

Flight Revenue Forecast

The price an airline can obtain for its flights and seats is determined by demand and cost. The AR or average rate for this seat on a flight from Dallas to Houston is \$140 for Monday through Thursday. The AR increases over the weekend - Friday, Saturday and Sunday by 25%. Determine the daily revenue as well as the total revenue for the week.

- Step 1: Calculate the estimated seats sold by multiplying the number of seats available by the occupancy rate.
- Step 2: Input the estimated AR from the instructions. Be sure to calculate the 25% increase for the weekend.
- Step 3: Calculate the daily total revenue using the estimated seats sold multiplied by the estimated average rate.
- Step 4: Total the daily total revenues for the week.
- Step 5: In the last column, estimate the average of each of the rows, the number of seats available, the occupancy rate, the seats sold and the average rate.
- Step 6: Using the calculations you just completed, answer the questions at the end.

	Monday	Tuesday	Wednesday	Thursday	Friday	Saturday	Sunday	Estimate the Average
	1-May	2-May	3-May	4-May	5-May	6-May	7-May	
Seats available for sale	180	175	190	180	200	200	200	
Occupancy rate	75%	72%	60%	70%	97%	87%	93%	
Estimated seats sold								
Estimated AR								
								Total for May Week 1
Single flight daily revenue								
Number of flights per day	2	1	1	1	3	2	3	n/a
Estimated daily revenue								

1. Which day has the total highest revenue?

2. Why is occupancy rate important to a hotel?

3. Why is AR important to an airline?

4. Compare Tuesday and Wednesday. Each day has a different number of seats available and a different occupancy rate. Which day has higher daily revenue? Why is that day better than the other?

5. On Monday and Wednesday the hotel did not have all 200 rooms available. List 3 reasons a hotel might have rooms that are not available to use for guests.

a.

b.

c.

6. As discussed in class, the Occupancy Rate and the AR has a direct affect on total revenue. Which would you rather have happen? (1) Occupancy rate decrease by 2% each day and AR stay the same or (2) occupancy rate stay the same and AR decrease by 2% Use the estimated weekly averages and re-calculate the Single Flight Daily Revenue for Week 1 in May and show your work.

1.

2.