

Vietnam Airlines Between CUSTOMERS' INTERESTS AND SALES

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On Dec. 17, 1999, the Vietnam Airlines (VNA) started its Golden Lotus Program for its customers. This is a customer-oriented policy that aims at maintaining and beefing up its relations with customers, especially its patrons. By this program, the VNA offers passengers who are its members preferential treatment, better services and other incentives for their contribution.

To develop cooperation with partners, the VNA contracted with Sunway and Hà Nội Horsion hotels in April 2001 to carry out the GLP. By this cooperation, VNA allows GLP members to gain points when traveling, staying in hotels, doing shopping and buying various services during their travel. Moreover, its members can exchange points they gain for services and benefits offered by GLP partners. These services and benefits the VNA offers the GLP partners help the VNA increase the total sales and reduce expenses on marketing.

Thus, from May 1, 2001 on, GLP members could gain points when flying with the VNA and get 500 points when spending a night at Sunway or Hà Nội Horsion. In addition, they could exchange points gained for



services or benefits offered by these hotels. It's worth noting that the cooperation between the VNA and hotels not only brings about more benefits and services to its GLP members but also allows the VNA and its partners to get more information about these members.

One of factors that determine success in the integration process car-

ried out by the VNA and many other companies is improvement in the quality of goods and services supplied, and increase in sales and profits. This is also a challenge to the world civil aviation business. To deal with this problem, many airlines have adopted strategies to maximize their sales since the 1990s and the VNA has just followed them. In 1998, the VNA invested some US\$1 million in a program of this kind (called YMS), including import of a software named PROS4 from the American Strategic Solution Inc., installation of the Intranet and training courses for its personnel. The PROS software is used for the VNA global booking network.

By gathering information everyday, especially information about flows of passengers and seasonality, the YMS gives advice on the rate offered to potential customers to all booking offices in its network with a view to reducing the number of unoccupied seats. The main measure it introduced is the overbooking practice. This practice allows the VNA to reduce loss caused by cancellation and at the same time give better service to customers.

According to the VNA report, there were 267,000 cancellations in 2000 (as compared with over one million suffered by the Swedish SAS), and overbooking allowed 200 out of 10,000 passengers to get their flights and only one passenger missed the flight. Our calculations show that the VNA could earn some US\$5 million (after taking away compensation for delay) by applying oversale. From another aspect, we can see that the oversale allowed some 60,000 passengers to get their expected flights in 2000 when the demand exceeded the supply.

Making more profit, the VNA could ensure compensation for delay according to international practices and offer other services (other flights, expenses on hotel or phone calls, etc.). The seasonal rates allow passengers to change their time of departure in order to save money and get additional services or take part in sales promotion programs. ■

Table: Rates of compensation for delay set by Regulation 126/ HKVN và EU Code 295/ 91

| Destination | Currency | Rate | Main condition |
|-------------|----------|--------------|------------------------------------------------|
| US | USD | 200% of fare | No substitution (US\$400 at max.) |
| | | 100% of fare | With substitution (US\$200 at max.) |
| Europe | EUR | 300 | Distance of 3,500 km |
| | | 150 | Distance of under 3,500 km |
| Vietnam | USD | 200 | Long-distance international flights |
| | USD | 100 | Medium-distance international flights |
| | USD | 50 | Short-distance international flights |
| | VND | 300,000 | Hà Nội, Hải Phòng, HCMC |
| | VND | 200,000 | Hà Nội, HCMC, Huế, Đà Nẵng, Hà Nội - Nha Trang |
| | VND | 100,000 | Other domestic flights |