

2012 Annual Conference

ISHC
INTERNATIONAL SOCIETY OF
HOSPITALITY CONSULTANTS

THE HEAT IS ON! A New World Competition

Airlines: Overcoming High Hurdles and
their Impact on the Hospitality Industry

Bob Harrell
President – Harrell Associates, LLC



InterContinental Buckhead Atlanta, Georgia

September 20-23, 2012

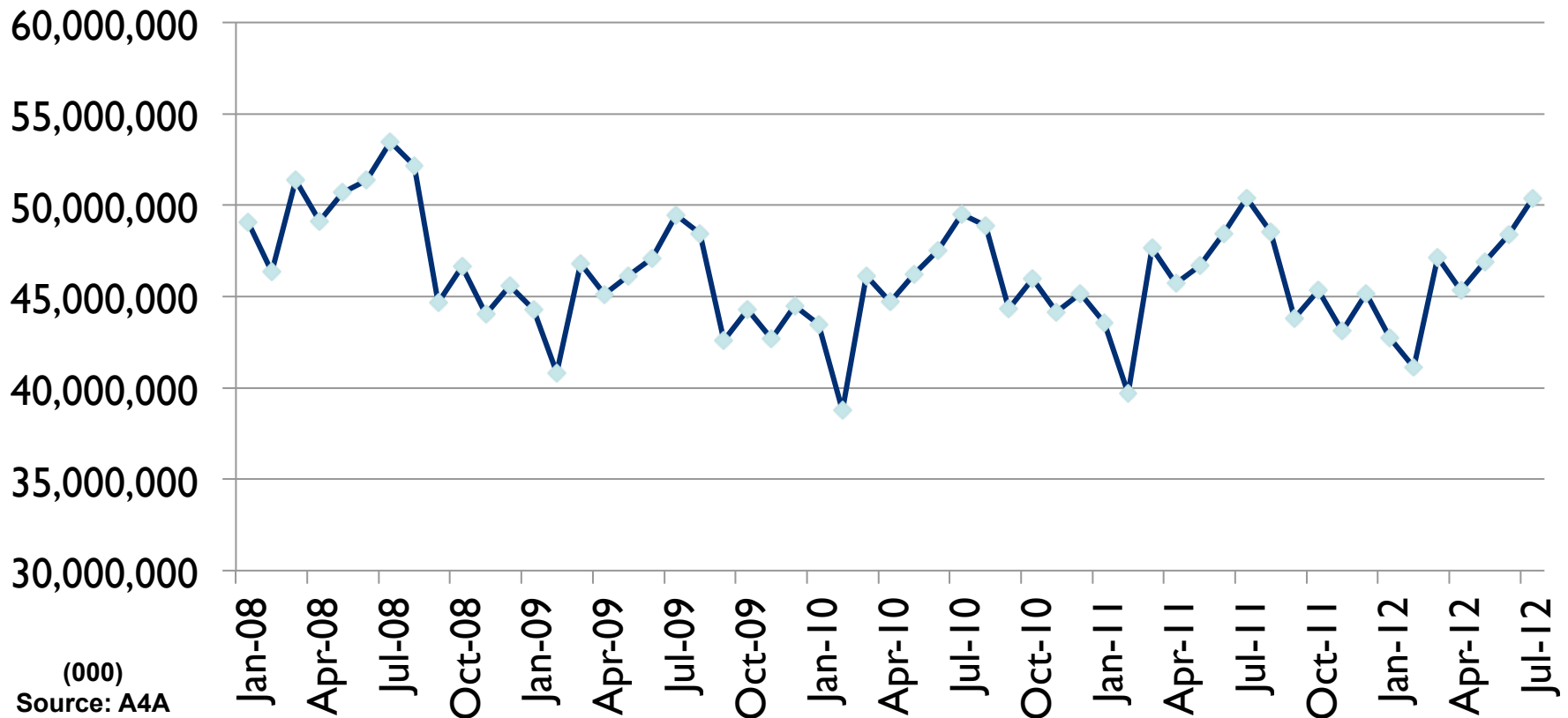
Discussion Outline

- **Recent Airline Performance – 2008 - 2012**
 - Supply - ASMs & Oil Prices
 - Demand - RPMs & Load Factors
 - Pricing - Yields & RASM
 - Profits
- **Relationship to Hospitality**
 - Relationship to RevPAR
 - Relative City Pricing



Domestic ASMs

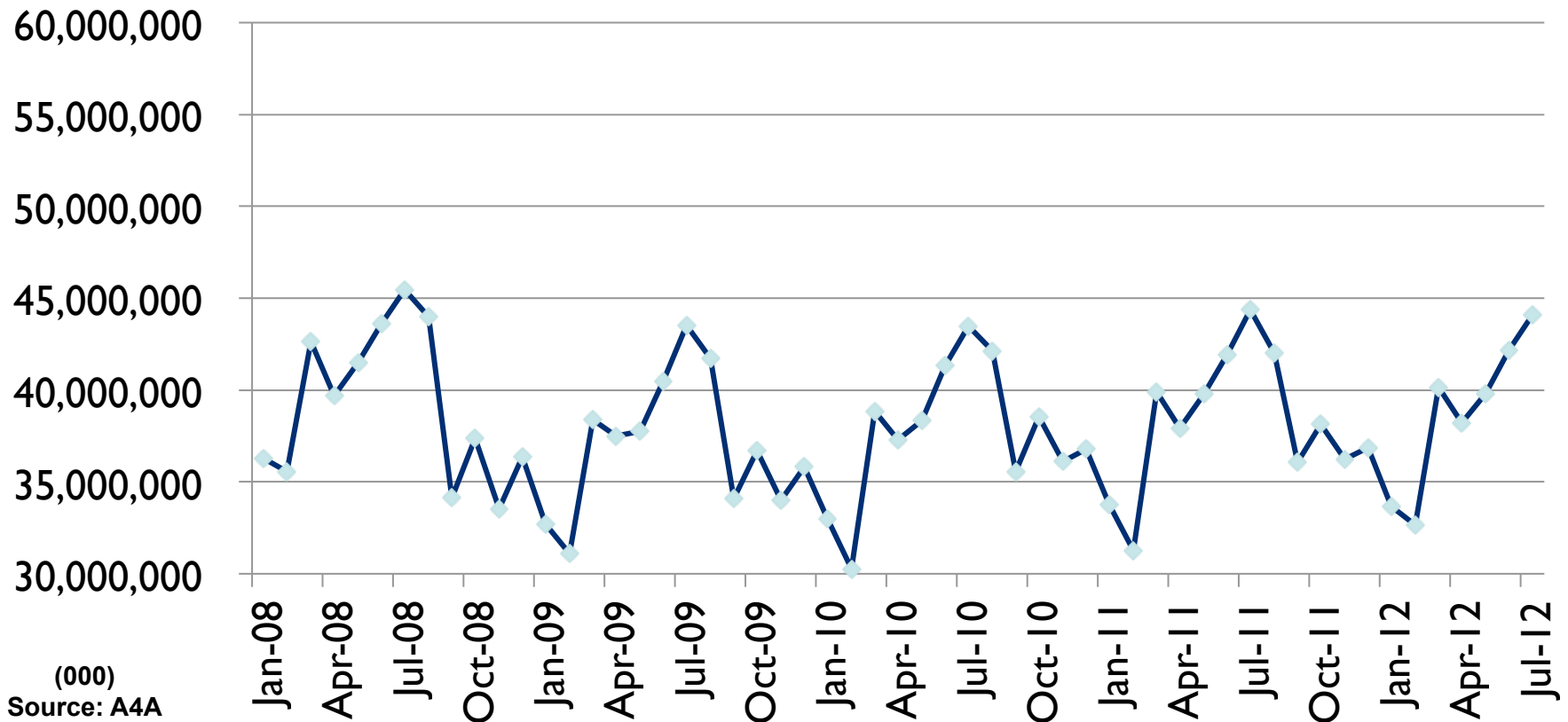
DOM ASMs



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Domestic RPMs

DOM RPMs



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Domestic Load Factor (%)

DOM Load Factor (%)



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Domestic Yield (cents/RPM)

DOM Yield



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Domestic RASM (cents/ASM)

DOM RASM



Cents/ASM
Source: A4A

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Domestic Fuel Cost (cents/gal)

DOM Fuel (cents/gal)

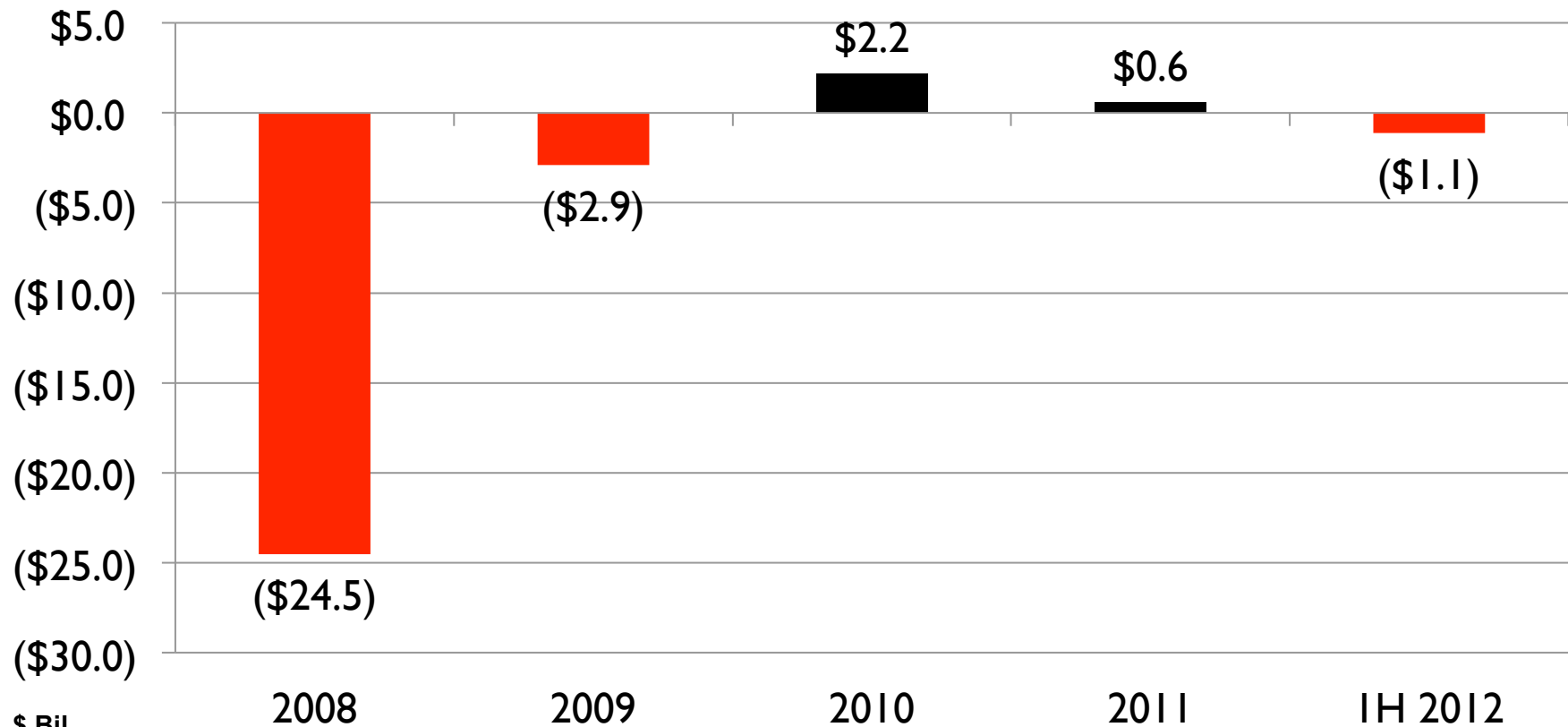


Source: A4A

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Airline “Profits”

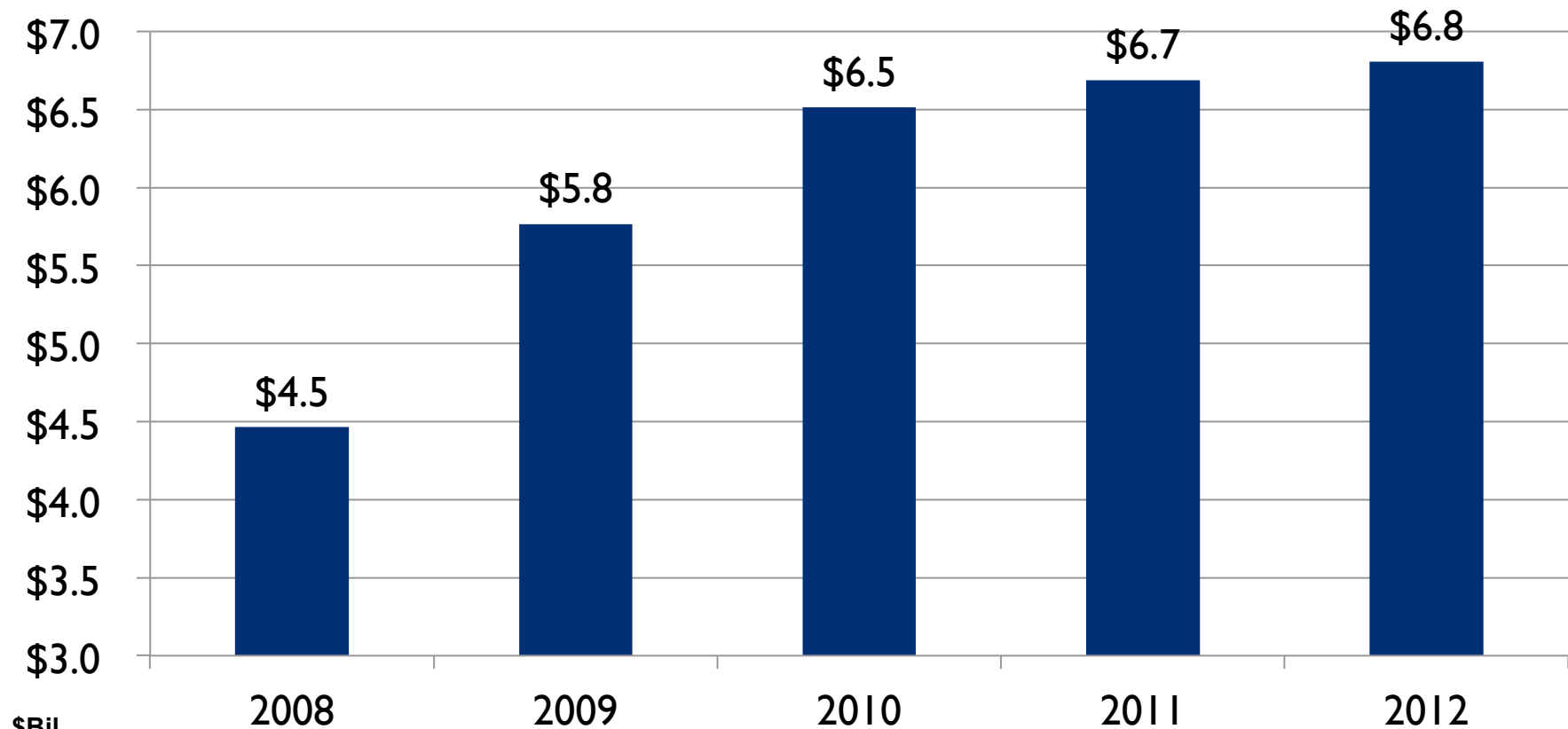
Industry Profits (Billions)



\$ Bil
Source: A4A

Ancillary Revenue

Ancillary Revenue (\$Bil)



\$Bil
Source: A4A

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Domestic Hotel RevPAR

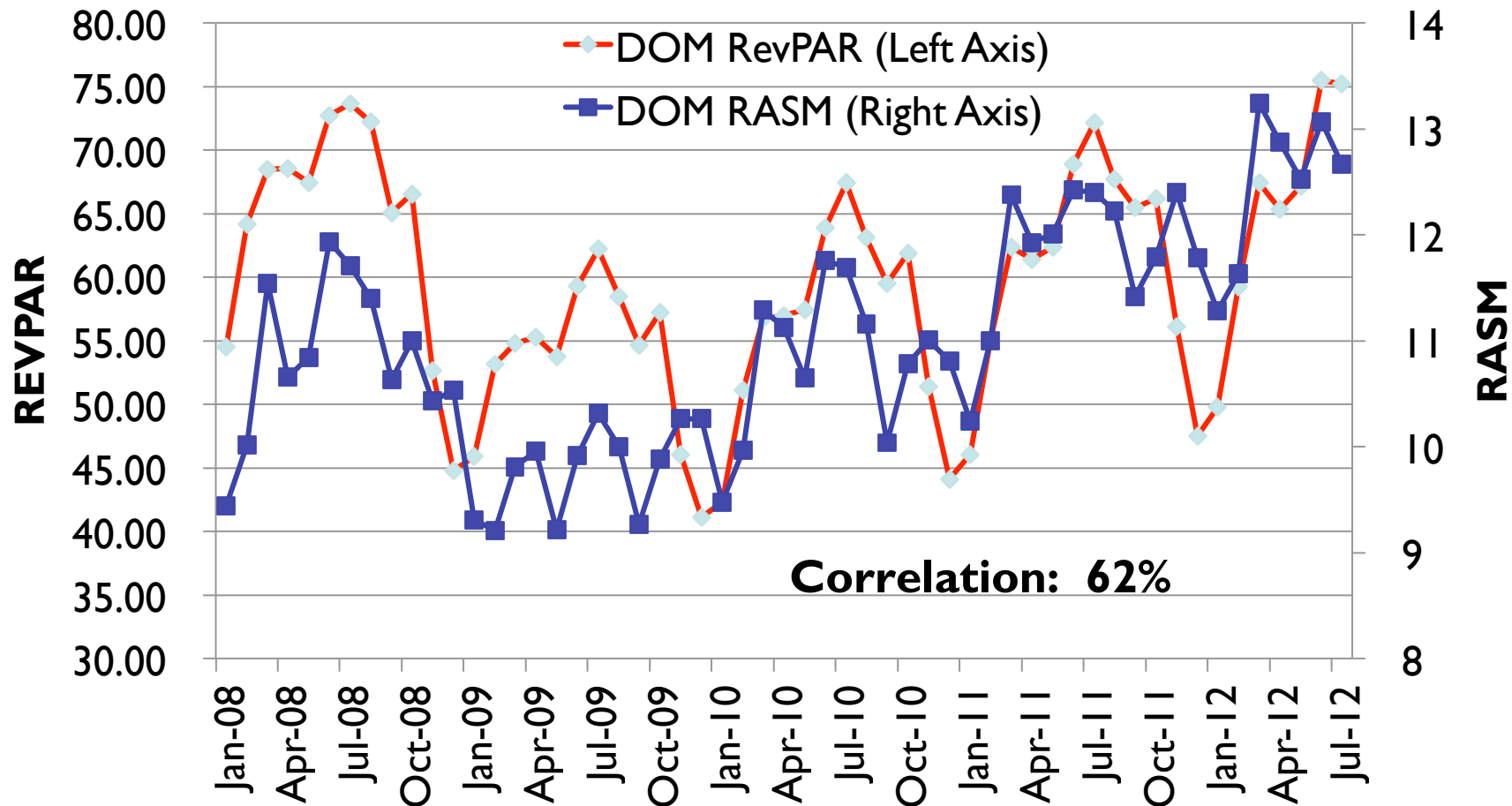
DOM REVPAR



Source: STR

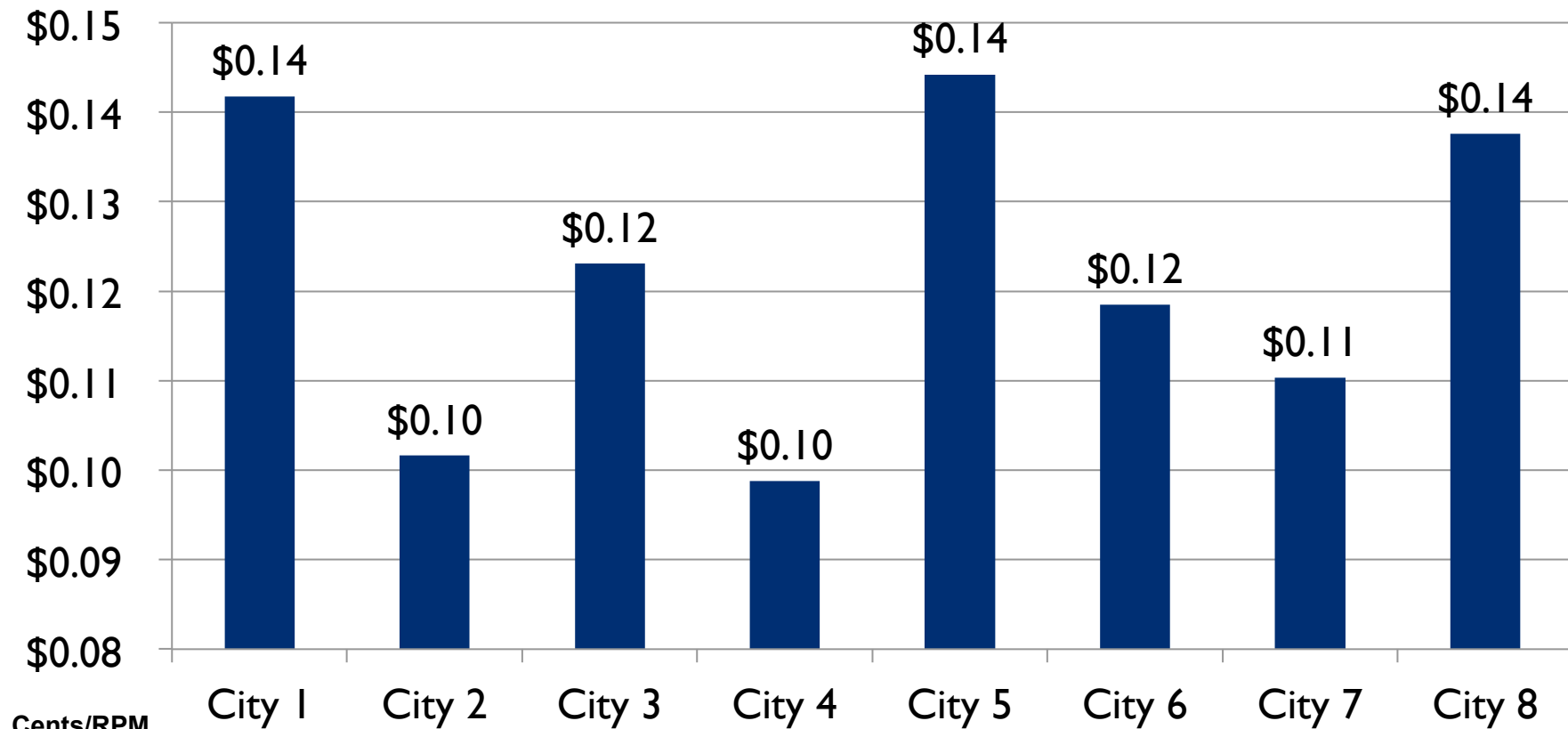
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Airline RASM and Hotel RevPAR



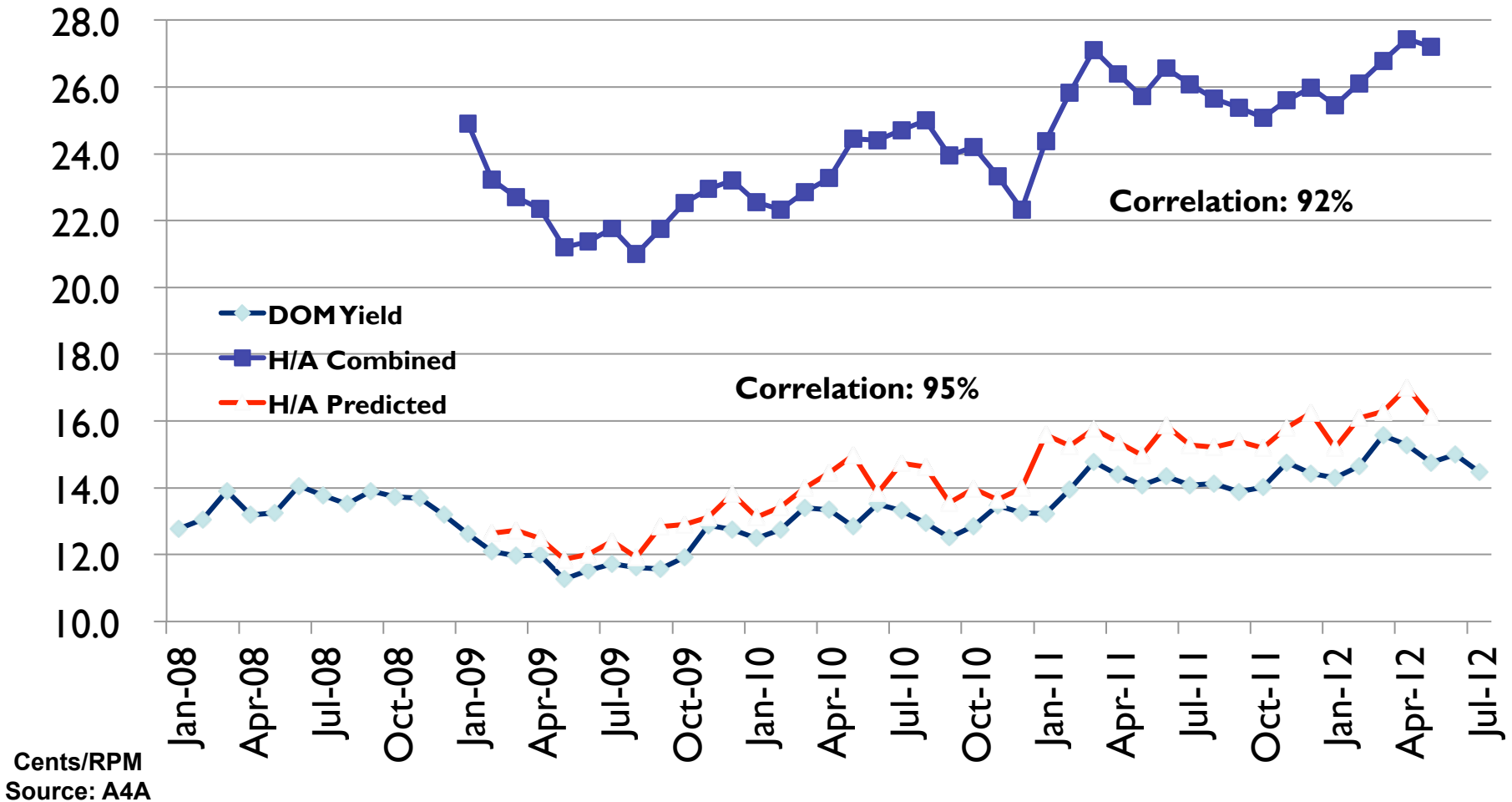
Tale of 8 Cities

CPM -- Medium Length Flights (651 - 1000 Miles)



Cents/RPM
Source: Harrell Associates

Domestic Yield H/A Forecast



Cents/RPM
Source: A4A

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About Harrell Associates, LLC



Company Profile and Brief Biography

Harrell Associates, LLC focuses in two areas: **Airline and Airfare Industry Consulting** and **Travel Industry Public Relations**. It is currently providing benchmarking and media relations consulting on the travel and airline industries to a number of major financial institutions including: **American Express, Goldman Sachs** and **Merrill Lynch**. **Harrell Associates** also engages in ad hoc consulting and market research projects in the travel industry. Recent projects and studies cover:

Contract, Benefit, and Economic Analysis – As related to Northwest Airlines bankruptcy.
Airfare Benchmarking -- Top routes to track pricing trends in a multi-dimensional manner.
Internet Pricing Analysis -- In conjunction with “Consumer Reports Travel Newsletter”.
Internet Travel Industry – White Paper under Consumer WebWatch grant.
Global Travel Management -- Model of techniques and international market structures.
Hotel Distribution System Analysis – Market Research on hotel back office systems.
Airline Yield Forecasting – Forecasts for major airline equity analysts and investors.
Travel Loyalty Program Analysis – Cost reduction and program enhancements.
Liberalization of the Airline Industry in Europe – Original study and updates.
Yield Management -- Educational video for Corporate Travel Managers.
Expert Witness – Available for case/document review, deposition, trial, arbitration.

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Bob Harrell, principal, is a nationally recognized travel expert in the United States and has been in the industry more than 20 years and is often quoted in the national press as an expert on the **Travel and Airline Industries**. Mr. Harrell has extensive experience both with the distribution and supplier side of the travel industry. At **American Express**, where he worked as a vice president for more than 7 years, he was responsible for the **Airfare Management Unit** and **Airline Supplier Relations**. Prior to that, he was with Pan American Airways for more than 15 years.

Other Significant Accomplishments

Managed the start up of the **Airfare Management Unit**, which provides purchasing and negotiating expertise to large business travel clients.
Developed the **Airfare Index**, which has become the definitive source for airfare benchmarking around the world.
Developed the first **Short Haul Airfare Index**, designed to analytically measure the impact of new low cost airlines on the U. S. airline industry and was a featured speaker at the FAA Annual Forecasting Conference to present this concept.
Developed the first and only comprehensive system to maximize **travel agent commissions** based on preferred supplier sales management techniques.
Managed the European marketing and sales function for **Pan Am**, in London.
Managed foreign exchange in approximately 180 currencies and served as the worldwide Chairman of the **IATA Currency Sub-Committee**.

Mr. Harrell has an **MBA** in finance and marketing from The Amos Tuck School at Dartmouth College and a **BS in Aerospace Engineering** from the University of Virginia.

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Acknowledgements



Harrell Associates, LLC acknowledges and is grateful to the following:

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The **Airlines for America**, A4A, for statistical support

Bobby Bowers, Smith Travel Research, STR, for his long time referrals of people who call him about airline pricing, and visa-versa.

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