

Above: Analysts Fred Hoffman, Eric Hillman, Georganne Smith, and Cathy Howe look over the booking trend for a particular flight. Left: Debbie Horn and Dennis Quinn, both analysts, check a flight on the reservations computer. In the background is the MAPPER Computer which gives a graphic representation of how the flight looks 30 days before departure.

# certain Piedmont revenue

characteristics and the remaining seats should be reserved for full-fare business travelers who make plans nearer departure time," she said.

"What we're doing is getting a good base with the lower fares and reserving the remaining seats for higher yield traffic, people who make plans closer to departure. Our late-booking passengers, usually business travelers, are probably our most valued customers, our frequent fliers. They often must make plans on short notice and by allocating fewer discount seats we give them more flexibility," Hoppe said.

The department allocates seats for each class of service so as to best meet demand while preventing loss of revenue. In most cases, this involves

providing discount seats to those passengers who book early, but systematically limiting discount seats at a specific period of time before departure.

Discount seats, in fact, are generally available for over 300 days prior to departure and will only be pulled back, if appropriate, seven to 14 days before departure, Hoppe said. This process is capacity control and results in more revenue.

**\$80,000 per day**

"An additional \$40 from 10 extra passengers on only 25 percent of our daily departures, would amount to an additional \$80,000 per day, \$2.4 million per month, and \$28.8 million per year," Swenson said.

Take, for example, Cathy Howe's Flight 364 from DCA to GSO. This flight departs DCA at 5:55 p.m., and it's highly attractive to business travelers. Therefore, Howe will allot fewer discount seats on this particular flight. Instead, she will make more discount seats available on earlier and later flights in the same market which will be just as convenient for the pleasure travelers but not as desirable for persons on business.

"We're offering the business person a full schedule from which to choose and the ability to change flights," Hoppe said. "If we didn't offer discounts, fewer people would travel and in the end, the

businessman or woman would have to pay more and would have fewer flights from which to choose."

"The most successful airlines in the industry, by and large, are using similar techniques employing the same logic. During the last full-blown fare war three years ago, we all learned that we have to restrict discount fares to manage them. By allocating seats we hope to keep our yield up with little impact on load factor," she added.

Revenue Enhancement is already making an impact on Piedmont's financial picture. In 1984, our load factor was 52.42 percent, down 2.4 points from the year before. Yet our total operating revenues grew 36.1 percent to a record \$1.3 billion. In 1984 our yield was 17.64 cents per revenue passenger mile compared with 15.94 cents in 1983.

### yield up in '84

"Our yield was up more than most other major airlines in the country," Bill McGee, senior vice president-marketing, pointed out, "and I credit Revenue Enhancement for some of this increase even though the department existed only a few months in 1984. We expect Revenue Enhancement to have an even greater influence on our performance in the future.

"Competition has become more intense, and we need this department to help us prosper."

Bill Howard, Piedmont's president and chief executive officer, added: "Revenue Enhancement specifically represents the opportunity to increase revenue through greater understanding and control of the many demand factors affecting competitive markets which we serve. This increased understanding will provide necessary data not only to Revenue Enhancement, but also to upper management, which will aid decision-making. With greater control of discount seat inventory, the department will also increase our income in the future."

For the department to function, cooperation is needed from many areas of the Company, especially Stations and Reservations. Discount seat allocations, as determined by Revenue Enhancement, must be honored in dealing with requests from customers.

"We, of course, recognize that there will be unusual situations when excep-

### Terms to know

capacity control — allocating seats so as to best meet demand while preventing loss of revenue.

load factor — percentage of seats filled on our flights.

revenue — money we receive for services.

revenue passenger miles (RPMs) — one passenger carried one mile.

yield — the amount of money we receive for carrying one passenger one mile.

tions will be appropriate, but these exceptions must be approved by a supervisor," Swenson said.

"Station agents and sales people often call the department with on-the-spot information, and their input has proved very valuable," Hoppe said, "and we encourage these calls."

### monitoring flights

"Everyone must realize how closely we monitor flights," she emphasized.

"You can't determine the performance of a flight by looking only at the number of people who board that flight. Load factor is important, but you also must consider the revenue side. We may have fewer people on a flight but that flight may produce more revenue because more passengers are paying full fare or another higher-yield fare."



### Revenue Comparison

**H Fare = \$70**

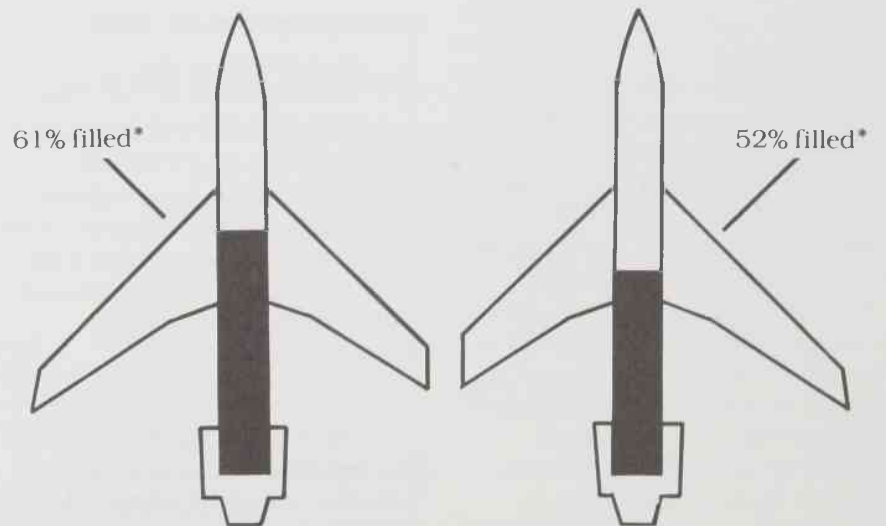
100 seats sold  
100 H Fare = \$7,000

**Revenue \$7,000**

**Y Fare = \$100**

85 seats sold  
60 Y Fare = \$6,000  
25 H Fare = \$1,750

**Revenue \$7,750**



\*based on a 727-200 with 164 seats

### Market Analysis Variables

- advance bookings
- historical performance of flight
- seasonality
- market character
- pricing
- scheduling
- market share