

Outlook for Air Travel

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TTRA Marketing Outlook Forum

Southwest Airlines, Co.

October 21, 2014

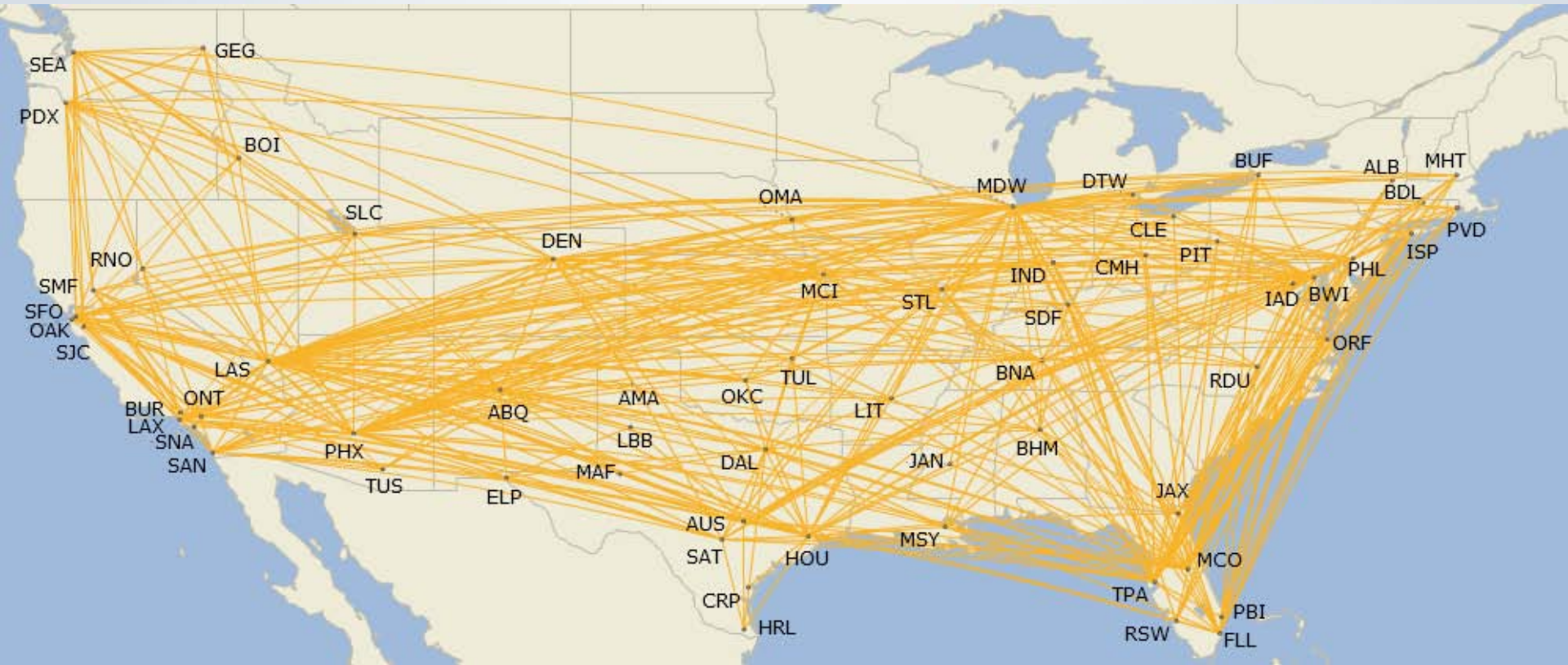
Forward Looking Statements

This presentation contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. Forward-looking statements are based on, and include statements about, the Company's estimates, expectations, beliefs, intentions, and strategies for the future, and are not guarantees of future performance. Specific forward-looking statements can be identified by the fact that they do not relate strictly to historical or current facts and include without limitation statements related to (i) the Company's financial plans and its expectations with respect to financial and operational contributions from its major strategic initiatives; (ii) its financial outlook and projected results of operations; (iii) its fleet and capacity plans, including its fleet modernization plans; (iv) its network plans; (v) its expectations related to its integration of AirTran; and (vi) its expectations with respect to liquidity and capital expenditures (including its plans for the repayment of debt and capital lease obligations). Forward-looking statements involve risks, uncertainties, assumptions, and other factors that are difficult to predict and that could cause actual results to vary materially from those expressed in or indicated by them. Factors include, among others, (i) demand for the Company's services and the impact of fuel prices, economic conditions, and actions of competitors (including, without limitation, pricing, scheduling, and capacity decisions and consolidation and alliance activities) on the Company's business decisions, plans, and strategies; (ii) the Company's ability to timely and effectively implement, transition, and maintain the necessary information technology systems and infrastructure to support its operations and initiatives; (iii) the Company's ability to timely and effectively prioritize its strategic initiatives and related expenditures; (iv) the Company's dependence on third parties with respect to certain of its initiatives, in particular with respect to its fleet plans; (v) the Company's ability to effectively complete the integration of AirTran and realize the expected benefits from the acquisition; (vi) the impact of governmental regulations and other actions related to the Company's operations; and (vii) other factors, as described in the Company's filings with the Securities and Exchange Commission, including the detailed factors discussed under the heading "Risk Factors" in the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2013.

It all started with an idea in a San Antonio bar almost 50 years ago

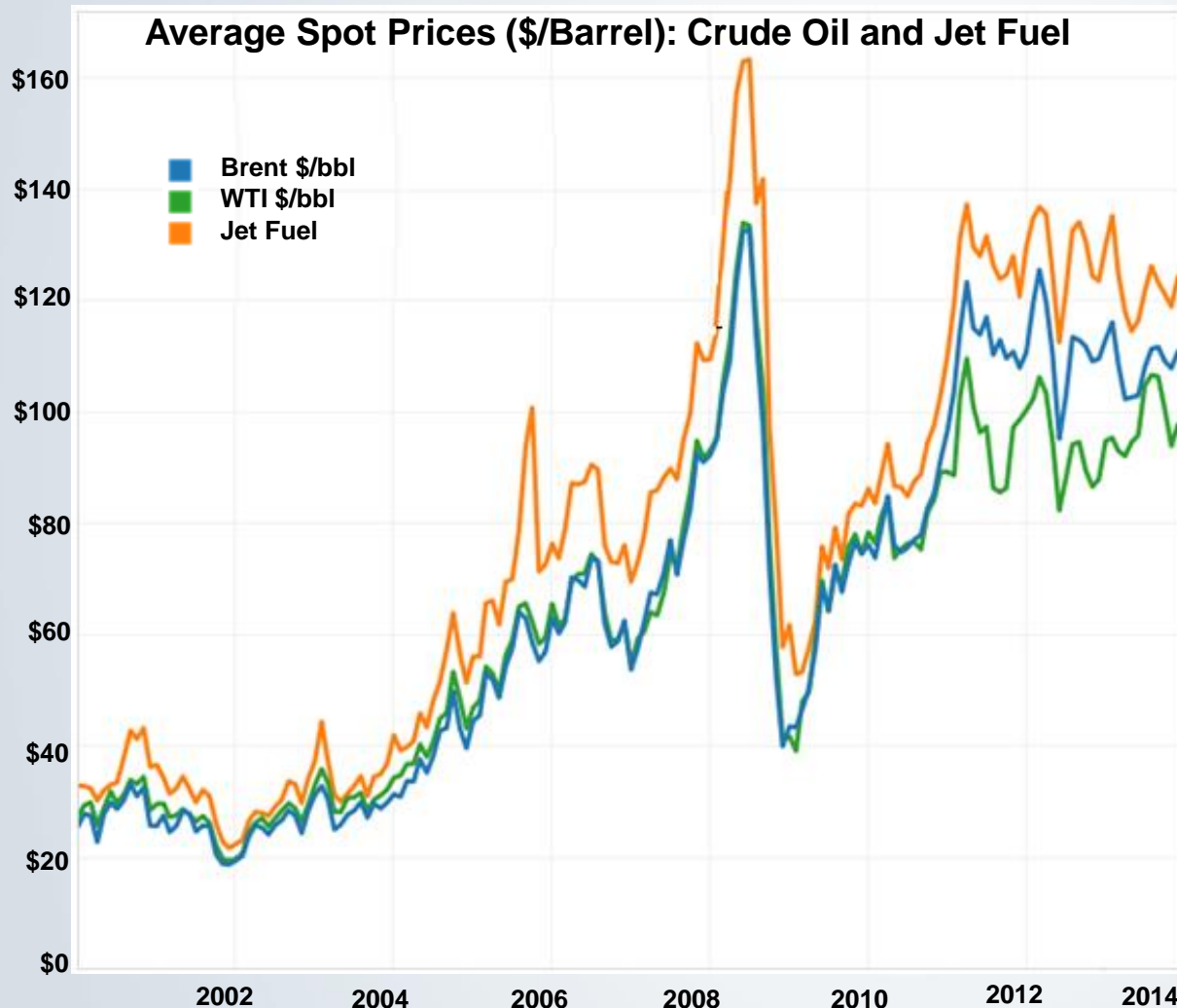


By 2008 Southwest served more U.S. domestic O&D passengers than any other carrier



Non-stop service to 64 cities with ~ 3,500 daily flights

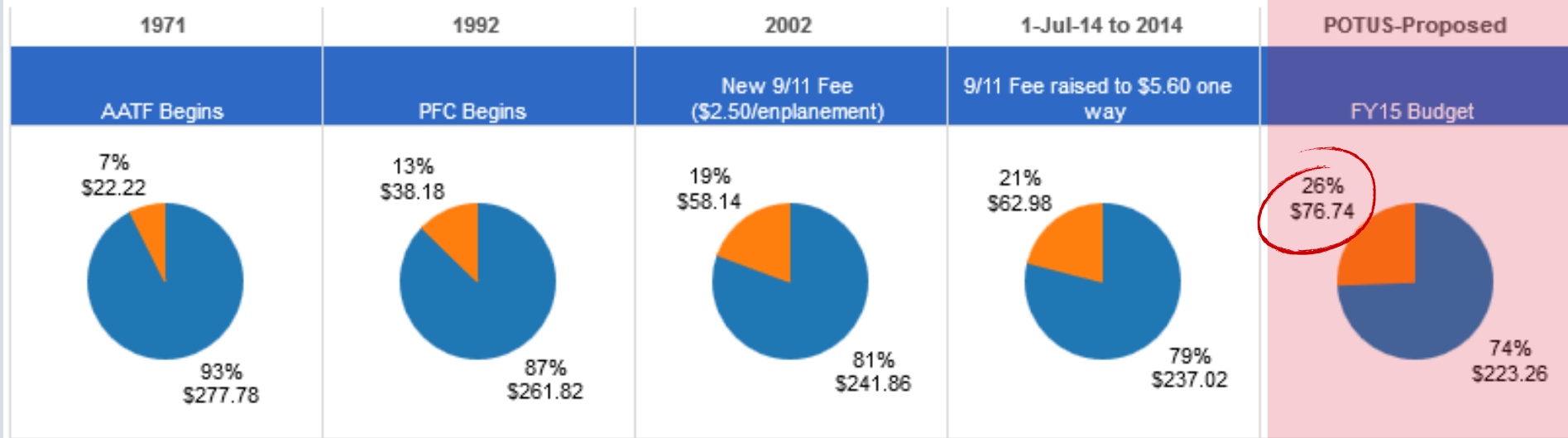
Since the Great Recession of 2008-09 the U.S. Airline Industry has radically changed how it does business



Cost per gallon for jet fuel has risen over 200% since 2000

Air travel is taxed at a higher federal rate than alcohol and tobacco!

U.S. Ticket Taxes on \$300 One-Stop Domestic Round Trip* Keep on Rising



* Sample itinerary is a domestic round trip with one stop each way and maximum passenger facility charge (PFC) per airport; total ticket price includes taxes

The tax burden on a typical \$300 round-trip ticket has nearly tripled since 1972, rising from \$22 (7%) to \$61 (20%)

Airline industry consolidation has reduced the number of U.S. domestic carriers and created a 'Big 4' that carries over 80% of all U.S. domestic passengers today



Four major strategic initiatives over the past five years have set-up Southwest for success today

AirTran Acquisition & Integration

- **\$400M annual pre-tax net synergies**
- Strengthened & diversified our complementary networks
 - ATL, LGA & DCA slots
 - International
- Profitable growth at an attractive price

Fleet Modernization & -800s

- **Evolve Interior:** All Southwest 700s; 78 300s; 24 converted AirTran 700s
- **66 737-800s;** 38 more on order
- Augmenting Boeing deliveries in pre-owned market
- 200 Boeing MAX aircraft on order
- All 717 flying will be replaced with 737 flying by year- end 2014

All-New Rapid Rewards Program

- **\$300M incremental revenue**
- Exceeding expectations with increased memberships, Member flight activity, Member fares, Cardholders, points sold to Partners, and points purchased

International Capabilities & New Reservation System

- **Expect hundreds of millions incremental revenue**
- Began selling International in January on Amadeus' Altéa solution; all AirTran international destinations will be transitioned by the end of 2014
- Selected Amadeus to support our domestic reservation system

How does Southwest evaluate potential new routes?

Size of the market

→ Markets must be able to generate significant local O&D traffic to fill up our 737's

Level of other-airline competition

→ How many seats per O&D exist in the market?; How many existing daily flights?

Forecasted financial performance

→ How does P&L score vs. other opportunities?

Intangibles outside of the data

→ Customer travel purpose (Visit Friends and Relatives, leisure, corporate)

→ Seasonality of the market by month

→ Demand directionality and day-of-week demand differences

→ Economic activity (health and drivers of the local economy)

→ Local tourism attractions and partners



Southwest opened Charleston, SC in March, 2011

City launch was a movement back to our roots of tapping under-utilized secondary markets

- ➔ CHS is geographically well positioned to be a “traffic magnet” for an area that encompasses the entire Low Country region
- ➔ Majority of existing air service in the Low Country region was high fared with limited options



Market	Before Period	Service Begins	Interim Period	Before		Interim		% Change		Current		% Change	
				Pax	Fare	Pax	Fare	Pax	Fare	Pax	Fare	Pax	Fare
Baltimore (BWI)	3Q10	3/13/2011	1Q12	43	\$201	192	\$126	347%	-37%	211	\$119	391%	-41%
Chicago (ORD/MDW)	3Q10	3/13/2011	1Q12	109	\$190	206	\$156	89%	-18%	191	\$170	75%	-11%
Houston (HOU/IAH)	3Q10	3/13/2011	1Q12	60	\$204	92	\$177	53%	-13%	89	\$188	48%	-8%
Nashville	3Q10	3/13/2011	1Q12	33	\$241	78	\$109	136%	-55%	83	\$112	152%	-54%
Above Mkts Combined				245	\$ 202	561	\$ 142	129%	-30%	538	\$ 146	120%	-28%

Southwest serves as a catalyst for economic activity in the communities it serves

Air service provided by Southwest Airlines promotes economic activity in two ways:

- The production of the company's saleable products (e.g. passenger tickets, cargo, etc.)
- The money spent by passengers at their destinations (e.g. hotels, restaurants, etc.)

Southwest Airlines investment and economic impact

- Estimated to have created over \$125 billion in economic activity and contributed close to \$60 billion to GDP in the communities we served in 2013
- Aided the creation of close to 700 thousand jobs throughout the U.S. in 2013

Southwest Airlines Loves its Community

It's at the heart of everything!

2013 Communities by the Numbers:

- 44,109 tickets donated
- More than 144,000 employee volunteer hours
- Nearly \$3.2 million value of employee volunteer hours
- \$19,951,092 Southwest total corporate monetary, in-kind and ticket donations



Our value and quality are widely recognized

FORTUNE World's Most Admired Companies

→ #7 in 2013, #9 in 2014

Reward Seat Availability, #1 in the U.S., tied for #1 globally

→ *Switchfly* Reward Seat Availability Survey for 2014

Best Loyalty Credit Card

→ Freddie Award, 2014 *InsideFlyer* magazine

Best Customer Service

→ Freddie Award, 2014 *InsideFlyer* magazine

One of the Best Places to Work, 2014

→ *Glassdoor.com*

Top 25 Brands of 2013, #1 among travel-related companies

→ *The Business Journals*

American Brand Excellence, 2014

→ *The Business Journals*



What is on the horizon for Southwest?

Lots of exciting new opportunities for us -

- Dallas Love Field (repeal of Wright Amendment)
- Expansion at Washington Reagan National and New York LaGuardia airports
- International expansion (opening of FIS facility at Houston Hobby airport)

Gary C. Kelly, Chairman, President & Chief Executive Officer, Southwest Airlines Co. on the potential of adding 50 new destinations

- “The 50, as I’m describing it to you, they’re all beyond the 48 states. So there’s nothing new. It’s Hawaii, Alaska, Canada, the Caribbean, Mexico, Central America and the northern part of South America. Those are all within the performance capabilities of the 737 and they all at least look sufficiently attractive when it comes to the traffic potential and filling up the 737. So it’s a wonderful place to be and whether we’ll ultimately serve all 50 destinations is not guaranteed or committed to. “

Source: Southwest Airlines Co. Q2 2014 Earnings Call transcript



Without a *heart*, it's just a machine.



Thank you!

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