



Regaining Revenue Loss

How Air Canada Can Bounce Back From
Covid-19 Revenue Losses



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Innovative Thinktank
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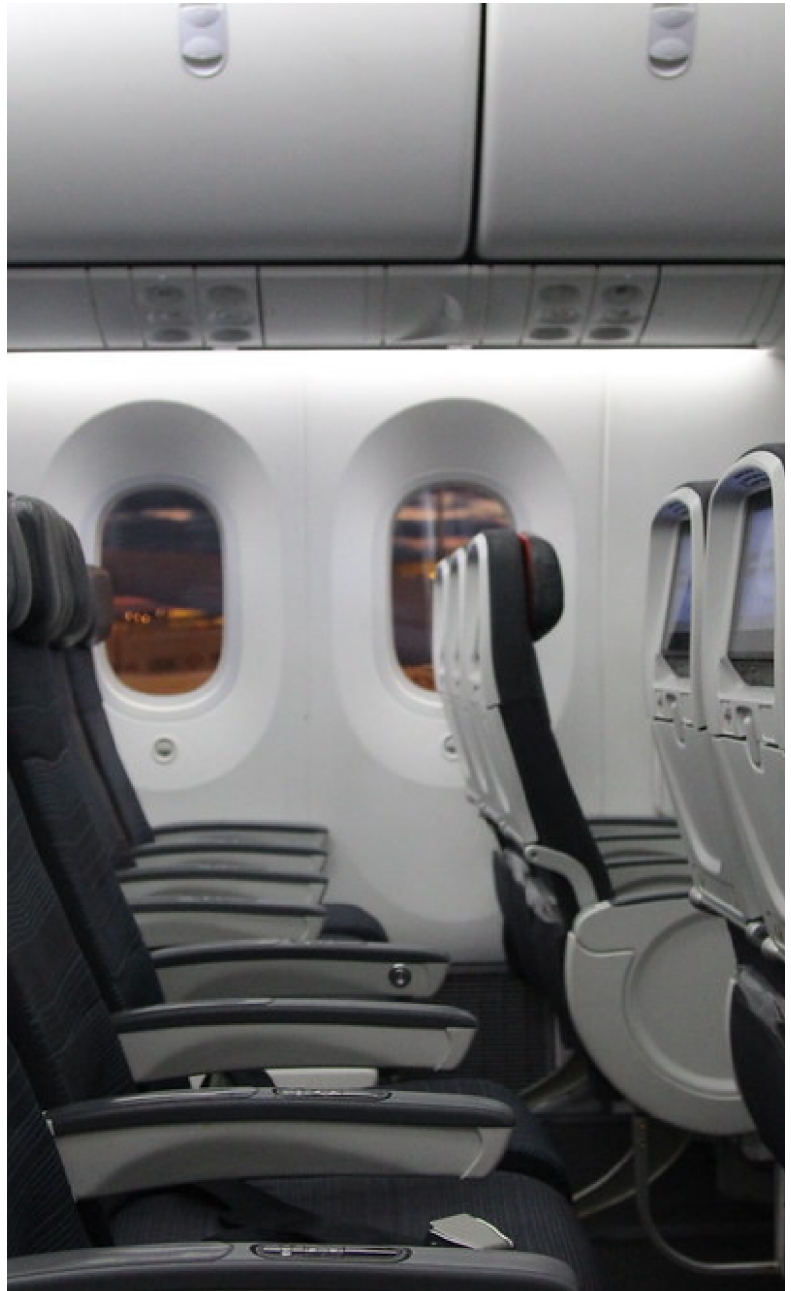
Introduction

Covid-19 has affected Air Canada's revenue for the past three years. With the pandemic dying down, flights and vacations are becoming more popular again. We can find multiple ways to overcome the financial blow of the pandemic and improve the brand's personality by analyzing annual and quarterly reports, news articles, and customer reviews.

With the Covid epidemic, some customers may no longer feel comfortable or safe travelling via flying. Having Air Canada show that safety is their number one priority for their customers can help improve the likelihood of more patrons flying with their company. Ensuring the safety of Air Canada customers can also boost their image by showing that they (Air Canada) care about their customers.

In general, Air Canada has a bad reputation with customers. Reading online comments and news articles about the brand is essential so the company can learn from their mistakes. Following specific steps and procedures can help improve Air Canada's image.

Applying these steps and advisories can help improve the company's future revenue gain and its image towards the public.



<https://www.flickr.com/photos/kalung1/31617850552>

Chapter 1

Air Canada Statistics Before and During Covid-19

Overview

We must examine past data to determine how to recover from revenue loss. We will look at the annual net income loss, operating revenue and passenger load factor percentage to see how Air Canada has performed before and during Covid.

Annual Net Income Loss

Looking at the annual net loss for the past five years, it is evident that there is a trend once the pandemic has affected the air travel business. We can see the data from 2017 to 2021 using Air Canada's Annual Reports. The annual net loss for Air Canada was \$2.03 million in 2017, \$167 million in 2018, \$1.48 billion in 2019, \$4.65 billion in 2020, and \$3.6 billion in 2021 (Air Canada Reports, 2017-2022). As you can see, during 2019-2021, Air Canada experienced the most loss, which was when the pandemic was the most prominent. Using this data, we can develop different ways to decrease the net loss in the future.

Annual Operating Revenues

Examining the operating revenues, it is clear that the dividends have been declining during the pandemic. However, it is slowly climbing back up; within a year, the revenue for 2021 has increased by 9.7%. The annual operating income for Air Canada was \$16.25 billion in 2017, \$18.06 billion in 2018, \$19.13 billion in 2019,

\$5.83 billion in 2020, and \$6.4 billion in 2021 (Air Canada Reports, 2017-2022). We must figure out ways to increase the profits to return to regular revenue.

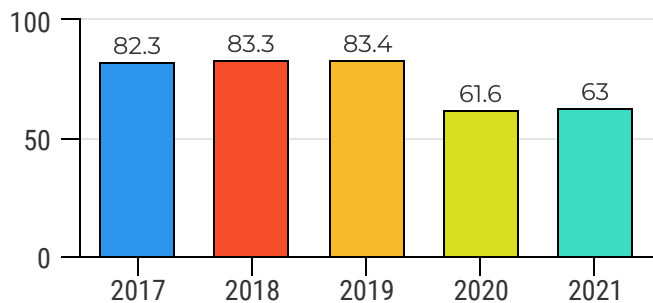
Annual Passenger Load Factor Percentage

The flight capacity has been steady throughout these years. Looking at Figure 1, we can determine the average percentage of the flight capacity throughout the last five years. We must consider different ways to fill more seats to gain more revenue.

Figure 1

Average percent of flight capacity from 2017-2021

Passenger Load Factor Percentage Over the Past Five Years



Note: Adapted from "Air Canada Annual Report" 2018-2020, (https://www.aircanada.com/content/dam/aircanada/portal/documents/PDF/en/annual-report/2018_ar.pdf, https://www.aircanada.com/content/dam/aircanada/portal/documents/PDF/en/annual-report/2019_ar.pdf, https://www.annualreports.com/HostedData/AnnualReports/PDF/TSX_AC-A_2020.pdf) and "2021 Management's Discussion and Analysis of Results of Operations and Financial Condition" (https://www.aircanada.com/content/dam/aircanada/portal/documents/PDF/en/quarterly-result/2021/2021_MDA_q4.pdf).

Chapter 2

Gaining Revenue

Proposals to Gain Revenue

Air Canada needs to focus on accumulating its revenue back to what it used to be pre-pandemic. Air Canada has lost "\$785 million in the third quarter of 2020" (Air Canada, 2021), which is huge for this company. Chapter 1 shows how much of a toll this company has taken in the past three years. Different ways to recuperate from the financial losses are:

- Lowering business and economy ticket prices
- Raising first-class ticket prices
- Raising baggage and carry-on prices
- Having fewer food options on a flight during the pandemic
- Having more planes active
- Creating more advertisement
- Offering more destinations
- Offering promotional deals.

Why This Approach?

Pricing

Lowering the prices for the business and economy seating will hopefully sell more tickets to allow more seats to sell. Looking at Figure 1 in Chapter 1, we can see that the average capacity of the planes before Covid was 83%. Lowering the price of the seats will permit more passengers to board, creating a higher seating capacity percentage. Reducing the expenses just enough that most people can afford it, but having it expensive enough to make a profit can be a better way to fill more seats and sell more tickets.

Since the start of the pandemic, there have been severe job losses throughout the country. In April 2020, almost two million Canadians had lost their jobs (CBC News, 2020). Because of the significant job losses, it can be more challenging for people to afford a plane ticket at its current price. Cutting down the cost of the business and economy seating will give a better opportunity to those who can not afford what it is now. Acknowledging and changing the ticket prices will prove that Air Canada can accommodate the patrons during this time.

Raising the first-class tickets will make the seats feel more exclusive than the business and economy seats. Higher-income households were less likely to lose their jobs during the pandemic, meaning they could still make money at their jobs instead of getting paid off of Canadian Emergency Response Benefit (CERB) or Employment Insurance (EI). With 27.56 million people being paid on October 4th of 2020 through either CERB or EI, high-income individuals were presumably not using this service because of rules of how to be accepted for CERB or EI payment

(Government of Canada, 2020). Purchasing a first-class ticket may appeal to people during the pandemic since it offers more space and separation from the other passengers. Bumping up the price for first class will make it feel more exclusive, safe, and luxurious to travelers who can afford it.

Raising the baggage prices can help increase the profit. Having higher prices for the bags can level out the cost of the economy and business tickets. The price for the bags should not be a drastic change, but just enough that there will be more of a profit. Paying for carry-on can be another way Air Canada can get its money back. Since most people bring a carry-on, charging for the bags is another way to level out the price of the economy and business tickets.

Flights

On long flights that offer food to travellers, cutting down on the food options can save costs. Keeping health-conscious options such as gluten-free, nut-free, vegetarian, etc., ensures everyone can have a meal. However, with regular meal selections, the menu should be cut down to three (four at most) popular choices. Doing this will reduce the company's costs because they no longer need to order all the different selections, but only a couple.

Bringing more planes to be active will be another way to make more money. Dispatching more planes can bring revenue by a) filling more seats, b) selling more carry-on and luggage and c) having more destinations and times available.

Having more destinations can bring in revenue. Having more destinations and times available can help Air Canada compete with its competitors like Alaska Airlines, Westjet, and Lufthansa Group, which may offer specific routes that Air Canada does not

(Owler, n.d).

Offering these routes can help keep customers from choosing a different company. Also, offering more flight times to a more popular destination can appeal more to patrons working around a busy schedule.

Advertisement

Creating advertisements can help draw more customers towards the brand, which can help increase our revenue. Air Canada needs to develop more commercials and advertisements that will be seen on television and online. Having an ad every four years when the Olympics are on is not enough. If it wants to be discussed, this company needs to move onto social media sites like YouTube, Instagram and TikTok. Even creating billboards or pop-up website ads can be enough for millions of people to see it. These ads on old and new media can draw many people to use the company.

Having promotions can be another way that Air Canada gets more sales. Offering points, deals on luggage or seating, and special offers for specific destinations can help people talk about Air Canada. Having word-of-mouth communication can be a way to sell more tickets, meaning more revenue income.



<https://snowgroupllc.com/blog/the-three-levels-of-making-money>

Chapter 3

Covid-19 Safety

Proposals to Create a Safe Public Space

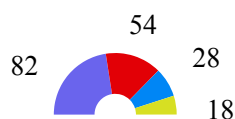
Consumers can feel anxious about air travel during the pandemic, so Air Canada must take proper steps to make its passengers feel safe. Figure 2 shows that a "study by Ipsos found that 82% of Canadians perceive either a large or moderate risk by taking a vacation" (Byers, 2021). By going above and beyond Covid safety, customers can feel safe and want to return to using Air Canada's services. Passengers can reduce the risk of contracting the virus if Air Canada follows these recommendations:

- Follow Covid rules and regulations of the country/province/state (including covid testing stations, vaccine requirements and mask mandates)
- Offer sanitization stations around the airport and airplanes
- Offer sanitization wipes or hand sanitizer to passengers boarding a plane
- Have sanitation attendants that sterilize surfaces after they get touched, including but not limited to: check-in kiosks, scales, door handles, water fountains, vending machines, dining areas, lounge areas, and railings.

Figure 1

Do Canadians feel safe to travel during the pandemic

How Canadians Feel About Air Travel During the Pandemic



● Large or moderate risk ● Large risk ● Moderate risk ● No risk

Why This Approach?

Following Rules

Since the pandemic, people travelling have started using a safer mode of transportation by driving. Air travel amid the height of the pandemic has been scarce and avoided by many passengers. An Ipsos study also found that Canadians had the most support for border closure compared to the other countries in the study, saying that 86% of the Canadian survey takers voted strongly or somewhat agreed with closing the border (Byers, 2021). Seeing how much safety from the virus means to Canadians, Air Canada should focus substantially on Covid prevention rules. While strictly applying these rules to the space (airplanes, lounge areas, check-in areas, etc.), we can ensure the passengers feel safe and confidently return to use Air Canada's services again.

Sanitation

Providing sanitation stations around the Air Canada gates and airplanes shows that this company takes health and safety seriously. If we offer hand sanitizer or sanitary wipes to travellers boarding the plane, we can give them the option to sanitize their area. This can help Air Canada's reputation, hopefully bringing more customers to the company.

Hiring sanitation attendants or giving janitors more hours to sanitize can be a way to make the customers feel safe. Providing these services can ensure that customers will be safe travelling throughout the airport. Having the attendants wear shirts with 'Air Canada' on them promotes the company and shows the customers that the company will go above and beyond to keep travellers safe.

Note: Adapted from "Canadians Anxious About Travel; Support Closed Borders and Vaccine Passports" 2021, (<https://ca.travelpulse.com/news/impacting-travel/canadians-anxious-about-travel-support-closed-borders-and-vaccine-passports.html>).

Chapter 4

Brand Awareness

Proposals to Create a Brand Persona

Negative reviews and complaints have a significant impact on a brand. Unfortunately, Air Canada is a victim of online besmirching and what the company stands for. Even a study conducted in 2019 shows that Air Canada was "ranked as the ninth worst airline, out of [eleven]" (Jadah, 2019). For Air Canada to flip their image around, it should:

- Take complaints and reviews seriously and learn from mistakes
- Have a better online presence
- Have better advertising
- Have a face or mascot associated with the company
- Create a slogan or jingle

Why This Approach?

Online Presence

Companies with bad reputations online or through word of mouth can be challenged to convince people why they should use the company. On the website, Skytrax people have left reviews saying "the worst customer service," "no compensation," and "refuse to provide any assistance" (Air Canada customers, 2022). A short course must be created for Air Canada staff to take, especially customer assistance attendants. Having the employees take the course can help them assist customers better, leaving them with a satisfying answer. With more happy customers, it creates an excellent online presence and fewer unfavourable reviews.

Brand Awareness

Since most people are online, it is necessary to have an online presence. While Air Canada does have a prevalent Instagram account with almost one million people, its TikTok account barely exists. Air Canada should hire a social media manager for TikTok since there are "1 billion monthly active users" (Dean, 2022). Millions of people can see and follow the Air Canada page with that much traffic. Some popular companies on TikTok are Duolingo, with 4.3M TikTok followers, and their most popular video has 26.9M views and Lionsgate, with 4M followers. In Chapter 1, what was said pertains here, too; advertisements can help attract more customers to the company, increasing revenue.

With every great company, there is almost always a famous mascot, celebrity or jingle that goes along with it. For example, Kellogg's Frosted Flakes has Tony the Tiger, Bubly Sparkling Water has Micheal Bubl  and Mcdonald's "I'm Lovin' It." Since Air Canada is a Canadian company, picking someone well-loved like Jim Carrey, Drake, Ryan Reynolds or Sandra Oh would make sense. Using a catchy slogan or jingle can also increase the company's popularity by being stuck in people's heads.

In general, Air Canada needs a positive online presence. Following these steps will help achieve positive brand awareness.

Conclusion

In general, Air Canada has had some negative connotations towards the company. Since the Covid-19 epidemic, Air Canada has hit significant revenue losses over the past four years, which has caused massive job losses for the company. By implementing the different prices in Chapter 2, following existing and making more Covid safety protocols in Chapter 3, and creating brand awareness in Chapter 4, Air Canada can gain revenue, ensure passenger safety and create a positive online presence. This approach is the beginning of turning the company around from a four-year financial hardship.





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