

Airline Route Year(2014-15)

Strategy & profitability Analysis





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Introduction

Objective



Objective:

The main objectives of this profitability and strategy analysis during the period (2014-2015)

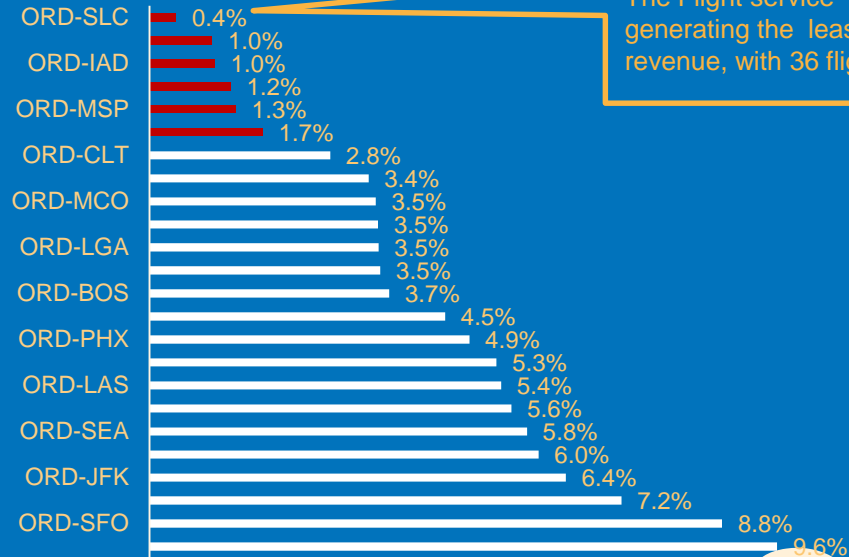
- › Identify where the airline losing money?
- › Understand which routes are profitable
- › A recommendation whether the airline should add a Chicago to Atlanta route in order to increase profits?

Flight Routes Running at Loss

The ORD-SLC is the lowest profit making route

- › The revenue of ORD-SLC is only 0.41%
- › Distance=1000 km, List Price = \$290 and Number of Flights=36
- › The fuel cost per mile is high for the flight operated in this route

Total revenue by route



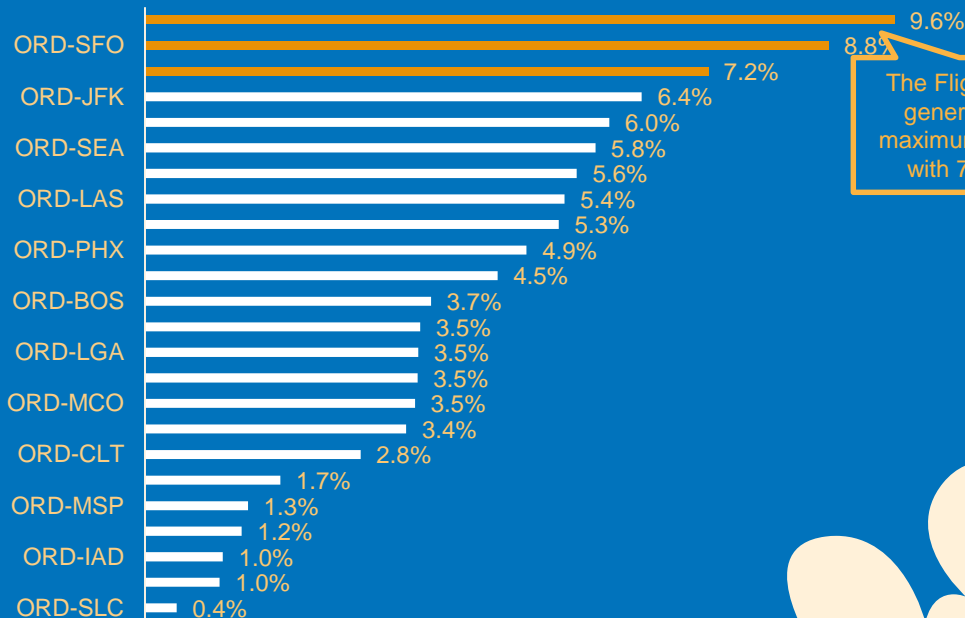
The Flight service generating the least revenue, with 36 flight.

Profitable Flight Routes

The most profitable flight route is ORD-LAX

- › B737 Route with the highest ticket prices \$350.
- › Distance=1518 km, Revenue=9.63%
- › The maximum flight count is for B737: 4459

Total revenue by route




The Flight service generating the maximum revenue, with 762 flight

Chicago to Atlanta route profitability

Is the Chicago to Atlanta route profitable?

- › No, the route is not profitable.
- › The probability of making profit is very low.

Summary Information		
Average annual profit		(\$78,56,334)
Probability of profit		0%
Establish the route?		

Worst Scenario: Growth Rate = 3% and Margin = 32%

Good Scenario: Growth Rate=8% and Margin = 45%

Summary

The financial summary from of the flight routes is given below:

Loss Making Routes

- › Lowest revenue:
Flight 8672
- › Lowest total revenue:
Flight 1756
- › Highest fuel cost per
mile: A320
- › Lowest price ticket:
Flight 2152

Profitable Routes

- › Highest revenue:
Flight 8202
- › Highest total revenue:
Flight 8202
- › Lowest fuel cost per
mile: A319



Conclusion

- › The airline will not make profits from the new route since the probability of making profits is low.
- › To optimize revenue, reduce low-earning flight routes and increase high-earning ones, as revenue correlates with passenger count.
- › Increase the percentage of flights in aircraft type A320 since it concurs almost one-third fuel consumption of the other flights, but has only one third participation in the total no of flights.

Excel Link

Link 1: https://docs.google.com/spreadsheets/d/1P0xwjmq-xaAq3W8A5G0TJrbGKobYdl6B/edit?usp=share_link&oid=108433007974397532023&rtpof=true&sd=true

Link 2: https://docs.google.com/spreadsheets/d/1XM7PJevs3lwhQo5ng_It-GWmiEaggF2k/edit?usp=share_link&oid=108433007974397532023&rtpof=true&sd=true

Link 3:
https://docs.google.com/spreadsheets/d/1HKkm7m9cm5ogODCMXfHLT_WSMIThzGnH/edit?usp=share_link&oid=108433007974397532023&rtpof=true&sd=true

Thanks!

