cover a number of the issues that people are looking at from a put individual traveler perspective to a corporate perspective, in terms of comfort and pricing and things like that. So we've we've really covered the whole gamut of everything. And if you're joining us today on a webinar, please can you just answer the two polling questions related to this and to future CWT webinars, which will show up on your screen once you exit? But then it just remains for me to say many thanks once again to Kristin and Jerome. Thank you so much. And thanks to all of you for joining us and so until we meet next time on the fly. Safe travels.