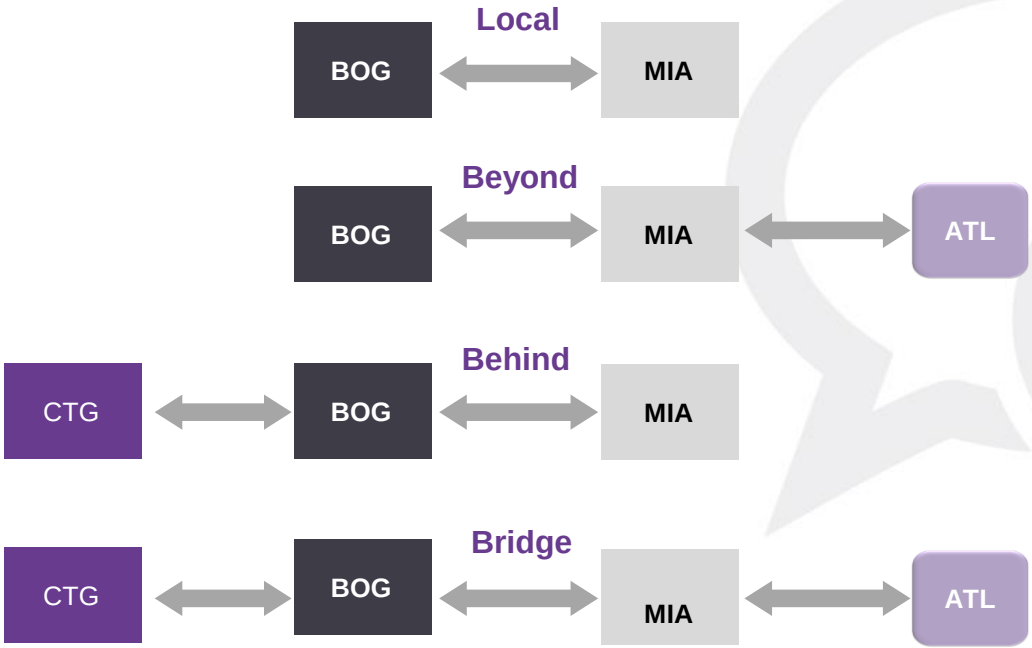
ASM ROUTE DEVELOPMENT TRAINING

BASIC ROUTE FORECASTING
MODULE 7

ASM GLOBAL ROUTE DEVELOPMENT

UBM

PASSENGER SEGMENTS



WHICH SEGMENTS FOR WHICH AIRLINES?

- Low Cost Carrier
- Scheduled point to point carrier

→ Local

- Hub Network Carrier
- Scheduled carrier with codeshare partners

→ Local

→ Behind

→ Beyond

→ Bridge

FORECASTING MARKET SHARE

- **Market Share/Capacity Share (MS:CS) Analysis**
  - Used in markets currently served, with high local traffic content.

- **Quality of Service Index (QSI) Analysis**
  - Markets with significant indirect traffic, whether currently served or not.

- **Frequency/Capacity Share Analysis**
  - To forecast beyond and behind connecting passengers.

MARKET SHARE/CAPACITY SHARE FORECASTING

- MS:CS forecasting assumes that the market share a new entrant will capture will be in some way proportional to its capacity share.
- **MCR Value = Market Share/Capacity Share**
- The MCR value is a reflection of the relative attractiveness/performance of one airline over another.
- An MCR value of 1.0 means the airline is achieving a market share equal to its capacity share.
- Looking at how a carrier with similar characteristics compares to the new entrant, will give us a benchmark MCR value to apply to our forecast.

MARKET SHARE/CAPACITY SHARE EXAMPLE

- Low cost airlines use price as a powerful mechanism to exceed a ratio of 1.

LaGuardia - Fort Lauderdale

Airline	Seats	Direct Pax	CS	MS	MCR
jetBlue	656,100	493,249	35.4%	36.9%	1.04
Spirit	602,806	471,205	32.5%	35.3%	1.08
Delta	594,857	371,369	32.1%	27.8%	0.87
TOTAL	**1,853,763**	**1,335,823**	**100.0%**	**100.0%**	**1.00**

MARKET SHARE/CAPACITY SHARE EXAMPLE

- The same approach works with airport share vs. airlines

Airport	Seats	Direct Pax	CS	MS	MCR
LGA	1,853,763	1,336,194	41.5%	45.2%	1.09
JFK	1,449,623	907,055	32.4%	30.7%	0.95
EWR	1,168,818	710,142	26.1%	24.0%	0.92
TOTAL	**4,472,204**	**2,953,391**	**100.0%**	**100.0%**	**1.00**

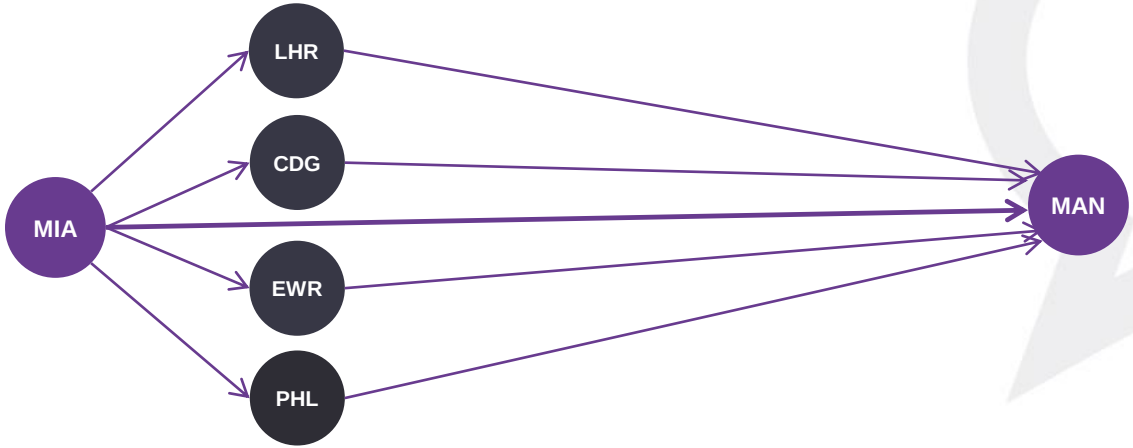
MARKET SHARE/CAPACITY SHARE FORECASTING EXAMPLE MODULE 7

- New Entrant Airline X wishes to enter market currently served by airline Y
- Airline Y carries 150,000 passengers a year at a load factor of 75% (200,000 seats)
- Airline X plans to put 100,000 seats in the market
- Airline X is an LCC which we expect to achieve an MCR value of 1.2

Airline X Market Share	**= Capacity Share x MCR Value**
	= 100,000/300,000 x 1.2 = 40%
Airline X Passengers	**= 40% x 150,000 = 60,000**
Airline X Load Factor	**= 60,000/100,000 = 60%**

QSI (QUALITY OF SERVICE INDEX) ANALYSIS FORECASTING MODULE 7

- Used to forecast demand for a market where **there are identifiable traffic flows via alternate points**.
- Can be used for unserved routes or currently served routes.



- In this case, QSI can be used to forecast demand for a direct service between MIA and MAN.

QSI ANALYSIS FORECASTING

- QSI analysis works by assigning a weighting factor to different flight options available to a passenger when flying between point A and point B.
- Variables could include:
  - Frequency of service
  - Elapsed journey time
  - Price
  - Departure time
  - Aircraft type
- In order to forecast what market share it might capture, the airline weights itself against this and other factors.

QSI ANALYSIS FORECASTING

For the purposes of what you wish to achieve at an airport it is appropriate to simplify this process and just consider the relative attractiveness of a non-stop flight compared to the competing online connecting options available in any given period.

However, even to perform this simplified QSI analysis you still need as a minimum:

MIDT/BSP data to show non-stop versus indirect traffic

Schedules data, including a connection builder, which will show you the on-line connecting and non-stop flight options between two points

QSI ANALYSIS FORECASTING

- QSI value – how to determine how much more attractive a non-stop flight option is compared to the competing on-line connections.
- The example below illustrates the split of O&D traffic by routing between 2 airports and the number of non-stop and on-line connections between them in a given week.

O&D Traffic			Market Share		Weekly Frequency		QSI Value		QSI
Non-stop	Connecting	Total	Non-stop	Connecting	Non-stop	Connecting	Non-stop	Connecting	Factor
80,000	**20,000**	**100,000**	**80%**	**20%**	**7**	**43**	**11.43%**	**0.46%**	**25**

QSI Factor or how much more attractive is the non-stop flight option compared to the indirect one = 11.43% / 0.46% = 25

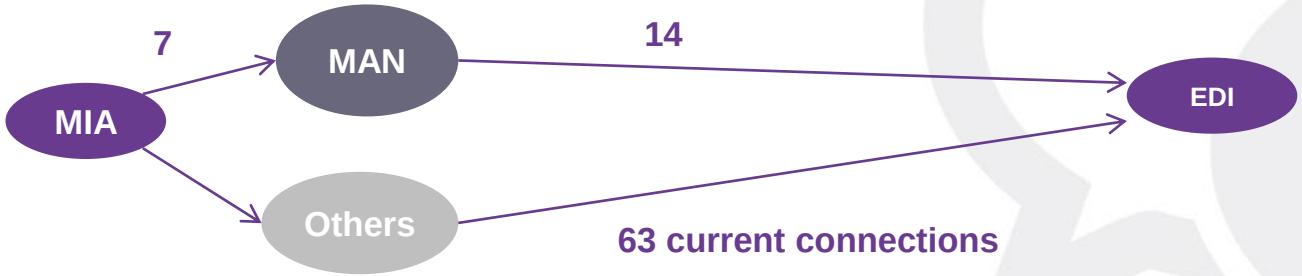
QSI ANALYSIS FORECASTING

Service Option	Weekly Freq	QSI Factor	QSI Value	Market Share
On-line Connection	50	1	50	22.2%
New Non-Stop	7	25	175	77.8%
Total QSI Value			225	
MIA – MAN Total O&D Market Size			50,000	
New Service Market Share			**77.8%**	
Forecast New Service Local Traffic			**38,900**	

CONNECTING HUB FLOWS

FREQUENCY SHARE

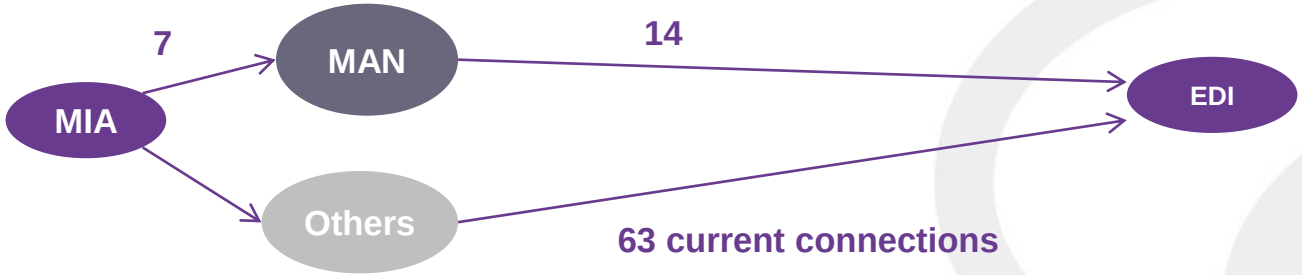
- To forecast connecting traffic a frequency share technique can be applied.
- The market share of connecting traffic between 2 points is assumed to be proportional to its share of the on-line connections.



- In this example there are 63 connecting options per week between MIA and ABZ, with airline Y operating 14 weekly MAN - ABZ flights.
- If airline Y were to operate MIA to MAN 7 times/week the airline could generate an additional 7 connecting opportunities from MIA to ABZ via MAN.
- Therefore, airline Y could potentially capture 7/70 or 10% of the indirect MIA - ABZ traffic.

CONNECTING HUB FLOWS

FREQUENCY SHARE



Route	Indirect Pax	Proposed Weekly Freq LHR-CAN	Existing Weekly Freq CAN-WUH	New Cnx Opp. between LHR and WUH	Existing Cnx between LHR and WUH	Total Cnx between LHR and WUH	Share of Cnx Opp. between LHR and WUH	Forecast Pax
MIA-EDI	10,000	7	14	7	63	70	10%	1,000

BRIDGE TRAFFIC

SIMPLE MARKET PENETRATION

- Benchmark typical Bridge traffic % on existing routes – similar airline(s) and/or similar market(s)
- Apply % of Bridge traffic to the consolidated Local, Behind, Beyond forecasted traffic

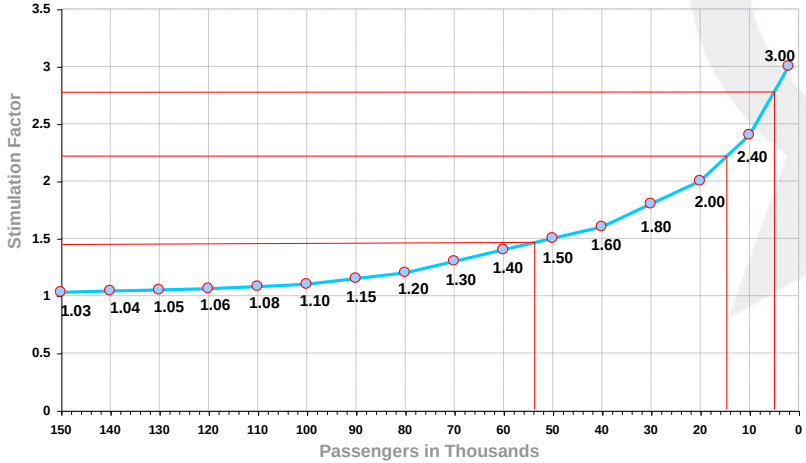
Forecast Summary	Year 1
Segment 1 - Local XXX-YYY Traffic incl. stim @80%	23,991
Segment 2 - Beyond YYY 1 Stop Connecting Traffic	30,106
Segment 3 - Behind XXX 1 Stop Connecting Traffic	45,468
Segment 4 - Bridge/2 Stop Traffic @5% of Traffic	5,240

= ('LBBTraffic' / (1 - 0.05)) - 'LLB Traffic'

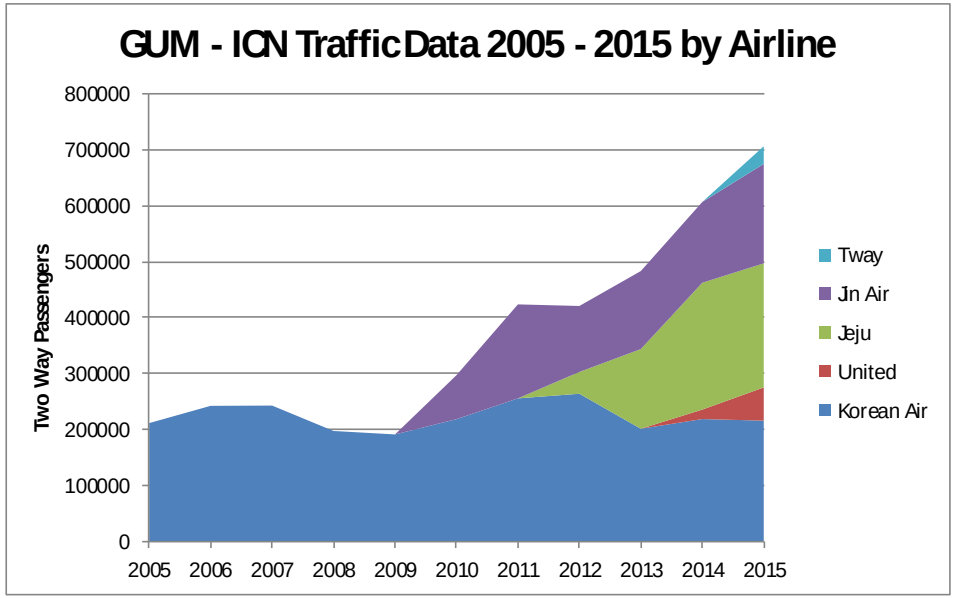
MARKET STIMULATION

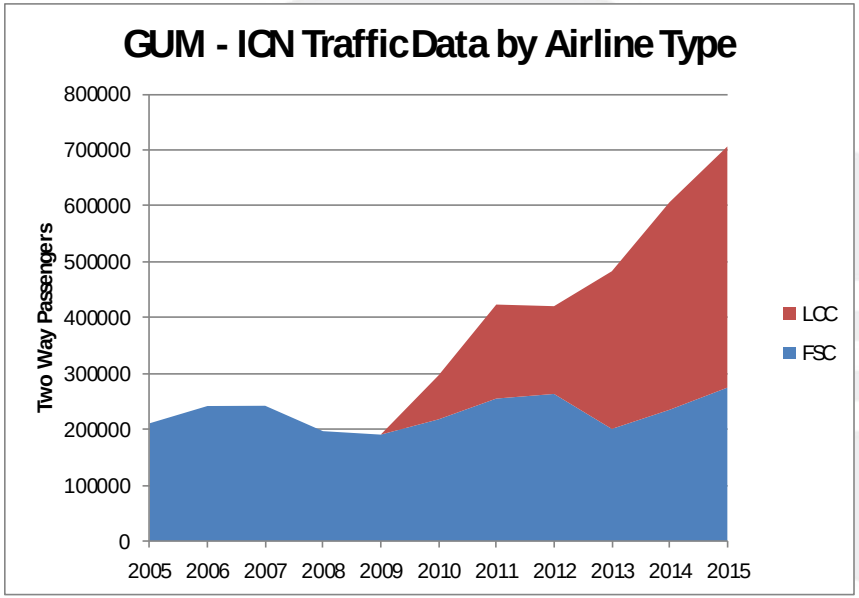
- The introduction of new non-stop service can stimulate local traffic with a one-off increase beyond normal market growth. The extent of the stimulation is affected by factors such as price, frequency of service, marketing activity, etc.

- IATA has developed a stimulation curve that relates potential stimulation to current market size. In general, smaller markets experience higher stimulation



LOW COST STIMULATION EXAMPLE





Source: Sabre Market Intelligence

EXAMPLES OF BUSINESS CASES

- What's relevant?
- What's impactful?
- What's credible?
- What stands out?
- What would you use in your presentation?