Air Canada (TSX:AC) Aeroplan Relaunch: Will it Boost the Stock?

Description

The airline industry is still suffering across the globe. Even in Europe, where the pandemic has weakened significantly, the flights are only about half full, which is expected to continue till the end of this year. Most experts predict that the airline revenues will keep suffering from the pandemic after-effects at least till 2023, and that's *if* another crash doesn't rock the world.

Amid this turbulent situation in the industry, **Air Canada** (TSX:AC) has taken another step towards survival and, potentially, growth. The company announced its modified Aeroplan. The hope is that this loyalty program will bring two million more Canadians into the fold in the next five years in addition to the five million there already are.

Revamped Aeroplan

The new Aeroplan will launch on November 8. It's created to be much more rewarding than its predecessor. Instead of prioritizing flyers who bought tickets using cash over loyalty program participants, the latter will now be given equal treatment. Any flight and any seat that is available to cash buyers are also available for Aeroplan cardholders who are redeeming Aeroplan points for flights. The company is also eliminating additional airline surcharges.

The system is now simpler to understand, because it works similar to paying in cash. If the demand is high, the price of the ticket is high as well. Similarly, if you are redeeming Aeroplan points, you need more points for high-demand flights and less for low-demand flights. It will help the company charge fair market prices for reward seats and manage load better on low-demand flights.

One of the best parts of the new system is that you can share your points with up to eight family members and friends. This is likely to encourage family trips and friends traveling together. People can earn points on basic, everyday purchases. The company is also pairing up with other businesses, one of which is Uber Eats.

Impact on the stock

The announcement didn't cause a stir for Air Canada stock, but neither did the second-quarter results. The company is back to trading at $16 per share. The travel restrictions at the U.S.-Canada border have been extended again, chalking up another point for COVID-19, but the company is still far from a knock-out.

Even though it emerged at a time when regaining flyer trust and loyalty, this loyalty program is a necessity, not an option for the company, showing that Air Canada is ready for the future. If the company doesn't dilute its shares or grow desperate enough to need a government bailout on unfavourable terms, it can come out of this dark period as a scarred but stronger entity.

Foolish takeaway

Still, it might be prudent to stay your hand from buying, at least until the cross-border travel restrictions are lifted. International travel is the lifeblood of Air Canada, and the company is still heavily bleeding. A good indicator of stock's strength might be revealed when international travel starts again. The pace of demand and operational activity resuming to its normal levels would be a useful marker of when to buy Air Canada for optimal results.

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