

BTNonline**Lufthansa Denies Improper Use Of Client Data**

May 10, 2011 - 09:50 AM ET

By Amon Cohen

Lufthansa in letters sent this month to German travel managers denied that the airline learns what corporate clients pay competing carriers when it accesses customers' corporate card data. A spokesman confirmed to BTN that Lufthansa obliges corporate clients to instruct card issuers to forward their data to Lufthansa Group's own card-issuing subsidiary, AirPlus International, but insisted confidential information is kept from the Lufthansa passenger airline through a series of data protections.

After refusing for a year to comment publicly or respond to BTN requests for interviews about its controversial corporate contracts, which force clients to submit card data to the Lufthansa Group if they wish to receive discounts, Germany's largest airline for the first time is answering its critics. This follows the launch last month by the German Cartel Office of a probe into whether the contracts illegally enable Lufthansa to gain access to confidential competitive information.

AirPlus, which has a 66 percent share of the German corporate market, processes the data and forwards it to another Lufthansa Group subsidiary, Lufthansa Revenue Services, part of the Lufthansa Systems airline technology business, according to the spokesman. In turn, Lufthansa Revenue Services collates detailed information about flight purchases with Lufthansa (and in many cases, with sister Lufthansa Group airlines and Star Alliance partners).

„It is true all the data from the credit cards is delivered to AirPlus, which does the data processing, but there is a strict Chinese wall within our group,“ the Lufthansa spokesman said. „The purpose is to monitor the progress of [Lufthansa corporate discount program] Partner Plus. We make sure sensitive data is not distributed to the Lufthansa passenger airline or the sales and marketing department. Through the credit card tracking we never have any kind of knowledge of competitors or their rebates and we don't get any passenger names. Only the relevant Lufthansa parts will be transmitted to us.“

Asked why Lufthansa insists clients submit all card data to AirPlus—instead of restricting its requirement to information about Lufthansa itself and affiliated carriers—the spokesman said full disclosure is necessary to obtain a more precise picture of a client's spend on Lufthansa. AirPlus, he said, is able to pro-rate airline card data, meaning it can break down a ticket purchase to the coupon level. That allows Lufthansa to identify which coupons on an interlined itinerary were with Lufthansa and which were not. The spokesman quoted the example of an itinerary from London Heathrow to Hong Kong via Frankfurt, in which the first flight might be with Lufthansa and the second with Cathay Pacific. „We are able to see that the passenger flew with Lufthansa on the first leg, so a bigger proportion of flights are rebated because the client may not otherwise have been credited for the feeder flight,“ he said.

AirPlus, as an airline-owned Universal Air Travel Plan issuer, can pro-rate data from other card issuers even if those issuers are unable to pro-rate themselves, according to Lufthansa.

An AirPlus spokeswoman told BTN: „We forward the data to Lufthansa Revenue Services, which uses it to assess the kickback for the Partner Plus program. It is our job to anonymize and filter the data. Clients can give us a signed agreement that they don't want data for other airlines to be passed from AirPlus. It is the decision of the customer to say it only wants us to forward Lufthansa or Star Alliance data.“

The spokeswoman added that any insistence by Lufthansa that it receives client details on purchases with other carriers „is a discussion between Lufthansa and the customer.“ However, she added that AirPlus provides full disclosure to clients of the information it forwards within the Lufthansa Group.

Some critics pointed out that AirPlus board member Josef Bogdanski was until recently Lufthansa passenger airline's senior vice president for sales in Germany and global key accounts. Also on the board until recently was Thierry Antinori, who this year quit his role as Lufthansa chief marketing officer. Antinori and Bogdanski widely are acknowledged as the architects of Lufthansa's present corporate commercial strategy.

The AirPlus spokeswoman insisted her company works at arm's length from the airline, regularly tendering for its data processing business under strict German competition rules. „In this case, we are an external service to Lufthansa,“ she said. „It is not possible for Lufthansa to get to this level of data.“ When asked if AirPlus processes data for any other airlines, the spokeswoman said it currently does not but has done so in the past.

Drawing Authorities' Attention

German media outlets last week reported that the Federal Cartel Office, known in Germany as the Bundeskartellamt, has launched an investigation into whether certain clauses of Lufthansa's contracts are anti-competitive. Sources told BTN that the Bundeskartellamt started the enquiry in response to a formal complaint from another German government organization that was unhappy with the contract it received from Lufthansa.

A Bundeskartellamt spokeswoman confirmed it has written to some of Lufthansa's key customers requesting more information. „We are looking into whether there are contractual clauses which mean that, to obtain rebates, customers have to provide key information which ultimately may lead to Lufthansa obtaining information on the rebates and pricing of competitors,“ the spokeswoman said. „If competitors have too many details about other competitors' pricing, then the mechanism of competition is disturbed.“

If the Bundeskartellamt concludes Lufthansa has acted anti-competitively, it has the power to stop any competitive restraints it identifies and fine the airline. It also could consider whether Lufthansa has a dominant market position and, if so, whether that position has been abused. The spokeswoman added that the investigation will take „at least several months.“

Travel management professionals welcomed the investigation. „The hope is that future contract discussions will be easier with less restrictive terms,“ Chris Rose, Linde global procurement director of indirect commodities, told BTN. Chief executive of German travel managers' association VDR Hans-Ingo Biehl said: „We hope to have some kind of movement now, with fairer contracts in the future. No one knows what the real process is. It is not clear to us. If there are Chinese walls, the clients should be able to see them, and although it is positive for us that Lufthansa has very detailed data, clients need to have the right to say that they want, for example, only Star Alliance data to flow into the system. They don't have that choice at the moment, and if they don't agree, they don't have access to corporate fares.“

CTC Corporate Travel Consulting owner Jörg Martin confirmed that some of his clients terminated their Lufthansa agreements, even though this has proven unpopular with affected travelers. He expressed hope that the investigation will curb some of Lufthansa's more controversial contractual behavior. „No other airline asks corporate clients for their complete ticketed data,“ he said. When clients provide to Lufthansa such detailed information, Martin explained, they face legal conflicts with other carriers that have confidentiality clauses in their contracts.

Another travel manager, requesting anonymity, told BTN her company is preparing to instruct its card issuer to no longer release data to AirPlus, and expressed skepticism about Lufthansa's so-called Chinese walls. „It is our competitive data and nobody's business but ours,“ she said. „Why request all the data in the first place if you are going to filter it out? We do that for other airlines anyway.“

A second Lufthansa official told BTN the airline is surprised by the investigation because „the credit card clause has been unchanged for the last five to seven years.“ The only new aspect of this year's contracts, he added, is a clause requiring clients to consent to the release of their masked agency booking data to global distribution systems, which add that data to the marketing information data tapes they sell to airlines. „We decided to make it transparent to the customer that we are buying MIDT through the GDSs,“ the official said. „We are doing this to be compliant with European Union Code of Conduct regulations, whereas other airlines are taking MIDT from GDSs without asking.“