

## **US Airlines and Covid 19 - The Middle Seat Dilemma**

The Covid 19 pandemic has forced all passenger airlines to rapidly re-think their network, capacity, product and marketing strategies. With demand decimated and over 50% of their fleets grounded each airline is desperately assessing how best to chart their survival and recovery in the coming months and years.

In the United States there is a fascinating divergence in approach by airlines in one area of product and marketing strategy: the 'Middle Seat'. The Middle Seat is located between the aisle and window seats on single aisle jets which operate most mainline US domestic services. These are Boeing 737s and Airbus 220, 319, 320 or 321s which have a 3+3 or 3+2 row seating configuration in their economy ('coach') section of the cabin. The Middle Seat typically accounts for 26% to 33% of seating capacity on domestic flights.

Of the four major US airlines, half are selling tickets for all seats on their aircraft including Middle Seats whilst the other half are restricting Middle Seat sales. This diametrically opposed positioning has generated much debate in the industry and introduces an uncharacteristic divergence in approach between these major carriers. Remaining carriers, outside the largest four, are also split on this Middle Seat issue.

This article will provide context on the status of the domestic airline market in the US since the pandemic and outline how Middle Seat marketing has become a fascinating and polarized issue as airlines look to recover from the Covid shock.

### **Some recent history**

In March and April when the pandemic first hit, US domestic carriers continued to operate a relatively high number of flights compared to the rest of the world. This was mainly because of conditions written into the CARES (Coronavirus Aid, Relief, and Economic Security) Act, a financial support package for the airline industry passed by the US Congress in March. One of the stipulations of accepting CARES funding was airlines had to continue service to all points in their networks. Frequencies could be reduced but each station needed to retain a flight service. As passenger demand plummeted by more than 90% this meant most domestic flights were operating with single-digit load factors, literally a handful of passengers on 150+ seat aircraft.

Since May and into June when many US States started to come out of lockdown and open-up their economies load factors have increased as more passengers started flying. This increase in load factors continued even as airlines added more flights to their schedules. (For example Delta Air Lines planned to operate around 65% of their typical domestic schedule in July, according to a report by Simple Flying June 15<sup>th</sup> 2020).

### **Make-up of the US domestic airline sector**

The US domestic airline market is effectively made up of just ten passenger carriers. These can be divided into three distinct categories:

- Four 'Majors' (Delta, United, American and Southwest) operating extensive route networks on a national scale. With the exception of Southwest these are full-service carriers offering multiple product levels from First Class to Basic Economy on each flight. Their networks utilize a hub and spoke model, with each carrier having multiple hub airports across the country. Southwest has a low-cost carrier model, with a single cabin product and is more focus on point to point than hub operations.
- Three 'Secondaries' (Alaska, JetBlue, Hawaiian) who operate a selective route network which covers most of the US but focuses on key market corridors or a particular region (Pacific Northwest for Alaska, New York for JetBlue and Hawaii for Hawaiian). These airlines are full service but with less product range than offered by the three full-service 'Majors'
- Three 'Low costs' (Spirit, Frontier, Allegiant) who operate on select routes, primarily serving leisure destinations such as Las Vegas and Florida or competing with Majors on high density routes between large urban centers. These airlines fit the Ultra Low Cost Carrier (ULLC) definition, offering a single low-priced base product with a large range of optional ancillary fees for items such as luggage, seat allocation, seat upgrades etc.

### **Middle Seat Marketing**

During March, April and May load factors were so low on US domestic flights, due to the CARES Act causing so many flights to be offered, Middle Seats were rarely if ever allocated unless it was the only occupied seat on the row.

During these early months of the pandemic the marketing focus for the US airlines was to offer safe, sanitized and socially distanced travel. Due to low load factors airlines were able to easily provide this without setting any formal seat-availability policies. The 'Middle Seat' was therefore not really an issue. However, on May 6<sup>th</sup>, Low Cost carrier Frontier Airlines announced it would charge a US\$39 premium for any passenger wishing to guarantee they were sat next to an empty Middle Seat. This certainly started a debate and after widespread criticism, including from prominent US Lawmakers, the "More Room Seating Option" was dropped by Frontier 24 hours after they announced it.

Frontier's move certainly put Middle Seat marketing into the spotlight and the points raised by Frontier's CEO Barry Biffle, that keeping 33% of his available seats empty was simply uneconomical was clearly also on the minds of other airlines in the US. They were all faced with a dilemma, for which an answer or a policy was getting more urgent by the day as passenger traffic was continuously growing, especially as the US summer peak kicked off in June.

The dilemma between Blocking or Allowing Middle seats is summarized below. There are valid arguments on both sides with safety, marketing and commercial implications for airlines;

#### Against Blocking Middle Seats:

- Social distancing requires a 6 foot/2-meter space. Blocking a Middle Seat provides only a quarter of this at most and is therefore not a viable measure to meet 'social distancing.'

- Airline passengers benefit from advanced HEPA (High Efficiency Particulate Air) filter circulation on aircraft which means whilst on board they are less vulnerable to infection in the aircraft than on the rest of their journey (such airport security lines, public transport, car park shuttles, boarding lines).
- It is not economical for airlines to lose up to a third of capacity on flights, fares would need to increase to a level that demand would fall and services or frequencies would reduce. The US flying public would suffer from higher fares, less travel options and the US economy would be negatively impacted from this downsizing of jobs and activity.

#### For Blocking Middle Seats:

- For the first time since the 1970's US airlines are faced with passenger safety being a key factor in travel/purchase decisions. Therefore, in marketing an airline it is important to demonstrate pro-actively addressing this concern *even if the reality is Middle Seat blocking does not materially reduce risks, especially if all passengers are wearing masks*. Blocking the Middle Seat will give an impression of a less congested cabin and this is necessary to coax back demand from a cautious population.
- Public opinion, stoked by pronouncements from high profile politicians to journalists and social media campaigns, have made Middle Seat occupancy appear as a dereliction of care by airlines. This is particularly the case when economy/coach cabins are over 80% full and photographs posted on social media sites show an uncomfortably tightly packed cabin. Airlines face the prospect of being accused of putting profits before safety by flying with full cabins during the pandemic.
- Although the economic hit from blocking Middle Seats is real and it clearly cannot be a long term option (especially for LCCs who have no premium traveler offset and break-even on high load factors) airlines in the US who block Middle Seats can appeal to a potentially large segment of the market who would not travel in the near or mid-term unless they saw extraordinary steps like Middle Seat blocking being taken.

By June a schism was becoming clear, especially as July schedules were being published, showing an increase in domestic services by all operators. The divergence is well represented in the table below published by the Seattle Times (June 24<sup>th</sup> 2020) which took a snapshot survey of all 10 US domestic carriers and their respective safety policy and other measures they were enforcing.

## Comparing airlines on COVID-19 safety

Coronavirus safety precautions taken by airlines vary in degree and enforcement.

AIRLINES	MASKS REQUIRED	MASKS AVAILABLE	TEMPERATURE SCREENING	MIDDLE SEATS UNSOLD	BACK-TO-FRONT BOARDING	CLEANING BEFORE EVERY FLIGHT
Delta	Yes	Yes	No	Yes	Yes	Yes
Alaska	Y	Y	N	Y	Y	Y
United	Y	Y	N	N	Y	Y
American	Y	Y	N	N	N	Y
JetBlue	Y	N	N	Y	Y	Y
Allegiant	N	Y	N	N	Y	N
Frontier	Y	N	Y	Y*	Y	Y
Southwest	Y	Y	N	Y**	N	Y
Spirit	Y	N	N	N	N	N
Hawaiian	Y	Y	N	Y	Y	Y

\* Frontier is blocking the sale of some middle seats.

\*\* Southwest is restricting capacity on flights, but maintaining open seating that includes middle seat options

Data analysis and reporting by GEOFF BAKER, Graphic by MARK NOWLIN / THE SEATTLE TIMES

Credit: Seattle Times June 24<sup>th</sup> 2020

### Only in the United States

The Middle Seat issue seems to be a particularly US phenomenon. This is probably the result of a couple of factors which separates the US market from other countries or regions.

1. US domestic airline capacity was not curtailed to the degree of other countries (due to the CARES Act stipulations) and this led to a period of very low load factors with well-spaced cabins during the pandemic. Photographs and reports of passengers, spaced throughout an aircraft with impeccable social distancing potentially set an expectation for Covid-era air travel. This probably fueled the negative reactions from passengers who experienced a far less socially distanced environment once load factors picked up. Middle Seats being occupied were targeted as a reason for overcrowding.
2. Mask wearing in the US is not nationally mandated. Moreover, mask wearing is not universally supported or even adhered to in states and cities where it is mandated. Only in June did most airlines formally make mask wearing on-board mandatory. Prior to this it was only 'advised' and masks were made available on aircraft. The refusal by some passengers to wear a mask and the publicity this generated caused customer relations issues for airlines and it became a burden for flight attendants to manage until mandatory rules were applied.  
The publicity and debate about mask wearing and reports of passengers refusing to wear them, or taking off their masks during flights, will have influenced travelers and made empty Middle Seats appear as welcome guard against infection.

Writing this article in mid-July, the issue of Middle Seats remains a live debate and the differing approach between the four major carriers has been extensively analyzed.

American Airlines and United Airlines have both opted to fill Middle Seats on all their flights. They have been two of the most aggressive airlines in increasing flight schedules over the summer months and are both gambling on the return of passengers despite an uptick of Covid 19 cases across parts of the US in July.

Conversely Delta Air Lines has been vocal in its policy of restricting Middle Seats, extending its policy out to the end of September 2020. Southwest does not actually allocate seats on its flights, but it is reducing capacity on its aircraft and discouraging Middle Seat occupancy. Both airlines are marketing the health benefits of their policies. Delta and Southwest are clearly not following American and United's lead. Instead, it suggests they are taking an alternative and 'longer view' strategy where during this period of lower demand they can market a safety-first approach which, due to lower overall volumes of travel, will limit the economic impact from reduced cabin capacity. Their gamble is that they will reap a longer term benefit when demand starts to pick up in a sustainable manner, by enjoying a boost in demand having built confidence amongst travelers about their 'safety focus' even when they eventually make Middle Seats available and their cabins get more congested.

### **And Next?**

The debate about Middle Seats, as well as other safety policies of the US airlines, will continue to run as the pandemic story continues. For us observers, having a ring-side seat to watch these two divergent strategies play out in real time is rare and fascinating. This is a material difference in strategy which impacts the bottom line economics, marketing and customer perception of airlines; fasten your seat belts for the coming months....

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