

Home Work:

1.
 - a. Discuss the following Airline Profit Strategies intended benefits and potential pitfalls
 - i. Cutting Fares/ Yields
 - ii. Increasing Fares/ Yields
 - iii. Increase Flights (ASM)
 - iv. Decrease Flights (ASM)
 - v. Improve Passenger Service Quality
 - vi. Reduce Passenger Service Quality
 - b.
 - i. Which strategy would be favorable, given a Price Elasticity of Demand of -0.8 ($E_p = -0.8$)
 - ii. Which strategy would be favorable, given a Price Elasticity of Demand of -1.2 ($E_p = -1.2$)
2. Given the following Airline Market Example, Calculate the following:

Market	Itinerary	Segment / Leg	Airline	Seats	PAX	Connect PAX	Traffic	% Connecting	Load Factor	Daily Freq
IAD-BOS	IAD-BOS	IAD-BOS	Airline 1	200	140	N/A	50	N/A	0.70	3
IAD-BOS	IAD-PHL-BOS	IAD-PHL	Airline 1	150	125	75	50	75%	0.83	5
	IAD-PHL-BOS	PHL-BOS	Airline 1	150	75	N/A	75	N/A	0.50	5
IAD-BOS	IAD-JFK-BOS	IAD-JFK	Airline 2	250	200	100	100	50%	0.80	7
	IAD-JFK-BOS	JFK-BOS	Airline 2	150	100	N/A	100	N/A	0.67	7
IAD-BOS	IAD-BOS	IAD-BOS	Airline 2	100	80	N/A	80	N/A	0.80	2
IAD-PIT	IAD-BOS-PIT	IAD-BOS	Airline 2	200	150	75	75	50%	0.75	4
	IAD-BOS-PIT	BOS-PIT	Airline 2	150	75	N/A	75	N/A	0.50	4

- a. For this example no additional passengers are boarding at the connection
- b. Frequency Share for IAD-BOS =
- c. Market Share for IAD-BOS =
- d. "Market" O-D Traffic for IAD-BOS =
- e. "Segment" or "Leg" O-D Supply for IAD-BOS =
- f. RPM =
- g. ASM =
- h. ALLF for IAD-BOS =
- i. ALF for this network – for this example all flight legs are 1 unit of distance

3. For the Market Demand Function plot Demand (y-axis) versus Total Trip Time (x-axis) for the following example of the PHX-LAS Market:

$$D = M \times P^a \times T^b$$

- a. M = The Market sizing parameter is 200,000
- b. P = The average price of travel is \$40
- c. T = Plot Demand versus Total Trip Time for Total trip time values of 40 through 70 minutes. (plot all 31 minutes).
- d. Plot 4 curves on the same graph for the four different types of travelers below:
 - i. $E_p = a = -.8, E_t = b = -.8$
 - ii. $E_p = a = -.8, E_t = b = -1.2$
 - iii. $E_p = a = -1.2, E_t = b = -.8$
 - iv. $E_p = a = -1.2, E_t = b = -1.2$
- e. Explain the differences between the curves from the perspective of the the different segments of travel demand