The negative media attention that came from [the 2018 explosion](https://www.cnn.com/2019/01/02/health/plane-crash-deaths-intl/index.html) has created a problem with the public’s perception of airline safety. This presentation will highlight three main topics: **the problem** – public perception and our bottom, **the solution** – airlines are safe, and **a call to action** – marketing the facts. If the public perception does not change, we could see negative outcomes including loss in profits and expense cutting (including layoffs).

The problem begins with public perception. The negative impact is witnessed in the decrease in passengers per flight. In 2018, we saw the highest average of passengers per flight at 75.19. However, in 2019 we saw a sharp decline of 42.19 average seats resulting in 33.89 passengers per flight. This could be an indicator that the public is buying into the media narrative that airplanes are not entirely safe.

The next problem is in our bottom line. In 2015 our company profits were at 25K per million which was a 74.3% increase in profit from the prior four years. However, in 2018 we only saw 12K per million which was a decrease of 20.82% over the prior four years. This dip in profits comes at a bad time as expenses continue to rise year over year. In the last five years, expenses have had linear increase in overall expenses, where 2018 saw the steepest increase at 10.33% year over year (left bar chart). We don’t expect expenses to decrease significantly unless fuel prices drastically adjust, or major cuts are implemented. For example, the line graph shows that in 2015 we saw an 8.9% decrease in expenses, which was a 4.67% decrease over the last four years. This was due to a plunge in economic jet fuel costs per gallon, as reported in our [2015 earnings report](http://investors.southwest.com/~/media/Files/S/Southwest-IR/documents/company-reports-ar/ar-2015.pdf). This was significant for our bottom line and helped net profits. However, 2018 saw a 10.33% increase in year over year expenses and a 9.8% increase over the last four years. Couple the profit and expenses along with the negative public perception, and you can see how this could lead to future negative earnings reports unless other major expenses are cut (i.e. jobs).

The solution is in the facts. Airlines are in fact still the safest method of travel. When combining total fatalities of cars and planes over the span of 1990 – 2019, cars account for over 65% of the fatalities as can be seen in the pie chart. The stacked area chart on the right shows that, both car and plane fatalities have decreased since 1990. It also shows that nearly every year, cars have had more fatalities than planes (with the exception of 1996).

We are calling for marketing to gear their focus on these positive trends and come up with a plan to highlight Southwest’s commitment to safety and in general, the safety of flying. The 2018 fatality that occurred on Southwest’s watch was the first death in over 15 years by a major airline. The Marketing Team have these facts at their disposal and can easily source the data, as they are public domain.

If this campaign is not pursued, we will require expense cutting. We don’t anticipate a fuel price change, as we did in 2015, which would mean the expenses would fall on employees and result in layoffs. By presenting these facts we can provide the public open and honest data insights and reassure their safety while in flight.

Sources

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