

## Example: International Long Haul

Increases revenue by USD \$38M annually at 75% gross margin.

Airline pursues a premium meal upgrade strategy—it offers complementary meals in coach with option to purchase premium meals priced at USD \$10 and \$15.

- Over 500 +7 hours flights per day, 250 seats, and 79% load factor.
- Complementary meals boarded at 100% of PAX at USD \$2.50 cost per meal.
- Sixty percent (60%) book tickets on-line and 30% check-in via web or kiosk.
- Average purchase price of USD \$12 and \$4.50 in cost.
- About 10% of PAX pre-order a premium meal.

Coach Class	Summary			Pre-Ordered Meals				Complementary Meals		
	PAX	Meals	Margin	Meals	Revenue	Cost	Margin	Meals	Cost	Margin
W/O Pre-ordering	35,945	35,945	\$ 89,863	-	\$ -	\$ -	\$ -	35,945	\$ 89,863	\$ 89,863
With Pre-ordering	35,945	35,945	\$ 60,748	3,235	\$ 38,820	\$ 17,793	\$ 21,028	32,710	\$ 81,775	\$ 81,775
Difference x1,000			\$ 29,115	3,235	\$ 38,820	\$ 17,793	\$ 21,028	3,235	\$ 8,088	\$ 8,088

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- ① Twin benefit of higher revenue and higher gross profit from premium meal sales.
- ② Savings from complementary meals supplanted by premium meals.