

Panther Air Case Study.

Panther Air is a low cost Australian Airline with a tag line “Our low prices simply can’t be beaten” that started in 2006 with flights from Melbourne to Darwin. Australia suffered for too long from high flight prices caused by a lack of competition. This new service by Panther Air has truly provided low fares and was welcomed by the tourism industry and Australian passengers. At launch, Panther Air was aiming to challenge other low cost carriers in the Australian market, such as Virgin and Jetstar. Panther Air made an aggressive entry to the Australian Domestic market with fares that were significantly lower than the competition, which started a price war with the other airlines.

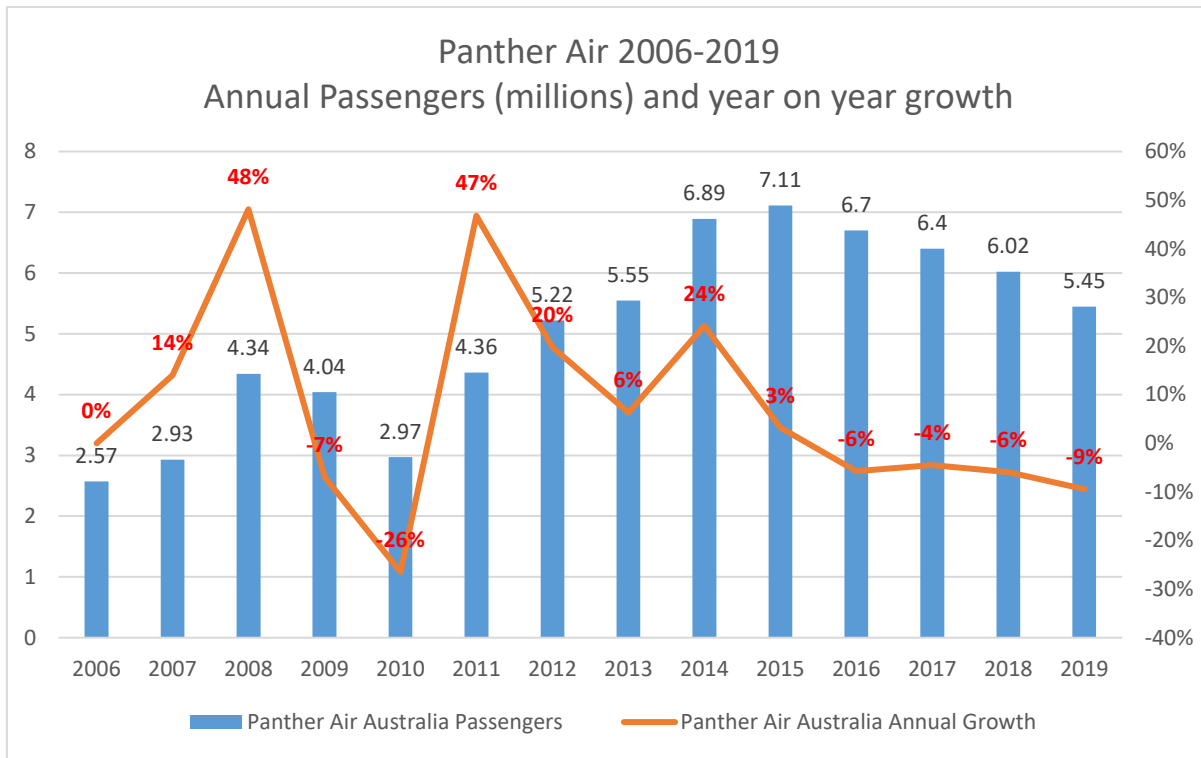


Panther Air is a low cost carrier (LCC) airline, meaning bags and food are not included in the price of their tickets. Their major competitor in Australia is Jetstar as the cheapest domestic airline. Panther Air is usually cheaper than Jetstar but it has a bad reputation for uncomfortable experiences for staff and passengers, tiny baggage allowances, expensive on-board food and drinks and poor customer service.

In 2009 Panther Air had a major safety incident when a door on a flight from Sydney to Brisbane depressurised and could have opened mid-flight. Quick action by one of the Panther Air crew meant the plane quickly dropped altitude and made an emergency landing in Ballina. Investigations by the Australian Transport Safety Bureau (ATSB) revealed that one of the engineering crew had identified that the door was faulty and required maintenance but they had been over ruled by one of the local Panther Air senior managers because of the cost of arranging a replacement aircraft and the potential lost revenue if they cancelled the flight.

Just 2 weeks later the Australian transport safety bureau (ATSB) suspended all Panther Air flights in Australia for 10 days because of "serious" safety concerns. Their investigations revealed multiple unreported incidents where Panther Air had flown unsafe planes or had flown in unsafe altitudes and they were given 10 days to prove that they could improve their pilot safety training, manager training and maintenance systems. This was the first time that the ATSB had grounded a whole airline in Australia.

This incident had a disastrous effect on Panther Air, as can be seen in the graph below. They had to quickly spend a lot of money to meet ATSB requirements and were only just able to keep their air operator's certificate. 200 flights and thousands of passengers were affected. Panther Air went from 48% growth in 2008 to losing 7% of revenue in 2009 and then 26% of revenue in 2010. At this point Panther Air was sold to a new group of investors who spent a lot of money to repair the airline's image and on marketing leading to a 47% increase in revenue in 2011.



However, latest rumours and reports from Panther Air staff suggest that the short cuts and unsafe practices returned in 2014, and although nothing has been proven, this has led to a steady decline in revenue since 2014.

Panther Air celebrated its 14th birthday last week and it is currently the fourth largest airline in Australia in terms of domestic passengers after Qantas, Virgin and Jetstar. Panther air operates in a very tough competitive market, where they have had to increase their fares as costs have increased. Domestic airfares increased by 19% between 2016 and 2019. Panther Air managers have been criticised for failing to understand the market and the source of these increases.

While the number of passengers flying in the Australian domestic market has increased by 5% over the last 3 years the number of available seats has only increased by 0.3%. PantherAir blames airports for the cost increases but the airports have fired back and suggested that the airlines need to provide more seats. Panther senior managers have said that it does not make sense to provide more seats when most of their flights had some empty seats on them, and prices were also being affected by rises in fuel costs, which have increased 28%.

Desperate to make a profit, Panther Air have tried adding lots of additional services (and charges) for their passengers, including in-flight entertainment, like internet, video games and movies, valet parking and gourmet food. However the cost of providing these services has been greater than the increase in revenue.

Panther Air does have one thing it likes to be proud of – it has the lowest costs of any airline in Australia, at 5 cents per available seat per kilometre compared to the next best Jetstar which costs 8 cents per available seat per kilometre. However, Panther Air has been criticised for the way that it manipulates their customers and prices, such as advertising \$49 airfares that actually cost \$79 after taxes, a \$9.50 per sector booking fee and a 10 kg baggage allowance. Panther Air managers have also been criticised for being too focused on their own small parts of the business, such as freight or baggage handling and not seeing the business as a whole entity and understanding the connections between different parts of Panther Air's business. It has been a big worry for Panther Air management who has seen how these different parts does not work with each other to give its customers a better flying experience. This has resulted in baggage being lost or not sent to the correct destination, sensitive air freight has been mishandled, damaged or not delivered on time in many occasions.

This problem can be traced to Panther Air's senior managers failing to understand that their business as a whole and the influence its external environment has had on the business. Many of these managers have failed to be flexible in their product offerings and marketing to adapt to different needs and culture of customers in different states and cities across Australia. The senior management has not been able to live up to their promise of having low costs since their cost were adding up due to having inexperienced workers being hired who did only know very little on how to handle their work, marketing promises of having low costs for passengers and freight which did not reflect in the prices customers had to pay when using Panther Air. They have also often failed to balance the needs for low cost to be able to offer the low prices that drive customers to use Panther Air, with the need for good customer service to attract those customers to fly on Panther Air again. The number of Australians who have flown Panther Air once is quite high at 42% but only half of those passengers have flown on 3 or more Panther Air flights.

Panther Air customers frequently complain about flight delays and cancellations, unexpected fees and charges, poor customer service and reasonable requests for refunds that are frequently denied. Panther Air often changes the times of their flights without giving their passengers adequate notice and expect the passengers to pay to adjust to these changes. When flights are delayed or cancelled the information provided to passengers is often different depending on the source, with conflicting advice provided on their website or through their call centre, compared to what they are told at the airport. In one instance Panther staff called the police when a customer became angry about their poor service and attitude towards granting a refund to a family who had their flight cancelled. There are also frequent complaints about Panther staff being rude and unhelpful in the planes, at the airport and from their call centre. They have been accused of only having money making customer service policies that are designed to get more money out their customers, like closing check in before the advertised time to force customers to buy new tickets, having high prices when selecting seats.

Typical Panther Air Customer Complaint:

Booked tickets for our family of 5 to Cairns for Sep 2020, 11 months in advance. After the original flight time Panther Air told us that our flight was rescheduled to 3 hours later than the original time. When I called Panther Air to tell them that we were unable to travel on their new scheduled flight time because we had to arrive in Cairns at a certain time to catch a boat that has been booked and paid for to take us out on the Great Barrier Reef. After speaking with a supervisor I was told to put a complaint in writing and apply for a refund that I probably would not get. Terrible customer service.

Panther Air keeps their labour costs low by employing graduates and workers who are just starting a new career in aviation. This means they do not have to pay a lot for workers with good training and experience but it also has an impact on the quality of these worker's activities – flying planes, helping customers and organising Panther Air logistics. A lot of these problems are hidden or not understood by Panther Air managers who are just focussing on the financial results, especially cost figures, market share and number of passengers flying with Panther Air.

Panther Air also keep their flying costs low by using older planes that they can lease at low costs, lower quality fuel that causes some issues in terms of flights arriving on time and increases the need for maintenance which can lead to flights being cancelled and by using cheaper terminals, airports and maintenance facilities that have been rejected by the major airlines, like Qantas or Virgin Airlines.

In a special television investigation in 2018 from Australian TV show Raising Concerns ex Panther Air staff revealed that most of the airlines problems stem from incompetent management, ancient outdated technology, its processes adopted and the way that the overall airline operations are managed. They complained that all Panther Air cares about is the cost and empty seat data. These ex-employees further commented that Panther Air ignore customer and employee feedback. Terrible results for employee turnover suggests Panther Air has a serious problem it needs to address. However, nothing has been done since the safety crisis in 2009.

Raisin Concerns interviewed 50 people who had quit their jobs at Panther Air and found that these workers were frustrated that their managers did not listen to them, that Panther managers regularly broke their promises regarding pay rises, promotions and bonus payments and that instead they would be offered free flights to undesirable locations like Alice Springs or Adelaide.

One method that Panther managers used to avoid increasing employee remuneration costs was to set goals that were impossible to achieve or to sabotage employee's performance if it looked like they were on track to reach their goals. Some workers even reported that when they reached their goals their managers refused to pay the rewards that were promised and tried to give the workers Panther Air merchandise like soft toys, branded clothing and model airplanes.

Panther Air managers have not always ensured that their employees have had the proper skills or knowledge to be able to do their jobs well, as they try to use the lowest cost inexperienced staff. The drive for the lowest costs for any airline in Australia has also meant that Panther Air staff have frequently complained that they are not provided with good working conditions or safe effective aircrafts to be able to produce the results necessary for good performance reviews that lead to salary increases or bonus payments. Many Panther Air staff have given up trying to reach their performance targets as they feel that the extra effort they are being asked to put in does not make much of a difference in terms of their ability to reach their targets, as external factors like broken equipment and ancient aircrafts put too many limits on their ability to do their jobs well.

The only standards that seem to be important at Panther Air are the cost per passenger per flight, the profit or loss made on each individual flight and the number of empty seats on each plane. Many other important factors that contribute to an airlines success are not measured or the data is simply ignored. Comparisons are frequently made with other budget airlines in Australia and around the world often ignoring other factors like government laws and regulations of airlines or lower labour costs in other countries. When problems are found many managers fail to accurately understand the source of these problems and often focus on fixing symptoms rather than the root cause of the issues, meaning that corrective actions only fix these problems in the short term, and the problems reappear the following year.

Panther Air has had to suspend all flights and operations from the 26th of March 2020, in response to the coronavirus outbreak. They have made all their pilots redundant and 1500 of their administration and operations staff in reaction to the virus creating the world's worst airline crisis.

Panther Air intends to use the \$50m it has received from the Australian government's assistance fund for the aviation industry to review what they have been doing and to try and find new efficiencies and improvements to operating systems. Panther Air staff are nervous about their future and don't believe promises that some of them will get their jobs back when the crisis is over.

Aviation experts suggest that Panther needs to take this opportunity to fix fundamental issues with the airline, including high staffing costs, expensive overheads, low customer satisfaction and repeat business as the low fares are not enough to keep the business alive.

Your Task

As a leading Management Consultant who specializes in business process improvements, you have been hired to provide expert advice to the client Panther Air by providing a 1,500 word report. Your report must identify **TWO Management problems** and analyse them with relevant **Management theory**. This is due by **Sunday Week 8 at 11.55pm** to be submitted online.

All the resources related to the report can be found under the MCP folder on Moodle.