



**QANTAS AIRWAYS LIMITED**

**CUSTOMER LOYALTY SCHEMES REVIEW**

**SUBMISSION IN RESPONSE TO THE ACCC'S DRAFT REPORT**

**3 OCTOBER 2019**

## EXECUTIVE SUMMARY

- Qantas Airways Limited (**Qantas**) welcomes the opportunity provided by the Australian Competition and Consumer Commission's (**Commission**) review of Customer Loyalty Schemes to demonstrate the value that the Qantas Frequent Flyer program (**QFF Program**) delivers to Members, how we are continuously improving the Program offering and how we communicate with our Members.
- Since its establishment in 1987, the primary purpose of the QFF Program has been to drive Member engagement by rewarding and encouraging customer loyalty. Today, the QFF Program is proud to have over 12.7 million Members from over 100 countries. The QFF Program is successful only because it offers Members tangible, high-value rewards for the Points they earn. In 2018, Members redeemed Qantas Points on almost 5 million flights and on over 400,000 items on the Qantas Store. The benefits of the QFF Program are real, readily attainable and are used by millions of Members every day.
- Qantas recognises that for Members to engage meaningfully in the Program and for the benefit of all participants, it is critical that Members understand how the Program works. Communication and transparency are key to this understanding. Qantas has invested heavily in ensuring that its Members are well informed about the Program and is committed to constantly improving communications with members about the Program, its Benefits and how Member personal information is collected and used. The most recent example of this open approach to communicating with members is the very public and transparent announcement of a large suite of program changes – including some where Points prices for flights increased. Qantas communicated this through email communications to Members, a dedicated microsite displaying all pricing changes in a dynamic fashion and paid advertising on radio and digital channels directing Members to the microsite.
- Qantas appreciates the Commission's positive findings about the QFF Program and its practices, which are contained in the Draft Report, including:
  - the changes Qantas has made to its website and search engine to ensure greater clarity around, and visibility of, the taxes and charges which form part of a Classic Flight Reward; and
  - the efforts Qantas has made to inform Members about how data is collected and used by the QFF Program.
- Contrary to the Draft Report, the collection and analysis of consumer data is not the 'key objective' of the QFF Program. Qantas uses the information it collects about Members through their participation in the QFF Program first and foremost to facilitate their participation in the QFF Program and to provide them with the most appealing Benefits and Rewards.

- Customer Loyalty Schemes are very different from Digital Platforms. Participation in a loyalty scheme is voluntary, and it is well-understood by members that marketing products and services to members is one of the primary purposes of loyalty schemes. Those people who choose to join the QFF Program are directly rewarded by Qantas (in the form of Points and other Benefits) for their engagement in the program. At any time, Members can also choose to cease their membership.
- QFF has always used a 'privacy by design' approach to the QFF Program and its marketing activities. The QFF Program marketing model is centred around Qantas (and not third parties) communicating with its Members about the products and services of its Airline and Program Partners. As such, other than where specifically required to deliver a product or service (and, in those instances, therefore, with the express consent of the Member), Qantas does not provide personal information of its individual Members or Member contact details to Program Partners or third parties. This is because Qantas seeks to ensure that Members' personal information and data is securely stored and managed, while also ensuring that all communication with Members can only be done subject to Qantas principles and controls. As noted by the Commission in the Draft Report – 'the major loyalty schemes in Australia do not sell their members' personally identifiable consumer data'.
- Member information is collected and used within a custom-built IT environment, which has been designed to protect Members' personal information. Further, analytics is performed in a de-identified or pseudonymised environment and insights are generated at an aggregate level.
- Qantas has some concerns about the Commission's recommendations for broader legislative change. In particular, where these recommendations seek to extend the Commission's views and perceptions from one industry (as highlighted in the Digital Platforms Inquiry Report) to loyalty schemes and the broader Australian economy. Any such sweeping legislative change requires extensive review and consultation by the Australian Government, to ensure that any laws enacted are necessary to meet the identified need or the deficiency.

## INTRODUCTION

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Qantas welcomes the opportunity provided by the Commission's review of Customer Loyalty Schemes (the **Review**) to demonstrate the clear benefits that the QFF Program provides to its Members. Qantas takes a market leading approach to communicating with Members about the Benefits and Rewards available under the QFF Program, changes to the QFF Program and the collection and use of Members' personal information. Qantas has fully cooperated with the Commission since the Review commenced in March 2019 and has voluntarily provided detailed responses to the Commission's requests.

The Commission released its draft report on 6 September 2019, summarising the outcome of the Review and has made four recommendations – two recommendations specific to loyalty schemes and two recommendations for broader legislative change.

Qantas welcomes the Commission's recommendations in relation to loyalty schemes that scheme operators need to review their approach to:

- presenting terms and conditions of loyalty schemes and ensure changes are fairly and adequately notified; and
- presenting consumers with information about how they handle consumer data and provide consumers with meaningful control over their data.

Qantas has some concerns about the Commission's recommendations for broader legislative change. In particular, where these recommendations seek to extend the Commission's views and perceptions from one industry (as highlighted in the Digital Platforms Inquiry Report) to the broader Australian economy. Any such sweeping legislative change requires extensive review and consultation by the Australian Government, to ensure that any laws enacted are necessary to meet the identified need or deficiency.

Qantas is always looking to improve how it communicates with Members about the Benefits available under the QFF Program, notifying Members of program changes and educating Members on how personal information is collected and used. Qantas continues to invest heavily in the QFF Program, both in the ongoing supply of Rewards and Benefits to Members and in online technology and other communications to ensure that Members understand how the QFF Program operates and the details of the Benefits and Rewards that are available to them.

For this reason, Qantas was disappointed to see that the Draft Report:

- relied heavily on an independent report, the authors of which appeared not to have had access to the information provided to the Commission by the loyalty schemes, which were the subject of the review;<sup>1</sup>

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<sup>1</sup> Loyalty & Reward Co, *Australian loyalty schemes: a Loyalty & Reward Co report for the ACCC*, June 2019, p 1.

- did not contain any of the information Qantas provided to the Commission that clearly demonstrates the performance of the QFF Program and the significant value provided to Members; and
- contained details of specific consumer complaints that were not, as part of development of the Draft Report, put to Qantas for a response.

Qantas appreciates this opportunity to respond to the Draft Report and highlight how the QFF Program delivers real benefits to Members, Qantas' approach to communicating with Members about the Benefits and Rewards available under the QFF Program, changes to the Program and the collection and use of Member's personal information

## 1. BACKGROUND – OVERVIEW OF THE QFF PROGRAM

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Since its establishment in 1987, the primary purpose of the QFF Program has been to drive Member engagement by rewarding and encouraging customer loyalty, and the QFF Program has been designed with this purpose in mind. Today, the QFF Program is the core platform for engaging, rewarding and recognising Qantas Group customers and has over 12 million Members from over 100 countries.

The QFF Program is a coalition loyalty program, which means that Members can earn and use Qantas Points across the Qantas Group of companies, and also with over 450 partners, including on over 50 Partner Airlines and their affiliates, credit cards, utilities, supermarkets, restaurants, car rental, online shopping, and hotels (**Program Partners**). With its broad Program Partner network, members can earn Qantas Points beyond their flying or credit card activity, with everyday earning opportunities available at major retailers, such as Woolworths and, from early 2020, BP<sup>2</sup>.

Members can redeem Qantas Points across a broad range of Rewards, including:

- Flight Rewards on Qantas and Partner Airlines, including:
  - Classic Flight Rewards;
  - Classic Flight Upgrade Rewards;
  - Points Plus Pay Flight Rewards (formerly called "Any Seat" flight rewards, where Members can redeem Points for any available seat on any Qantas or Jetstar flight and Members can decide if they want to use Points only or a combination of Points and cash to redeem the flight);
- Non-flight Rewards, including:
  - hotel stays;
  - dollars off purchases with some Program Partners;
  - gift vouchers; and

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<sup>2</sup> Subject to ACCC approval.

- over 7000 items on the Qantas Store.

Members can also earn Status Credits for flying, recognising those Members who fly with the Qantas Group most often with a suite of flying-related Benefits and Rewards. Status Credits contribute towards Members attaining Silver, Gold, Platinum or Platinum One “Tier” Status. Tiered members gain access to a range of additional, “always on” benefits when travelling on Qantas and Partner Airlines. The higher the tier, the more Benefits the Member receives, such as Status Bonuses (the ability to earn more Qantas Points for each eligible flight), access to airport lounges, priority check in, increased baggage allowances and more.

#### **Box 1.1: Rewards Redeemed in 2018**

In 2018, the following Rewards were redeemed by QFF Members:

- **over 4.78 million seats** on Qantas and Partner Airlines (including Classic Flights, Classic Upgrades and Points Plus Pay Flights); and
- **over 400,000 items on the Qantas Store**, where popular redemption items included Bose headphones, gift vouchers, Dyson vacuum cleaners, iPhones and RM Williams boots.

Recognising the importance of the QFF Program to our most valued customers and to the Qantas Group as a whole, Qantas has continued to invest in the program and there have been many improvements made to the QFF Program since it was launched in 1987. See Box 1.2 below for examples of significant program enhancements over the years.

#### **Box 1.2: Significant Enhancements to the QFF Program since 1987**

Some of the most significant changes to the QFF Program since its launch in 1987 include:

- **1999** - incorporating **oneworld** airlines and their frequent flyer programs into the QFF Program, allowing Members to earn and redeem Points on these airlines;
- **2001** - changing the QFF Program rules so that Points do not expire provided members remain active by earning or redeeming Points within a defined period (currently 18 months) as well as introducing Minimum Points earn and Tier Bonus;
- **2001** - introducing upgrades on domestic and international flights;
- **2004** - introducing top-up points and family transfers;
- **2008** - introducing “Any Seat” flight rewards (now called Points Plus Pay) and expanding the Qantas Store to include more than 700 items;
- **2012** - announcing the Qantas-Emirates alliance, allowing members to earn and redeem Points across the Emirates network;
- **2016** - introducing “Status Hold”, allowing tiered Members to put their tier status on hold for up to 18 months when they are taking six months or more Parental Leave; and
- **2019** – introducing “Lifetime Platinum” status, to reward our most loyal frequent flyers.

## 2. CONSUMER ISSUES / COMPLAINTS

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The Draft Report notes that, “*while loyalty scheme operators submit that their programs benefit consumers by rewarding them for loyalty in a way that they value, a significant number of Australian consumers have reported experiencing issues participating in loyalty schemes*” and that Australian Consumer Law (**ACL**) Regulators have received approximately 2000 reports about loyalty schemes in the five calendar years preceding December 2018 (or 400 reports each year, across the 10 ACL Regulators). While this number is not insignificant, it must be viewed in the context of the 40 million memberships that exist across Australia’s **four** main loyalty programs.

The complaints appear to relate to the following:

- the length and complexity of program terms and conditions;
- changes to earn rates and/or redemption rates;
- earning points;
- points expiry; and
- redeeming points.

We will address each of these in turn.

### 2.1 Length and Complexity of Program Terms and Conditions

As discussed above, the QFF Program offers:

- a range of Reward options for its Members (including Classic Flight Rewards, Flight Upgrades, Points Plus Pay (formerly “Any Seat Rewards), Retail Rewards and Status Credits); and
- other program features not available in many other Australian loyalty programs, such as Tier (Silver, Gold, Platinum and Platinum One) Status Benefits, Family Transfers and Top-Up Points.

The QFF Terms and Conditions cover all of these different Rewards, Benefits and program features in one document, as well as covering the legal requirements of the QFF Program, including collection and use of personal information and required consumer guarantees information for Australia and New Zealand. As a result, the QFF Terms and Conditions are longer than those for some other types of loyalty schemes; for example, where there is only one primary form of reward. (A copy of the Terms and Conditions is available online at <https://www.qantas.com/au/en/frequent-flyer/discover-and-join/terms-and-conditions.html>)

Qantas is always looking to improve the readability of the QFF Terms and Conditions and tries to ensure that Members understand how the Program works. To that end, Qantas has invested in providing helpful summaries of this information to Members where they will find it most useful and relevant. In

this way, the QFF Terms and Conditions are not the only place where Members are provided with key information. For example, Qantas also provides useful information to Members:

- prior to joining, via a summary of important information about the QFF Program, including summaries of the Points expiry rules, collection and use of personal information (as noted by the Commission in the Draft Report), how to opt-out of marketing communications and tax information;
- online, on qantas.com;
- via the qantas.com online booking engine (as noted by the Commission in the Draft Report), which provides consumers with information about the number of Points and Status Credits earned on a particular commercial airfare and the amount of taxes and carrier charges applicable to a particular Classic Flight Reward;
- via a series of “how to” videos, educating consumers about how the QFF Program operates and sharing information on how to earn Qantas Points on flying and non-flying activities;
- as relevant in marketing material, including emails and newsletters; and
- through FAQ’s sections on our various QFF Program web pages (such as Qantas Store, Qantas Wine, Qantas Hotels etc).

Qantas is also trialing a new eTutorial program, designed to educate new Members about key aspects of the QFF Program, including how to earn and redeem Points.

## **2.2 Changes to Earn Rates and/or Redemption Rates**

Qantas Points do not have a set earning or redemption value. The value of a Point ultimately depends on the particular Reward that the Member redeems their Points for and any promotional offers (eg, Classic Flight or Reward Store sales) that are available at the time of redemption.

Earn rates are determined by the Program Partner supplying the relevant product or service on which Qantas Points are earned. As such, Qantas only controls the earn rate for Qantas Group flights. While Qantas determines the redemption rates for Rewards, this decision is determined by considering a range of factors, including the cost of the relevant product or service.

### Changes to Reward Redemption Rates

As with all products and services, costs change over time regardless of whether those products or services are acquired with cash, outside of loyalty programs, or with Points. Changes to Reward redemption rates are not always cost increases. Qantas Loyalty regularly has special promotional offers available from time to time which reduce the number of Points required for a Reward. Recent examples include:



- an Economy Classic Flight Reward Sale in September 2018, where Members were offered 25% off the Qantas Points required for an economy Classic Flight Reward on Qantas, Jetstar or Emirates;
- an Economy Classic Flight Reward Sale in March 2019, where Members were offered 30% off the Points required for economy Classic Flight Rewards on Qantas, Jetstar, Jetstar Asia and Emirates;
- in April and May 2019, the Qantas Store offered 45% off the Points required for selected appliances, homewares and technology products;
- an Economy Classic Flight Reward Sale in June 2019, where Members were offered 30% off the Points required for economy Classic Flight Rewards on Qantas, Jetstar and Jetstar Asia; and
- current sale offers accessed via the “Sales & More” tab in the menu bar on the Qantas Store.

#### Changes to Classic Flight Reward Redemption Rates

The number of Points required for Classic Flight Rewards and Classic Flight Upgrades are generally stable, and do not vary in line with seasonal fluctuations in commercial fares.

Qantas has tried to keep the number of Points required to redeem a Classic Flight Reward stable over time, making very few changes to the number of Points required to redeem a Classic Flight Reward in the past 30 years. Box 2.2.1 outlines the changes that have been made to the number of Points required

#### **Box 2.2.1 – Changes to Classic Rewards Flights over the Past 10 Years**

While the most significant changes to Classic Rewards Flights (**CRF**) last occurred in 2005, over the past 10 years there have been a small number of changes to the number of Points required for CRF:

- **January 2016** - the Points required for CRF in economy class decreased in Zones 4 – 10 for flights on Qantas, Airnorth, Fiji Airways, Air Vanuatu, American Airlines, Emirates and Jetstar as follows:

<b>Zone</b>	<b>Booked before 6 January 2016</b>	<b>Booked on and from 6 January 2016</b>
4	25,000	22,500
5	30,000	28,000
6	36,000	35,000
7	42,000	40,000
8	48,000	45,000
9	56,000	55,000
10	64,000	60,000

- **June 2019** – the following changes were announced to the Points and carrier charges for CRF:
  - From 20 June 2019, Points required for an international economy CRF decreased by up to 10% and carrier charges decreased by up to 50%
  - From 18 September 2019:
    - Points required for an international premium economy CRF increased by up to 14% and carrier charges decreased by up to 40%; and
    - Points required for a domestic business class CRF increased by up to 15%.

for Classic Flight Rewards over the past 10 years and includes instances where the number of Points required for a Classic Flight Reward has *decreased*.

### Notice of Changes

Qantas provides written notice to Members when it makes changes to the QFF Program, regardless of whether those changes are positive or negative. Positive changes are introduced quickly, so that Members can benefit as soon as possible, while at least three months' notice is given of material changes that Qantas is making to the Program that restrict benefits. See Box 2.2.2 for what this means for Classic Flight Rewards.

#### **Box 2.2.2 – 3 Months' Notice for Changes**

Because Members can book flights up to 353 days before departure, where a change to the Program involves an increase to the number of Points required to redeem a Classic Flight Reward or Upgrade, giving three months' notice means that Members have the opportunity to book Classic Reward Flights at the 'old' rate for flights departing over the next 15 months.

Qantas sends notification of changes to Members by email and via a notice on the Frequent Flyer section of qantas.com. Because Qantas cannot email those Members who have opted out of email communications, we must rely solely on notices provided on the website for those Members. For this reason, Qantas encourages all Members to log-in to their QFF Profile online and opt-in to receiving News & Offers and monthly eNewsletter emails. (A copy of the log-in options is contained at Figure 3.2.4(b) in section 3.2 below.)

### **2.3 Earning Points**

The Draft Report contains references to certain complaints received from members of airline loyalty programs where some consumers were surprised and frustrated about earning no or fewer points (including status credits) on partner airline flights or on a particular booking class.

As noted in the Draft Report, Qantas has invested heavily in its booking engine in order to provide more information to consumers about the number of Points and Status Credits that will be credited for a particular flight and improve general understanding of earn eligibility. This is in addition to the information provided on the QFF pages on qantas.com. Importantly, these changes mean that consumers are well informed at the point where they make purchasing decisions.

Take, for example, a consumer looking to book a flight from Sydney to Toronto on Friday, 15 November 2019. When the consumer selects a particular flight option, they will see the following information (including operating carrier, Points and Status Credits earned) for each fare type:

<p>Sydney Los Angeles</p> <p>11:10 06:00</p> <p>QF11 0 stops 13h 50m</p> <p>Los Angeles Toronto (Lester B. Pearson International)</p> <p>13:30 21:13</p> <p>WS1101 0 stops 4h 43m</p> <p>Flight WS1101 is operated by WestJet</p> <p>Total duration 26h 03m</p>	<b>\$1,717</b>	<b>\$2,302</b>	<b>61,900</b> + \$186
<p>Qantas Points earned</p> <p>Status Credits earned</p> <p>Changes<sup>†</sup></p> <p>Cancellations<sup>††</sup></p> <p>Included bags</p> <p>Seats</p> <p>Request Points Upgrade</p>	<p>13,500</p> <p>60</p> <p>\$125 fee</p> <p>\$200 fee</p> <p>✓ ✓</p> <p>✓ ✗</p> <p>✓ ✗</p> <p>Full fare conditions</p>	<p>18,000</p> <p>90</p> <p>✓</p> <p>✓</p> <p>✓ ✓</p> <p>✓ ✗</p> <p>✓ ✗</p> <p>Full fare conditions</p>	<p>-</p> <p>-</p> <p>5,000 pts</p> <p>6,000 pts</p> <p>✓ ✓</p> <p>✓ ✗</p> <p>✓ ✗</p> <p>Full fare conditions</p>

Consumers can select an itinerary operated entirely by other airlines (in this case, American Airlines and WestJet, both codeshared by Qantas) and will see the following information prior to booking:

<p>Sydney Los Angeles</p> <p>11:15 06:10</p> <p>QF309 0 stops 13h 55m</p> <p>Flight QF309 is operated by American Airlines</p> <p>Los Angeles Toronto (Lester B. Pearson International)</p> <p>13:30 21:13</p> <p>QF3991 0 stops 4h 43m</p> <p>Flight QF3991 is operated by WestJet</p> <p>Total duration 25h 58m</p>	<b>\$1,716</b>	<b>\$2,301</b>	No seats
<p>Qantas Points earned</p> <p>Status Credits earned</p> <p>Changes<sup>†</sup></p> <p>Cancellations<sup>††</sup></p> <p>Included bags</p> <p>Seats</p> <p>Request Points Upgrade</p>	<p>16,900</p> <p>85</p> <p>\$125 fee</p> <p>\$200 fee</p> <p>✓</p> <p>✗</p> <p>✗</p> <p>Full fare conditions</p>	<p>Price nearly gone</p> <p>21,400</p> <p>115</p> <p>✓</p> <p>✓</p> <p>✓ ✓</p> <p>✗</p> <p>✗</p> <p>Full fare conditions</p>	<p>-</p> <p>-</p> <p>5,000 pts</p> <p>6,000 pts</p> <p>✓</p> <p>✗</p> <p>✗</p> <p>Full fare conditions</p>








The above representation is transparent and helps Members to understand the Points and Status Credits earning eligibility for a particular flight or itinerary. Although the prices for the two economy “Saver” fares displayed above are almost identical, there is a difference in total Status Credits and Points earned for the flights because the WestJet flight in the first option does not have a Qantas code. Qantas encourages Members to book flights with a Qantas code where possible if they want to maximise the number of Points and Status Credits they receive. To assist in the assessment of flight options, this information is now displayed clearly for consumers in the booking engine on qantas.com.

Unfortunately, Qantas still has no control of the information provided to consumers who book through travel agents outside of this portal or via other airlines’ websites. However, as mentioned above, general information on the number of Points and Status Credits earned on eligible flights is also included on qantas.com to assist Members, including helpful “Points & Status Credit Calculators”. See <https://www.qantas.com/au/en/frequent-flyer/calculators.html>

## 2.4 Points Expiry

Unlike many loyalty programs, Qantas Points do not expire provided that the Member remains “active”, meaning that the Member earns or redeems at least one Qantas Point every 18 months. With so many ways to earn and redeem Qantas Points, it is easy for Australian consumers to remain active in the QFF Program.

The table below provides a comparison of Points expiry rules across major frequent flyer programs available to consumers in Australia:

Company	Expiry Timeline	Expiry Rule
	12 months	No activity
	18 months	No activity
	24 months	No activity
	36 months	Miles expire automatically
	36 months	Miles expire automatically in 3 <sup>rd</sup> year, at the end of month in which member was born
	36 months	No activity
	48 months	Points >4 years expire on join anniversary date No expiry for Gold/Elite

As the table above shows, it is not uncommon for loyalty scheme points to expire after a prolonged period of inactivity (where the member does not earn or redeem any points). In fact, the law in Ontario, Canada referred to in the Draft Report<sup>3</sup> is not a blanket prohibition on the expiry or cancellation of loyalty points. The law explicitly permits points expiry in cases where the member is inactive for a long period of time and this is made clear in the terms of the loyalty program.

### Notice of Qantas Points Expiry

Qantas wants Members to remain active and remain engaged in the QFF Program. Information about Points expiry is provided in the summary of key information provided to Members prior to joining and is prominently and permanently displayed at the top of a Members' activity statement (see Figures 2.4.1 and 2.4.2 below).

**Figure 2.4.1 – Summary of Key Information in joining process includes Points expiry notice**

**Important information about the Qantas Frequent Flyer program is outlined below. For further details, please consult our Terms and Conditions.**

*Points Expiry*

If you do not:

- i. earn any Points or Status Credits; or
- ii. redeem Points,

in 18 consecutive months, all Points held in your Qantas Frequent Flyer account will expire. For the purposes of determining whether you have remained active, any transfer of Points to or from an Eligible Family Member or in connection with the Qantas Business Rewards program will not be included.

**Figure 2.4.2 - Points Expiry Information**

Showing 20 recent transactions
 Show Status Bonus points

Select month  
 Recent ▾

Sort by  
 Date ▾

Points will not expire provided you earn or use points (excluding Family Transfers and any transfer of points from Qantas Business Rewards) at least once every 18 months.

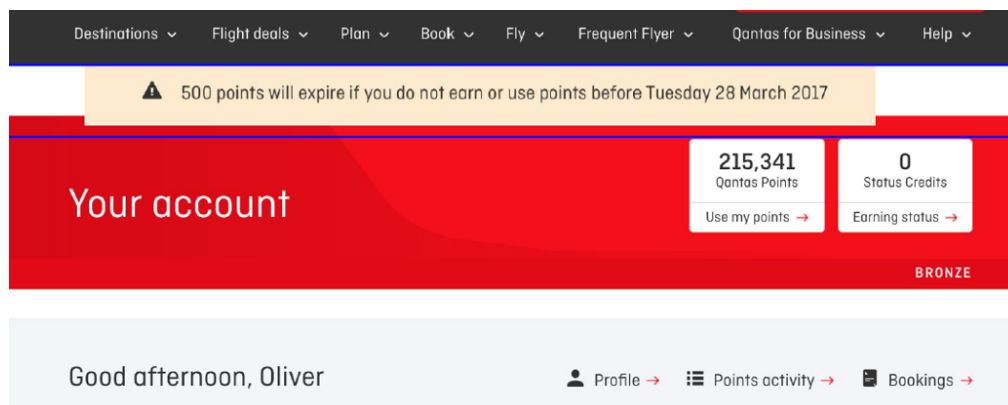
Date	Description	Qantas Points	Status Credits

Qantas also provides Members with notice of impending Points expiry within 60 days prior to the Points expiration date. This process is outlined in clause 9.2.3 of the QFF Terms and Conditions, as follows:

<sup>3</sup> ACCC Draft Report, p.5.Legislative Assembly of Ontario, Bill 47, Protecting Rewards Points Act (Consumer Protection Amendment), 2016

- online activity statement will display a warning to the Member that their Points are about to expire, including the expiry date and the number of Points. This warning will be displayed throughout the 60 days prior to Points expiry (see Figure 2.4.3 below for an example of the warning notice);
- the online account page will display two warnings to the Member, one across the top of the page and one within the account information (see Figure 2.4.4 below);
- Members who continue to receive paper activity statements will receive a paper activity statement, that includes a notification that Points are about to expire; and
- Members who have not opted-out of receiving communications via email, will receive a notification within their monthly eNewsletter. This newsletter is generally sent to Australian-based Members at approximately 45 days and again 15 days before Points expiry. An example of the eNewsletter notification is enclosed at Figure 2.4.5 below.

**Figure 2.4.3 – Online Account Statement warning**



**Figure 2.4.4 – Notice in Online Account Page**

The screenshot shows the Qantas Frequent Flyer online account page. At the top, there is a navigation bar with links for Destinations, Flight deals, Plan, Book, Fly, Frequent Flyer, Qantas for Business, and Help. Below this is a breadcrumb trail: Home > Frequent Flyer > Your account. A yellow banner at the top left contains a warning icon and the text: "500 points will expire if you do not earn or use points before Tuesday 28 March 2017". Below the banner, the user is greeted with "Good morning, Samantha" and "Membership no. 1234 567 890". The main content area is divided into several sections: "Flights" (with sub-links for Hotels and Cars), a search bar for flights from Sydney, and a "Just for you" section featuring a travel recommendation for Japan. Below this is a "Use my Qantas Points" section with three cards: "QANTAS FLIGHTS" (Sydney to London), "QANTAS HOTELS" (Travel lodge hotel Melbourne), and "QANTAS STORE" (Men's Presage Inspired Cocktail Watch). On the left side, there is a "BUSINESS REWARDS" section for "Little Landscapes Pty Ltd" with 1,000,000 Qantas Points and Level 2 status. Below that is a "QANTAS POINTS" section showing 500 PTS and a warning: "500 points will expire in XX days. See ways to earn." Below this is a "RECENT ACTIVITY" section with two entries: "Fri 14 Jan 2019" (300 PTS) and "Sat 15 May 2018" (6,340 PTS). A red arrow points to the expiry notice in the yellow banner, and another red arrow points to the "500 points will expire in XX days" warning.

**Figure 2.4.5 – eNewsletter Expiry Notice**

The screenshot shows an eNewsletter for a Qantas Frequent Flyer member. At the top, it says "Find new ways to boost your Qantas Points" and "Having trouble seeing this email? View in browser". The header includes the "FREQUENT FLYER" logo and the member's status, "BRONZE". Below the header is a large image of a Qantas airplane in flight. The main content area is divided into three columns: "Dear Anne" (with "Frequent Flyer number:"), "Qantas Points 1,600", and "Status Credits 0". Below this is a red banner with a warning icon and the text: "Your points are due to expire on 30 Apr 2019. Find out how to keep them active." Below the banner is a "POINTS HACK" section with the text: "Top tips to make sure your Qantas Points balance doesn't expire" and "Keep your Qantas Points active without leaving the runway to prevent your hard-earned points from expiring." Below this is a section titled "How you've earned in the last 12 months". A blue circle highlights the warning banner and the "POINTS HACK" section.

## Recovery of Expired Points

Members who contact the Qantas Loyalty Contact Centre (also known as the Qantas Frequent Flyer Service Centre) by telephone, email or via web chat after their Points have expired may be offered a Points recovery opportunity if they meet certain eligibility criteria. The eligibility details include:

- the Member's Points expired less than 12 months before contacting Qantas; and
- the expired Points will be recovered if a Member earns a minimum of 2,500 Points through two different sources (eg, a Points earning credit card and also through the purchase of wine from Qantas Wine), within six months of accepting the Points recovery opportunity.

Points may also be recovered due to exceptional circumstances. For example, a medical condition or other such compassionate grounds, which will be assessed by Qantas on a case by case basis.

Qantas also allows tiered (Silver, Gold, Platinum or Platinum One) Members an opportunity to "put their status on hold" for up to 18 months when they take at least 6 months of consecutive leave from paid employment in order to spend time with their family. Details of the "Status Hold" benefit are available online at <https://www.qantas.com.au/fflyer/dyn/flying/status-hold>

## **2.5 Redeeming Points**

The Draft Report contains references to certain complaints received from members of airline loyalty programs where some consumers complained about:

- the reduction or removal of benefits previously available or increasing the number of points required for a particular reward – such as the ability of tiered (Gold and Platinum) members to select an exit row seat for no additional charge;
- the imposition of unexpected taxes and charges to redeem certain rewards; and
- restrictive redemption opportunities (ie, concerns around availability of rewards).

## Removal of Benefits or Increasing Points Required for a Reward

As discussed above, Qantas tries to limit the number of negative changes that are made to the QFF Program. For this reason, the number of Points required for Classic Flight Rewards are held as constant as possible. However, this does not mean that Program terms will never change. Loyalty programs like the QFF Program, which has been in operation for over 30 years, must have the ability to make program changes, respond to the evolving environment, launch new initiatives and test and learn. Changes will not always be positive, but it is in the legitimate interest of the loyalty program operator and the consumer to allow change to occur – provided that members are given adequate notice of changes.



In the Draft Report, the Commission refers to complaints it or other ACL regulators received when Qantas made changes to the seat selection options available to its high-tiered members. When Qantas announced these changes it took active steps to ensure that Members were provided with 3 months' notice, so that any affected Members with current or upcoming bookings had ample time to make seat requests before the change was implemented. Because most international and domestic bookings are made within 90 days of departure, almost all Members with current bookings would have been able to make a seat selection under the old terms during the notice period, and also make bookings (and make seat selections under the old terms) for flights up to 353 days in advance.

#### Imposition of Taxes and Charges to Redeem Rewards

The Draft Report states that many consumers consider the imposition of carrier charges to be unexpected, detrimental and somewhat arbitrary in nature and the Commission noted its concern about the extent to which airlines inform consumers about these charges.

The Draft Report refers to the Loyalty & Reward Co Report and states that: *“some airlines (including Qantas) also require customers to pay additional ‘carrier charges’ for flights and/or upgrades booked with loyalty points, despite not levying such carrier charges on customers that book flights or upgrades using cash”*. This statement is incorrect – Qantas does not apply a carrier charge to Upgrade Rewards and upgrades on Qantas flights are not available using cash. Qantas does not use carrier charges to cover particular operating costs, such as fuel (the carrier charge is not a fuel surcharge). Carrier charges reflect amounts determined by the airline that form part of the fare, adjusted and monitored to reflect market conditions and varying demand, and mean the number of Points required for a Classic Flight Reward can remain relatively constant over time.

As highlighted in Box 2.2.1, in June 2019, Qantas announced a reduction in the Carrier Charges across all Classic Flight Rewards, and increased the Points required for a Classic Flight Reward in some cases.

As recognised in the Draft Report, Qantas takes active steps to ensure Members are made aware of the taxes and carrier charges that will apply to a Classic Flight Reward. For example, Qantas has invested heavily in upgrading its online booking engine to enable taxes and carrier charges to be displayed clearly and prominently during the booking process and prior to redemption of Points for the flight. An example of the new booking engine display is set out in Figure 2.5.1 below.

**Figure 2.5.1: Booking Engine Display**

		<u>Sale</u>	<u>Saver</u>	<u>Flex</u>	<u>Premium Economy Sale</u>	<u>Economy Classic Reward</u>
Sydney	Singapore					
11:25	16:45					
QF81	Q.stops	<b>\$675</b>	<b>\$799</b>	<b>\$1,221</b>	No seats	No seats
78m	A350					
Total duration 8h 20m						
Sydney	Singapore					
17:00	22:05					
QE1	Q.stops	<b>\$571</b>	<b>\$799</b>	<b>\$1,221</b>	<b>\$1,442</b>	<b>25,200</b>
78m	A350					+ \$138
Total duration 8h 05m						

Qantas also ensures that taxes and carrier charges are displayed prominently in all marketing material promoting Points redemption opportunities to a particular destination.

### Restrictive Redemption Opportunities

The Commission outlined its concerns in the Draft Report about loyalty operators' disclosure of the availability of loyalty scheme redemption opportunities and encouraged loyalty operators to consider how to improve their communication of the availability of rewards and prioritise notification of any restrictions on consumers' ability to redeem awards.

As explained in section 1, Members can redeem Qantas Points across a broad range of Rewards, including:

- Flight Rewards on Qantas and Partner Airlines, including:
  - Classic Flight Rewards;
  - Classic Flight Upgrade Rewards;
  - Points Plus Pay Flight Rewards (formerly called "Any Seat" flight rewards, which Members can redeem Points for any available seat on any Qantas or Jetstar flight and Members can decide if they want to use Points only or a combination of Points and cash to redeem the flight);
- Non-flight Rewards, including:
  - hotel stays;
  - dollars off purchases with some Program Partners;
  - gift vouchers; and
  - over 7000 items on the Qantas Store.

Of these Rewards, only Classic Flight Rewards and Upgrades are subject to availability restrictions. This is because Qantas, oneworld Alliance Airlines and Airline Partners limit the number of Classic Flight Rewards seats available to Members on individual flights. The number of Classic Flight Rewards seats available will depend on several factors, including:

- flight;
- date;
- season;
- destination; and
- commercial demand.

#### **Box 2.5.1 - Response to Consumer Complaint on Points Calculators**

One of the consumer complaints contained in the Draft Report contends that an online points calculator represented that they could fly in business class from Australia to Singapore return for 120,000 Points, whereas the lowest number of Points required to redeem such a seat was 470,000 Points. This appears to be the difference between a Classic Flight Reward (120,000 Points) and a Points Plus Pay flight (470,000), where the Member is using Points to redeem a commercial ticket.

The consumer also contends that they could not find a Classic Flight Reward despite flexibility with dates and checking availability up to six months before departure. Assuming the consumer wanted to fly from Sydney to Singapore, a search of the website for flights in March (eg, 6 months from now) and returning a week later, displays a range of Classic Flight Rewards available across all cabin classes. Extracts from this search are enclosed at Appendix 1 to this submission.

The availability of Classic Flight Rewards seats for certain flights may also differ depending on membership tier. For example, Members in higher tiers may have access to additional allocations of, or preferential access to, Classic Flight Rewards seats on certain flights that are not available to lower tier Members. Members are encouraged to book flights well in advance, with flexibility around dates and routings in order to find a suitable Classic Flight Reward option.

That said, over 1.8 million Classic Flight Rewards were booked in 2018 and Qantas continues to invest in Classic Award seat availability, including spending over A\$80m on Partner Airline flights annually. In June 2019, Qantas announced that it was making a further recurring annual investment of over A\$25m in additional Classic Flight Rewards, which is expected to result in over 30% growth in International Qantas Classic Rewards in both the economy and premium cabins.

Qantas has also invested in significant advancements to the booking engine to improve the visibility of availability of Classic Flight Rewards for Members. This includes showing availability across a range of days and Program Partners. For example, a search was conducted on 26 April 2019 for flights across all cabin classes to/from London (Heathrow) on 20 December 2019, returning on 3 January 2020.

Because no seats were available on 20 December 2019 and 3 January 2020, Members are shown availability across alternative dates and Airline Partners as follows:

Sydney to London
Depart  
Fri 20 Dec 19
Return  
Fri 3 Jan 20
Passengers  
1 Adult
Q Modify Search

### Search Travel Class

Economy
 Premium Economy
 Business
 First

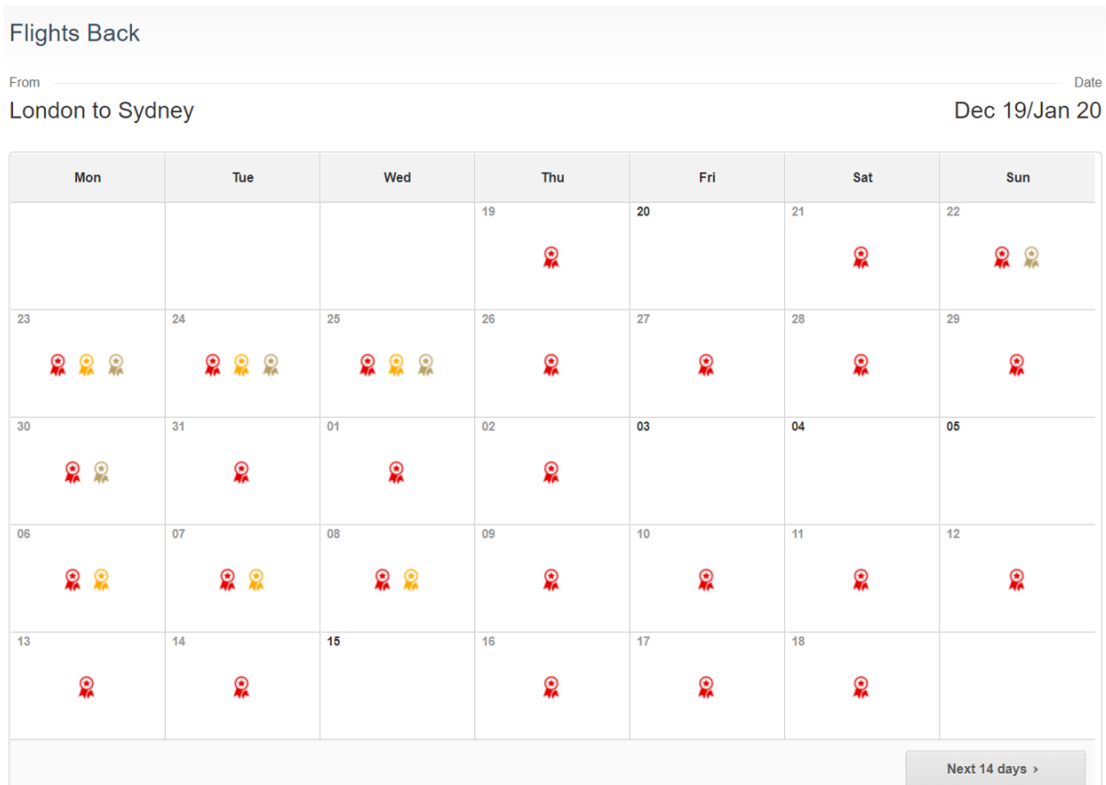
Go

### Flights Out

From  
Sydney to London
Date  
Dec 19/Jan 20

Mon	Tue	Wed	Thu	Fri	Sat	Sun
			05 	06 	07 	08 
09 	10 	11 	12 	13 	14 	15 
16 	17 	18	19 	20	21	22 
23 	24 	25 	26 	27 	28 	29 
30 	31 	01	02	03	04	

< Previous 14 days



### 3. DATA PRACTICES

The Commission outlines its findings on data practices of loyalty schemes in the Draft Report and recommends that Loyalty Schemes “review their approach to presenting consumers with information about how they handle consumer data and provide customers with meaningful control over their data.”

In this section of the submission, Qantas:

- provides an overview of the QFF Program and its approach to the collection and use of Member data;
- responds to the specific findings set out in the Draft Report and the Commission’s recommended steps to address any concerns.

#### 3.1 Overview of QFF Program’s Collection and Use of Member Data

Since its establishment, the primary purpose of the QFF Program has been to drive Member engagement by rewarding and encouraging Qantas customer loyalty. It does this by rewarding Members’ flying and non-flying activity with Qantas Points and promoting products and services of Qantas and its Program Partners that a member may be interested in.

Contrary to the Draft Report, the collection and analysis of consumer data is not a “key objective” of the QFF Program. Qantas uses the information it collects about Members through their participation in the QFF Program first and foremost to facilitate their participation in the Program and to provide them with Benefits and Rewards. Qantas also uses the information it collects about Members to understand

customer behaviour and needs, improve its products and services and better engage with Members, and to provide more relevant offers and information to those Members. Members receive real, tangible benefits due to their participation in the Program and through Qantas knowing them better. Members also benefit by receiving more targeted promotions, helping them to earn more Points for products or services that they appear to be most interested in.

The QFF Program marketing model is centred around Qantas (and not third parties) communicating with its Members about the products and services of its Airline and Program Partners. As such, other than where specifically required to deliver a product or service (and in those instances, therefore, with the express consent of the Member), Qantas does not generally provide personal information of its individual Members or Member contact details to Program Partners or third parties. This is because Qantas seeks to ensure that Member's personal information and data is securely stored and managed, while also ensuring that all communication with Members can only be done subject to Qantas principles and controls.

If Program Partners or third parties want to reach our Members, they must come to Qantas and Qantas will communicate with Members on their behalf (if at all). This is, and has always been, one of the core features of the QFF Program marketing model, as it not only ensures that the Member database is retained within Qantas, but it also ensures that Program Partners are able to promote their products and services to the Member base while remaining incentivised to continue to provide benefits to Members in the form of Points when Members (responding to marketing) acquire their products or services.

In this way, all parties benefit from their participation in the QFF Program, as follows:

- Qantas promotes the products or services of its Program Partners through its channels to Members;
- Program Partners pay Qantas to issue Points to Members when Members purchase the Program Partner's products or services;
- the Program Partners benefit by attracting and retaining customer spend, as well as improving their understanding of their customers' behaviour;
- Members benefit directly by earning Qantas Points for their activity; and
- Members are provided with a record of the transaction on which they earned Qantas Points in their online activity statement.

Member information is collected, stored and used within a custom-built IT environment, which has been designed to protect Members' personal information. Further, analytics is performed in a de-identified or pseudonymised environment and insights are generated at an aggregate level. It is important to note here that de-identified and aggregated member data is not personal information. It is not "information or an opinion about an individual whose identity is apparent, or can reasonably be ascertained, from the information", as defined by the Privacy Act.

Qantas has continued to invest in maintaining suitable controls around security, use and disclosure of Member personal information. In recent years, Qantas has invested in the establishment of a dedicated Group Privacy and Data Governance function. This team will coordinate activity across the Group, report issues to senior management, ensure that the Qantas Group can keep pace with domestic and international requirements and public expectations around data privacy and security, and ensure that personal information is treated fairly, ethically and responsibly.

## 3.2 Response to Commission's Findings on Data Practices

### 3.2.1 Consumer consent is not "well informed"

The Draft Report refers to the Commission's concerns outlined in the Digital Platforms Inquiry Report around data practices that indicated a bargaining imbalance between digital platforms and consumers in relation to the collection, use and disclosure of consumer data and states that similar issues arise in the context of loyalty schemes.

However, loyalty programs are very different from digital platforms. For example, in relation to the QFF Program:

- membership of the program is voluntary, consumers are not required to join the QFF Program in order to access Qantas Group products and services that are not related to the QFF Program;
- it is well-understood by Members that marketing products and services to Members is one of the primary purposes of the QFF Program. Qantas makes this clear to Members as part of the joining process. For example, the "Important Information" section of the joining page, which summarises key information that Members should be aware of prior to joining, explicitly calls out that Qantas collects personal information about Members:

*"to market products and services to you, including the products and services of our partners and other third parties who we believe may have products and services in which you would be interested. This is one of the primary purposes of Qantas Frequent Flyer" [Emphasis added]*

As noted above, Qantas takes active steps to ensure consumer consents are well informed, including providing a summary of its data practices directly in the joining process, before the Member joins the QFF Program. The Draft Report acknowledges this approach taken by Qantas is *"more likely to result in consumers reading or at least scanning these materials and having greater awareness of the general nature of the data practices..."*. Similarly, in 2017, the Office of the Australian Information Commissioner (OAIC) conducted an assessment of the QFF Program's compliance with APP1 and APP5 and found that Qantas' notification practices met the relevant notification and awareness requirements of APP5. Qantas expects the OAIC to publish its report on the assessment in the coming weeks.

After joining the Program, Members do have a level of control over how their data is collected and used. For example, Members can:

- opt out of receiving marketing material, emails and digital advertising on third party websites at any time by managing their profile settings in their online account;
- manage how web browsing data is collected, by blocking cookies or clearing their browser cache; and/or
- cancel their membership at any time, and Qantas will cease collecting information about that Member.

### 3.2.2 Clarity, accessibility and readability of privacy policies

The Commission found that loyalty schemes' privacy policies are generally long, complex and hard to navigate and the length and complexity of these policies is likely to deter consumers from reading them.

As discussed in section 2.1 above, the length of the QFF Terms and Conditions are illustrative of the breadth of the Rewards and Benefits available to Members under the Program. However, Qantas is always looking to improve how it communicates key information clearly and transparently to Members.

To address this issue, Qantas provides Members with a summary of key information, which includes an outline of the Privacy Policy and the type of Member information collected and how it is used, and provides this summary to Members as part of the joining process. More detailed information on what information Qantas collects, and how it is used and disclosed, is contained in the QFF Terms and Conditions and in the Privacy & Security Statement available online.

The Draft Report contains a comparison of the word count, reading time and reading difficulty of the various Terms and Conditions and Privacy Policies of the loyalty schemes in tables 4.1 and 4.2. The QFF Terms and Conditions and Qantas Privacy Policy are comparatively long. However:

- as discussed in section 2.1 and mentioned above, while the breadth of the Benefits and Rewards available under the QFF Program mean that the Terms and Conditions is a long and comprehensive document, the collection and use of personal information is covered in one clause (clause 22), which is clear and easy to read; and
- while Qantas accepts that the Qantas Privacy Policy is also comparatively long, it is important to note that this is the single Privacy Policy for the Qantas Group, not only the QFF Program, and must cover all of the services provided by the Group and meet international and Australian requirements, given the geographical breadth of the Qantas Group customer base.

Qantas is always looking to improve the readability of the Qantas Privacy Policy and develop new ways to explain to consumers what information is collected and how it is used. The Qantas Group Privacy team is currently reviewing simplification of the Qantas Privacy Policy and assessing new ways to provide this information to consumers, clearly and simply. Qantas has previously considered whether



to include the Australian statutory definition of “personal information” in the Privacy Policy, but decided that it was more helpful and informative to Members (many of whom are located outside of Australia) to include examples of the kind of personal information collected, rather than the more legalistic definition of “personal information” in the Australian Privacy Act.

### 3.2.3 Inadequate disclosures about consumer data sharing between loyalty schemes and third parties

The Draft Report found that the nature of the consumer data collected and the entities it is collected from is often described in vague and non-specific terms by loyalty scheme operators, and there is also lack of clarity about what data is being disclosed and to which entities, particularly in the case of third parties.

Qantas fully and clearly discloses the information collected from Members at the point of sign up and subsequently from other sources in the QFF Terms and Conditions and the Qantas Privacy Policy. An extract from the Qantas Privacy Policy explaining how Qantas collects personal information in relation to the QFF Program is set out below.

#### How we collect information

We collect personal information about you as a member of our programs and clubs through your registration and participation in them.

We may collect information directly from you through our interactions with you. We may also collect information from others who interact with us on your behalf, our related bodies corporate and Jetstar branded entities, partner airlines, third parties providing services for our programs and clubs, or our program and club partners, such as when you register through one of our program partners or transact with them.

We may also collect information from public sources (for example, Census data) and combine this information with information that we hold about you.

Importantly, the majority of information collected by the QFF Program is collected directly from the Member, including:

- during the sign-up process or as part of interacting with the QFF Program. Examples include name, address, email address, shipping address or other information that enables the delivery of the Program or rewards to the Member;
- when acquiring a product or service from Qantas;
- through interacting with Program Partners (including credit card and policy issuers for Qantas Money and Qantas Insurance products) and earning Qantas Points. Examples include the member purchasing electricity from Red Energy and providing their QFF Membership number to Red Energy in order to earn Qantas Points;
- by interacting with Qantas communication channels (eg, email, website and call centre); and
- via the completion of voluntary surveys and questionnaires. Examples would include opinion-based data like shopping preferences, holiday destinations or needs and values

Qantas also clearly explains how it discloses Member personal information in the QFF Terms and Conditions and the Qantas Privacy Policy. An extract from the Qantas Privacy Policy, explaining when the QFF Program discloses personal information is set out below.

### Disclosure of your personal information

We may disclose your information to partner airlines, oneworld alliance airlines, and non-airline program partners for the purposes outlined in this Privacy Policy.

We may also disclose your information to:

- Providers of goods and services to members of our programs and clubs
- Service providers for our programs and clubs

They may use the information to assist us with our programs and clubs. Such activities may include:





- administering our programs and clubs generally
- determining your eligibility for, and providing, products and services
- handling and processing membership applications
- operating our call and service centres
- providing market research and marketing services

We may also disclose your personal information in the course of investigating any activity we suspect to be fraudulent.

The difference between personal (identifiable) information and general, de-identified consumer information is critical here. As the Commission recognised in the Draft Report, *“while the major loyalty schemes in Australia do not sell their members’ personally identifiable consumer data, they do share or exchange de-identified, tokenised or hashed data about their members with third parties”* [Emphasis added].

De-identified member data is not personal information. It is not “information or an opinion about an individual whose identity is apparent, or can reasonably be ascertained, from the information”, as defined by the Privacy Act. General, de-identified consumer information is regularly made available to the public, and most consumers are very comfortable with this fact. The de-identified census information made available by the Australian Bureau of Statistics (ABS) is a well-known example. Some of the data products supplied by the ABS are shown below:

## Which Census Product is Best for You?

	 Data in Pictures	 QuickStats	 Community Profiles	 DataPacks	 TableBuilder
<b>User level</b>	Introductory	Introductory	Intermediate	Advanced	Intermediate - Advanced
<b>Geographies available</b>	Australia, States and Territories, Greater Capital Cities	To the Statistical Area Level 1, including Indigenous geographies	To the Statistical Area Level 2, including Indigenous geographies	All geographies	All geographies
<b>Features</b>	Delivers eye catching infographics that are shareable, easily digestible and provides a good starting point for viewing high level data for States, Territories and Capital Cities of Australia	Three search tools. Enables quick access to summary information about people, families and dwellings based on place of usual residence and compares it to state and national data. At the state and national level, QuickStats highlights key differences between 2011 and 2016 Census data	Pre populated data. Community Profiles provides a comprehensive statistical picture of an area, about the people, families and dwellings based on place of usual residence. Compare characteristics of different areas based on General Community, Aboriginal and Torres Strait Islander Peoples and Time Series Profiles	Pre populated data. Designed for clients who have their own database or analysis systems. Compare characteristics of different areas based on General Community, Aboriginal and Torres Strait Islander Peoples and Time Series Profiles plus Place of Enumeration and Working Population	Is designed for advanced Census data users who want the freedom to create their own tables at any geographic area level. It provides access to nearly all variables available in Census data
<b>Format</b>	Image	Webpage	Excel	CSV	Basic and complex tables

### 3.2.4 Inadequate disclosures about targeted and behavioural advertising

The Draft Report acknowledges that loyalty programs run targeted marketing campaigns, which include targeted marketing via a variety of online and offline channels. Unlike Digital Platforms, loyalty program members are very aware that one of the primary purposes of these programs is to market products and services to members, and to reward members for their eligible activity.

QFF Members are made aware of these marketing activities through the Privacy Summary (before joining the Program), the QFF Terms and Conditions and the Qantas Privacy Statement. Box 3.2.4 below contains relevant extracts from the Key Information Summary.

### **Box 3.2.4(a) – Extracts from QFF Summary of Key Information**

#### *Privacy*

Qantas collects personal information about you in connection with Qantas Frequent Flyer (including products and services available to Qantas Frequent Flyer members):

- to market products and services to you, including the products and services of our partners and other third parties who we believe may have products and services in which you would be interested. This is one of the primary purposes of Qantas Frequent Flyer;
- to facilitate your participation in Qantas Frequent Flyer and other organisations' loyalty programs, including by assessing your membership application, awarding you points, confirming your eligibility for, and providing any products and services associated with Qantas Frequent Flyer, and enhancing and personalising your use of Qantas Frequent Flyer;
- to generate (for Qantas and third parties) consumer insights about you in order to better understand your Member's preferences and interests, tailor your experience, enhance the products and services supplied to you and to tell you about the products and services of Qantas and its travel partners and program partners;
- to improve our website and services, including by means of product development and market and behavioural research; and
- for operational management of Qantas Frequent Flyer.

[...]

#### *Marketing Consent*

By joining the Qantas Frequent Flyer program, you expressly consent to Qantas sending you marketing communications including via direct mail, telephone, email, SMS, in-app notifications or other digital means in relation to matters such as news and offers for Qantas Frequent Flyer Members, including offers in relation to Qantas-branded products and services, flights, or products and services offered by our program partners.

If you do not wish to receive these email communications, you can opt-out of any or all of them by updating your email preferences in Your Profile.

As discussed above, the QFF Program marketing model is centred around Qantas (and not third parties) communicating with Members about the products and services of Qantas Airline and Program Partners. As such, Qantas does not generally provide personal information of its individual Members or Member contact details to Program Partners or third parties. This is because Qantas seeks to ensure that Members' personal information and data is securely stored and managed, while also ensuring that all communication with Members can only be done subject to Qantas principles and controls.

Members who do not want to receive targeted marketing communications can opt out of receiving marketing material, emails and digital advertising on third party websites at any time by managing their profile settings in their online account. An extract from the online profile page, illustrating the options for members is set out in box 3.2.4(b) below.

### Box 3.2.4(b) – QFF Member Marketing Controls

#### Digital advertising

From time to time we use member data to customise your web experience on third party websites. You can choose to opt out at any time of having your personal data used.

Opt in  Opt out

#### Qantas Frequent Flyer email subscriptions

For Qantas Red Emails, including flight offers and Travel Insider emails, visit the [Red Email subscription page](#).

For Qantas Golf Club email, including tournaments, travel and destinations, visit [qantasgolfclub.com](http://qantasgolfclub.com). To unsubscribe, use the link at the base of your Qantas Golf Club email.

- Your points balance and news  
Our monthly newsletter containing your points balance (including points expiry), plus our latest news and offers
- Exclusive offers for Qantas Frequent Flyer Members
- Exclusive offers from our travel partners
- Exclusive offers from our program partners
- Flight specials, news and updates
- Qantas Hotels and Airbnb
- Information about your membership
- Qantas Travel Money and Qantas Cash  
Members must be over 16 years and residents of Australia or New Zealand to be eligible
- Discover premium wines with Qantas Wine  
Not available for residents in Northern Territory or members under 18 years
- Competitions, entertainment and lifestyle
- News and offers for families

### 3.2.5 Consumers lack control over how their data is handled by Loyalty Schemes

The Draft Report comments that consumers who are concerned about the data practices of loyalty schemes but wish to continue to participate may benefit from being given the choice to meaningfully opt out of certain data practices that suits their own privacy preferences.

As discussed above, participation in loyalty programs is voluntary. Consumers who choose to participate in loyalty programs receive benefits and rewards in relation to products and services that they would be purchasing anyway. After joining the QFF Program, Members do have a level of control

over how their data is collected and used. Examples of these controls are discussed at section 3.2.1 above.

## **4. COMPETITION ISSUES**

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Section 5 of the Draft Report sets out the Commission's consideration of competition issues and loyalty programs. The Commission '... considers that loyalty schemes can result in a combination of pro-competitive and anti-competitive effects'.<sup>4</sup> However, these effects can be complex and are unlikely to produce generalised conclusions that are equally applicable across industry sectors and for all loyalty programs.

Against this background, Qantas wishes to highlight the following:

- any artificial switching costs attached to airline loyalty programs, and therefore any associated barriers to entry or expansion, are limited;
- loyalty programs have further intensified competition in the airline sector, rather than detracted from competitive rivalry; and
- there is no tangible evidence of competitive harm in relation to the impact of loyalty programs in 'secondary markets'.

### **4.1 Limited consumer switching costs / barriers to entry or expansion**

A concern raised in the Draft Report is that loyalty programs may be harmful to competition in circumstances where they introduce 'artificial switching costs' that create barriers to entry and expansion for rival firms in the 'primary market'.<sup>5</sup>

Most loyalty programs, including the QFF Program, have features that reduce or eliminate such switching costs. In particular:

- loyalty program participation and memberships are typically voluntary and non-exclusive. Moreover, consumers do not need to become a member of a loyalty program in order to purchase a supplier's goods or services. Accordingly, loyalty programs are unlikely to be a determining factor that deters or prevents market entry or expansion;
- loyalty programs offer members the ability to obtain benefits and rewards that they value in respect of purchases of goods and services that would have been made in any case; and
- loyalty program membership is often provided free of charge to the consumer.

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<sup>4</sup> ACCC Draft Report, p.80

<sup>5</sup> ACCC Draft Report, p.69

Most Australian consumers have more than one loyalty scheme membership, with the average Australian holding approximately four to six loyalty scheme memberships.<sup>6</sup> The fact that most Australian consumers obtain multiple loyalty scheme memberships suggests that loyalty programs are often viewed as complementary and also that switching costs are not perceived by consumers to be high.

Indeed, when analysing the potential competitive effects of loyalty programs in Australia (with a focus on the supermarket and aviation sectors<sup>7</sup>), the Draft Report acknowledges that ‘... it is not clear that such customer lock-in effects and switching costs associated with frequent flyer schemes have resulted in major barriers to entry.’<sup>8</sup> Rather, the contrary would appear to be the case, with loyalty programs in the supermarket and aviation sectors having pro-competitive effects by intensifying the level of competition between existing rivals (see section 4.2 below) and not otherwise preventing the entry of new competitors.

#### **4.2 Loyalty Programs can intensify price competition**

The Draft Report also highlights that loyalty programs may reduce price transparency in a market where it is difficult to compare the value of loyalty program rewards with competing price-based offers.<sup>9</sup>

However, loyalty programs have the potential to significantly enhance price competition between rivals, particularly where those programs provide savvy consumers with another point of differentiation in assessing the value proposition of a competitor’s offering.

Modern consumers are technologically literate and well informed. Loyalty program operators provide extensive information on their websites regarding the benefits associated with membership. As membership of a loyalty program is voluntary, clearly articulating these benefits is critical to successfully attracting new members. Likewise, as continued active membership is also voluntary and switching costs are low (for the reasons detailed in section 4.1 above), loyalty programs are constantly required to demonstrate the benefits associated with ongoing membership. As outlined in section 2 of this submission, Qantas has taken numerous steps to ensure Members of the QFF Program are informed of the benefits of membership and continue to obtain real value from participation in the Program.

In addition to the information directly supplied by loyalty programs, there are also numerous independent resources available online that compare and contrast the benefits, both financial and non-financial, of different programs. Websites such as [finder.com.au](http://finder.com.au) and [canstar.com.au](http://canstar.com.au) provide up to date comparisons and analyse the benefits associated with various loyalty programs, thereby empowering consumers and further enhancing the degree of competitive rivalry between them.

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<sup>6</sup> ACCC Draft Report, p.v

<sup>7</sup> Section 5.3, ACCC Draft Report.

<sup>8</sup> ACCC Draft Report, p.77

<sup>9</sup> Section 5.2.2, ACCC Draft Report.

### 4.3 No demonstrable competition concerns arising in secondary markets

The Draft Report also briefly considers the impact of loyalty schemes in 'secondary markets'. The starting point of this analysis is to '*consider whether coalition loyalty schemes may result in the extension of customer switching costs to a network of suppliers across different industries.*'<sup>10</sup>

The example of competing car rental firms set out in the Draft Report is presented as an illustration of the potential negative impact on an individual competitor of an exclusive loyalty scheme partnership.<sup>11</sup> However, without further information it is difficult to support the implication in the Draft Report that the discontinuance of Hertz's participation in the QFF Program in 2010 is the direct (and presumably only) cause of its revenue decline in 2012 and 2013.

The Draft Report also briefly considers the alternative scenario of a sector where there are multiple non-exclusive loyalty scheme partnerships currently in operation. In respect of credit card providers, the Commission concludes that '*partnering with frequent flyer loyalty schemes to reward customers is likely to be a defensive competitive strategy, rather than a point of differentiation.*'<sup>12</sup> In reaching this conclusion, the Draft Report overlooks the financial and non-financial benefits that consumers are able to obtain from loyalty program participation. Where goods and services may appear reasonably similar from a consumer's perspective, such as credit card facilities, the opportunity to participate in a coalition loyalty program offers suppliers of those goods and services the ability to differentiate by offering unique points earning and redemption opportunities and also targeted promotional offers (e.g. sign-up bonuses).

## 5. DRAFT RECOMMENDATIONS

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As stated above, Qantas welcomes the Commission's recommendations that loyalty scheme operators need to review their approach to:

- presenting terms and conditions of loyalty schemes and ensure changes are fairly and adequately notified; and
- presenting consumers with information about how they handle consumer data and provide consumers with meaningful control over their data.

In relation to broader legislative changes, the Commission repeated two of its recommendations from the Digital Platforms Inquiry Report, recommending that:

- unfair contractual terms be prohibited (not just void) and that a new prohibition against certain unfair trading practices be introduced; and

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<sup>10</sup> ACCC Draft Report, p.78.

<sup>11</sup> ACCC Draft Report, p.79

<sup>12</sup> ACCC Draft Report, p.79.



- protections in the Privacy Act be strengthened and a broader reform of the Australian privacy law takes place.

We understand the Commission is currently working with Consumer Affairs Australia and New Zealand (CAANZ) in relation to the first recommendation and Qantas would be willing to contribute as appropriate in any consultation.

While we are unable to comment in detail at this stage on either of the Commission's recommendations, we hope that the Commission will undertake a thorough and collaborative review. Any such sweeping legislative change requires extensive review and consultation to ensure that any laws enacted are necessary to meet the identified need or deficiency and that businesses will be able to comply.

# APPENDIX 1

## Flights Out

 = Seat available

From  
Sydney to Singapore

Date  
Tue 10 Mar 20

From	To	Flight	Economy	Business	First
11:25 Sydney Duration: 8h 20m	16:45 Singapore Stops: 0	 <a href="#">QF81</a>		No Seats	No Seats
17:00 Sydney Duration: 8h 05m	22:05 Singapore Stops: 0	 <a href="#">QF1</a>		No Seats	No Seats
10:00 Sydney Duration: 1h 30m	10:30 Brisbane Stops: 0	 <a href="#">QF516</a>		No Seats	No Seats
11:50 Brisbane Duration: 8h 00m	17:50 Singapore Stops: 0	 <a href="#">QF51</a>			
16:30 Sydney Duration: 8h 00m → = Flight BA16 is operated by British Airways	21:30 Singapore Stops: 0	 <a href="#">BA16</a>		No Seats	No Seats
16:00 Sydney Duration: 1h 35m	17:35 Melbourne Stops: 0	 <a href="#">QF447</a>	No Seats		No Seats
18:55 Melbourne Duration: 7h 40m  = Flight EK405 is operated by Emirates	23:35 Singapore Stops: 0	 <a href="#">EK405</a>			
15:30 Sydney Duration: 1h 35m	17:05 Melbourne Stops: 0	 <a href="#">QF445</a>	No Seats		No Seats
18:55 Melbourne Duration: 7h 40m  = Flight EK405 is operated by Emirates	23:35 Singapore Stops: 0	 <a href="#">EK405</a>			
09:30 Sydney Duration: 1h 30m	10:00 Brisbane Stops: 0	 <a href="#">QF514</a>		No Seats	No Seats
11:50 Brisbane Duration: 8h 00m	17:50 Singapore Stops: 0	 <a href="#">QF51</a>			
15:00 Sydney Duration: 1h 35m	16:35 Melbourne Stops: 0	 <a href="#">QF443</a>	No Seats		No Seats
18:55 Melbourne	23:35 Singapore	 <a href="#">EK405</a>			

# Flights Back

= Seat available

From

Date

Singapore to Sydney

Mon 16 Mar 20

From	To	Flight	Economy	Premium Economy	Business
19:15 Singapore Duration: 7h 55m	06:10 Tue Sydney 8 stops: 0	<a href="#">QF2</a>		No Seats	No Seats
20:30 Singapore Duration: 8h 05m	07:35 Tue Sydney 8 stops: 0	<a href="#">QF82</a>		No Seats	No Seats
19:40 Singapore Duration: 7h 20m	06:00 Tue Melbourne 8 stops: 0	<a href="#">QF36</a>			No Seats
07:15 Tue Melbourne Duration: 1h 25m	08:40 Tue Sydney 8 stops: 0	<a href="#">QF410</a>			
Total duration: 10h 00m					
19:40 Singapore Duration: 7h 20m	06:00 Tue Melbourne 8 stops: 0	<a href="#">QF36</a>		No Seats	No Seats
08:00 Tue Melbourne Duration: 1h 25m	09:25 Tue Sydney 8 stops: 0	<a href="#">QF414</a>			
Total duration: 10h 45m					
20:10 Singapore Duration: 7h 45m	06:55 Tue Sydney 8 stops: 0	<a href="#">BA15</a> → = Flight BA15 is operated by British Airways			
23:40 Singapore Duration: 7h 30m	10:10 Tue Melbourne 8 stops: 0	<a href="#">QF38</a>		No Seats	No Seats
12:00 Tue Melbourne Duration: 1h 25m	13:25 Tue Sydney 8 stops: 0	<a href="#">QF430</a>			
Total duration: 10h 45m QF38 is subject to government and regulatory approval.					
19:40 Singapore Duration: 7h 20m	06:00 Tue Melbourne 8 stops: 0	<a href="#">QF36</a>		No Seats	No Seats
08:10 Tue Melbourne Duration: 1h 25m	09:35 Tue Sydney 8 stops: 0	<a href="#">JQ504</a> ★ = Flight JQ504 is operated by Jetstar			
Total duration: 10h 55m					