

# MonteCristoAir

## Department Primer for: Network and Schedule Planning

At MonteCristoAir, the Network and Schedule Planning Department includes the following functions:

- Route Analysis
- Competitive Environment
- Operations Research

**Responsibilities include:**

- Monitoring the performance of current markets, city-pairs and schedules
- Assessing new markets, city-pairs and schedules for the network including aircraft selection

### Departmental Perspective on the Challenges and Opportunities

This is a new world and we must adapt to it or be swept away. We cannot continue to be merely reactive to the ups and downs of the economy nor of the actions of our competitors. We must develop our own strategy to become the leader within Monte Cristo and one of the top global carriers as well. That can't happen if we keep on being reactive rather than proactive with regard to the new airlines entering the industry here at home, or with established international airlines.

We should select a business model with business strategies to support it, and commit to making it a success. We've been trying to act like a low cost airline during the price wars, but we really aren't structured like one. Is that the direction we want to go? Or do we want to remain a full service network carrier? Maybe some sort of hybrid is possible, especially with our seasonal tourist markets? Whatever we decide, everything flows from that decision: the markets we pursue, our network plan and fleet choices, our customer service approach, what we outsource and what we keep in house, and how we manage our operating costs.

Sure, this might require some big changes from the way we currently do things. Too many of our practices are left-over from the days when we were state-owned. The government won't help us anymore. They can't. We will have to make some investments up front, but you need to spend money to make money, right?

### Specific Departmental Assignment:

In addition to the items stated in the MonteCristoAir overview, by the end of the training program you should also incorporate ideas into the final presentation to address the following:

- Competitive strategy and business model
- A network strategy and associated fleet proposals

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## Senior Management Weekly Meeting

**Action Item For:** Network and Schedule Planning Department

**Subject:** New Competition Summary

Monte Cristo's growing economy is a mixed blessing. While providing us opportunities to expand our domestic and international markets, it is also bringing with it serious competition.

Two new low cost carriers (LCCs) are the biggest threat domestically. Today, Quick Jet and ClearSkies operate in only a few of our markets. We need to understand their potential impact on our network if they continue to expand and add new markets.

Since liberalization, international business travel and tourism has been increasing. Lufthansa, All Nippon Airways, and Hainan Airlines have begun regular service into Pepperz from their hub cities. As if that weren't enough, our government is subsidizing the development of high speed rail on one of our most lucrative routes between Devonian and Port Lost.

We cannot let this new competition continue to erode our business. What is our best strategy to compete? Do we need to develop new long haul service to support our network? Should we partner with some foreign airlines? What are the advantages and disadvantages of partnering with other airlines, either through a code share agreement or alliance?

### Domestic Competitors

1. **Quick Jet** – Three years in business, this airline provides low cost service to both business and leisure travelers. By having its hub in Port Lost, Quick Jet is able to save money at the smaller and less expensive airport there. It provides double daily service between Port Lost, Pepperz and Sandytown.

Quick Jet was able to obtain inexpensive leases for its four B717's which they configured to include a business class cabin. Their business class has the latest state-of-the-art in-flight entertainment that is free to business class passengers. This past year, they instituted a new frequent flyer program. According to an article in the Monte Cristo Times, business travelers like this new program. The B717 has relatively low operating costs, but those savings are off-set by the fact that Quick Jet's employees are all unionized. Quick Jet makes extra money in

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ancillary revenues from ticket change and baggage fees, and food sales in economy class. They have been successful at keeping their load factors relatively high.

2. **ClearSkies Airline** – Operating less than a year, ClearSkies is an Inclusive Tour (IT) airline. It offers low cost, no frills service aimed at vacationers traveling to the ski resorts in Grandtor, the beaches in Nipaville and Poquer, and soon (according to an industry journal) to Devonian for wine-tasting tours. They lease five MD80's with 150 economy seats each. While the older MD80's have higher maintenance and fuel costs, these are offset by low ownership costs and non-union labor.

As an IT airline, ClearSkies has invested in partnerships with rental car companies, hotels and resorts, and cruise lines to provide a one-stop shopping, full-service vacation package to its customers. According to industry analysts, ClearSkies receives as much as 30% of its revenues from ancillary sales including: ticket change and baggage fees, in-flight food and entertainment, travel insurance, aisle seats and seats with extra legroom, and commissions from bookings with its partner companies.

ClearSkies service is seasonal, so their route pattern changes between summer when they fly people to the coastal towns, and winter when they fly skiers and snow-boarders to the mountains. Their load factors are variable, high on weekends and holidays, but low at other times. They are not yet profitable, but as recently reported in the newspaper the airline has financial backing from several of the wealthiest families in Monte Cristo. Certainly its CEO is optimistic about his airline's future. He was recently quoted in the press to say that his company is in negotiations to lease an additional two B757's. All 221 seats will be configured in a single class. "These aircraft will position us to not only serve the growing domestic leisure markets," he said. "They will open opportunities for us to offer charter service to international tourists as well."

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## Senior Management Weekly Meeting

### Action Item For: Network and Schedule Planning

**Subject:** **Mixed Fleet Flying versus Commonality**

At our last Senior Management meeting, we discussed the latest advice from industry publications to standardize fleets as a way to reduce costs and increase efficiencies.

This led us to question how having a mixed fleet of 737s and MD80s operating on our domestic network is affecting our bottom line.

Our mixed fleet does provide the right size aircraft for serving our different domestic markets, but there is an increased cost due to the operational complexity of flying a mixed fleet.

Isn't low airplane rent by far the most important cost to control?

The Boeing Company talks about the benefits of "commonality." Are these benefits real?

Does it make sense for our company to look at a standardization strategy?

At the upcoming Strategy Review, please report to the Board of Directors what the best choice for our airline would be.

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## *E-mail Message*

**From:** E.B. Master, Chief Executive Officer  
**To:** Network and Schedule Planning Department  
**Subject:** [Best Hub Structure for MonteCristoAir](#)

Team: I recently read an article on European airline performance at their hub airports. It cited connectivity as a key success factor in their networks, and described several types of hubs. It also noted the strong competition they face from Gulf Carrier 6<sup>th</sup> freedom carriers. I think we need to ensure we have the best hub structure for MonteCristoAir, and would like your recommendation on how to achieve this. Please include the key reasons in your proposal.