

Will That Be Charge! or Starve!?

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First they removed the “free” onboard food service, allowing passengers buy food onboard. Now they won’t even accept cash. The latest trend in the airline industry is to require passengers to pay for non-complimentary food and drinks by credit card. The payment limitation also extends to onboard duty-free purchases. Cash, debit cards, and travellers cheques are no longer accept. A spokesperson for Air Canada, the largest Canadian domestic and international airline, indicates that the policy change is to benefit customers. Onboard food/drink purchases can be made using Visa, MasterCard, or American Express. A wider range of cards are accepted for duty-free purchases. In the U.S., American, Continental, Southwest, and Alaska Airlines also have a cashless policy.

The position of Air Canada on this policy change is that it leads to transactions that are more convenient and quicker. Since most passengers carry a credit card, the need to make or have the correct would be eliminated; the complete transaction would be done automatically through the credit card. However, not all airlines have adopted the cashless policy, and some airlines make exceptions for children flying within North America; Air Canada does not.

The Air Canada web site (<http://www.aircanada.ca>) indicates that, prior to checking in, passengers can purchase food/drink vouchers online up to one hour prior to flight time, saving up to 20% (vs. a 10% saving for onboard purchases over \$10). A code indicating the purchase appears on the boarding pass. Online duty-free purchases can be made up to 96 hours before an international flight.

Questions:

1. Explain how the following concepts apply to this situation: marketing mix differentiation, market segmentation; marketing tactics; marketing strategy; and production, sales, and/or marketing orientations.
2. What is the currency law within your country that relates to acceptable means of payment for goods and services? Which law applies when a transaction takes place within the airspace of another jurisdiction than the home base of the airline? [e.g., For guidance, look up case studies pertaining to the serving and taxing of alcohol while in the air.]
3. If you had the choice of flying with an airline that had an onboard, cashless transaction policy versus an airline that did not have such a policy, which airline would you select, if all other determinant criteria were relatively the same? Explain.

Note. The facts related to this situation are drawn from selected airline web sites and the following article: Gallagher, D. (2010, May 7). Cash is no longer king on flights. *Toronto Star*, p. B4.