

AN EVALUATION OF TOURISM AS AN ALTERNATE VALUE TO FUN FLIGHTS

By

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Abstract

Fun Flights is a charter flight brokerage company that offers leisure travelers themed, non-stop charter flights to premier destinations in the United States. Fun Flights' benchmarks include commercial airlines and charter flight companies. The functional unit used for comparison is ticket prices. When compared to commercial airlines, Fun Flights promotes leisure travel specifically to premier destinations financially lagging in tourism as of the recent economic downturn. These destinations include Las Vegas, Nevada; Honolulu, Hawaii; Disneyworld and Disneyland. The social trade-off of Fun Flights is increased competition in an already struggling market. Fun Flights is offering an experiential alternate value to leisure travelers by providing a themed, charter flight experience through the use of our online community and social media. Fun Flights will affectively promote travel and tourism to premier destinations throughout the United States that need help recovering from economic recession.

Alternate Value Identification

Fun Flights will offer an **experiential** alternate value because it improves the lives of customers in non-monetary ways. Our main objective is to offer a better flying experience for leisure travelers. Fun Flights intends to promote air travel again among leisure travelers by offering non-stop, themed charter flights to premier destinations.

Primary:

Fun Flights primary alternate value is to simply **promote air travel** again among leisure travelers. Many industries experienced cutbacks and decreased profits as a result of the economic recession. One of the most notable industries that took a hit has been the airline industry. The difference between it and others is it still faces many challenges even as the economy is beginning to recover. *USA TODAY* (2010) says that throughout the year the airline industry will continue to face problems of capacity, debt, and fuel prices. The general effect of these issues will be higher airfares, longer wait times, and greater inconvenience.

Also according to *USA TODAY* (2010), airlines are now focusing their efforts and attention on business travelers because they more consistently travel even with hiked prices and inconvenient scheduling. This leaves leisure travelers ignored in a market that desperately needs their business.

These trends present Fun Flights with the opportunity to target vacationers. Through the use of social media and an online community, Fun Flights can affectively encourage these travelers to begin flying again.

Ancillary:

Fun Flights ancillary alternate value is to **increase tourism** in selected destinations. Fun Flights has chosen its premier destinations to initially include Honolulu, Hawaii; Las Vegas, Nevada; and both Disneyland in California and Disneyworld in Florida. Additionally Fun Flights will offer flights to premier U.S. sporting events such as the Super bowl and March Madness Final Four; however, these destinations will be contingent upon the events each year. When choosing destinations, Fun Flights researched the

number of annual air travel passengers, the percentage traveling for leisure, the percentage of those that traveled in groups, percentage of those that booked online, and the percentage of those traveling from the West coast of the U.S. Research found supported the choice of these destinations. The results showed that large masses travel to these particular destinations; however, when comparing the statistics from year to year there has been a recent decrease. This is evident within the entire airline industry due to economic downturns and a gradual focus of attention to business travelers as previously mentioned in *USA TODAY*.

Below is a table depicting the change in visitor volume, airline passengers, and visitor expenditures in the select cities that Fun Flights will promote.

City	2008 Visitor Volume	2009 Visitor Volume	2008 Airline Passengers	2009 Airline Passengers	2008 Visitor Expenditures	2009 Visitor Expenditures
Las Vegas	37,481,552	36,351,469	44,074,707	40,469,012	\$42,800,000,000*	\$39,700,000*
Hawaii	6,713,436	6,419,138	6,804,744	4,594,818	\$11,181,800	\$9,869,300
Disneyworld	48,900,000*	44,300,000*	45,515,000	30,715,626	\$2,970,000,000*	\$2,660,000,000*

*Estimated by Sources

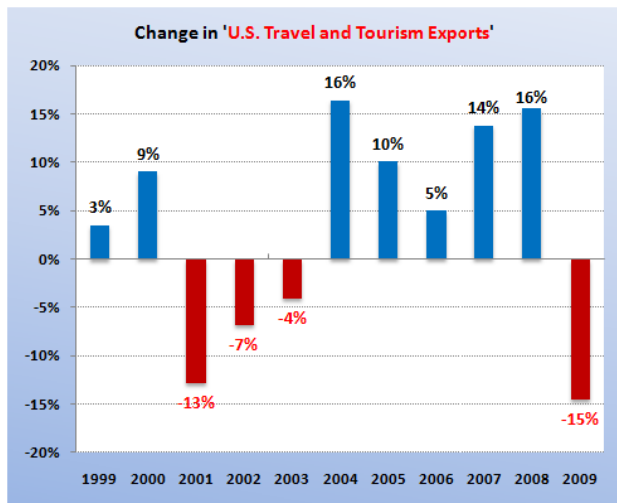
Sources: *Hawaii.gov*; *Las Vegas Sun*; *Orlando Convention and Visitors Bureau, Inc.*

As seen in the table there is a general decrease by millions from 2008 to 2009 in each of these top destinations in respect to the number of visitors, the number that traveled by air, and the total amount they spent while on vacation. According to the Las Vegas Convention and Visitor Authority, 2009 experienced the lowest visitor volume and airline passengers in the last 6 years, a situation similar to many other top destinations.

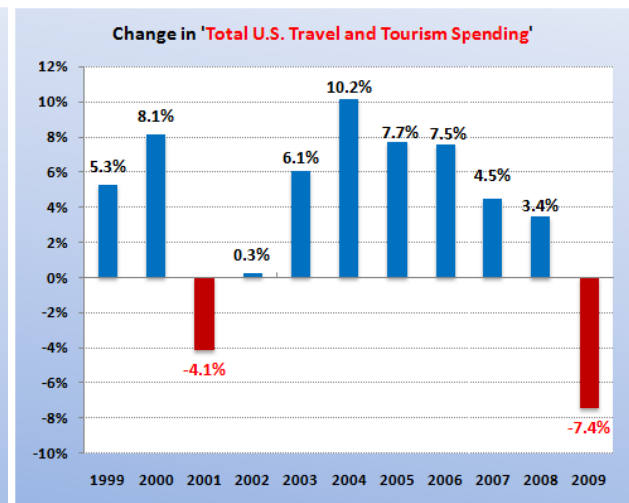
In the U.S. overall tourism had a \$100 billion decrease in spending in 2009 according to the International Trade Administration (ITA). ITA said this was the worst year for the travel and tourism industries since 9/11. Below are graphs from ITA demonstrating the many losses in the travel and

tourism industries. For example, graph 1 shows the 15% change in U.S. travel and tourism activities in 2009. This is the most dramatic year in the last decade. Because of the significant decreases in consumer spending, graph 2, many prices of goods and services in the tourism industry have increased as shown in graph 3. Finally, graph 4 illustrates the decrease in passenger air transportation. 2009 didn't experience as large of a decrease as in 2001, but that is to be expected since 9/11 directly impacted airlines.

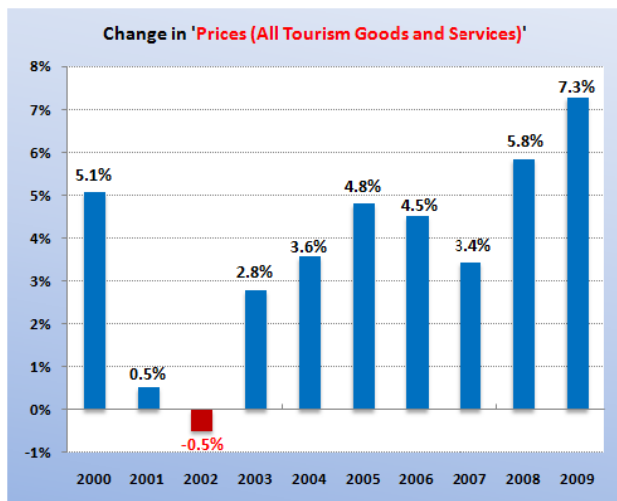
Graph 1



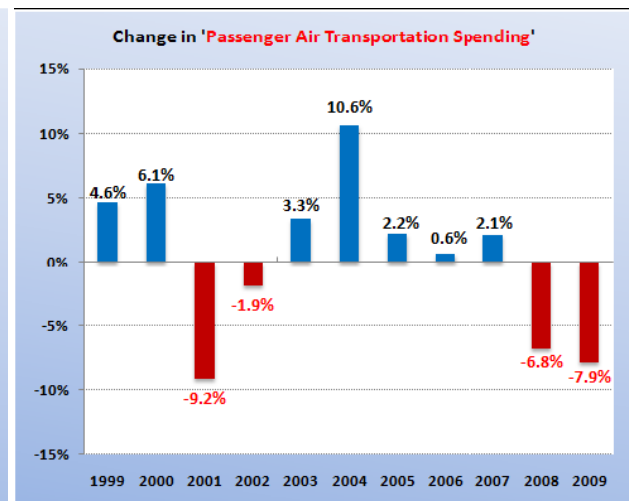
Graph 2



Graph 3



Graph 4



Source: <http://tinet.ita.doc.gov/pdf/2009-year-in-review.pdf>

Because of the dramatic decline in travel to these premier destinations, Fun Flights feels it can promote tourism in these select cities and in turn help boost their economies.

Trade-offs:

By entering into the airline industry we are competing against commercial airlines, which are currently struggling. This creates a **social trade-off** for Fun Flights because it hurts competition. Typically increased competition is good within an economy because it benefits the consumer by maintaining more reasonable prices. However, in this situation because the industry is struggling as a whole more competition makes it harder for each airline to remain competitive (Jones and Reed). Operating at a capacity is a current problem, as noted in *USA TODAY*, and if the economy continues to be sluggish airlines will continue to not operate at capacity. As a result, airlines will be forced to abandon select hubs, making it more difficult for travelers. Once particular hubs are lost, travelers will have to commute further to reach their desired destination. This will be a problem for both business and leisure travelers (Grossman). Financially, operating below capacity creates both a loss of profit and additional costs passed on to those consumers that do continue to fly. This has been evident with baggage fees and higher ticket prices (Grossman).

Benchmarks

Industrial Benchmark :

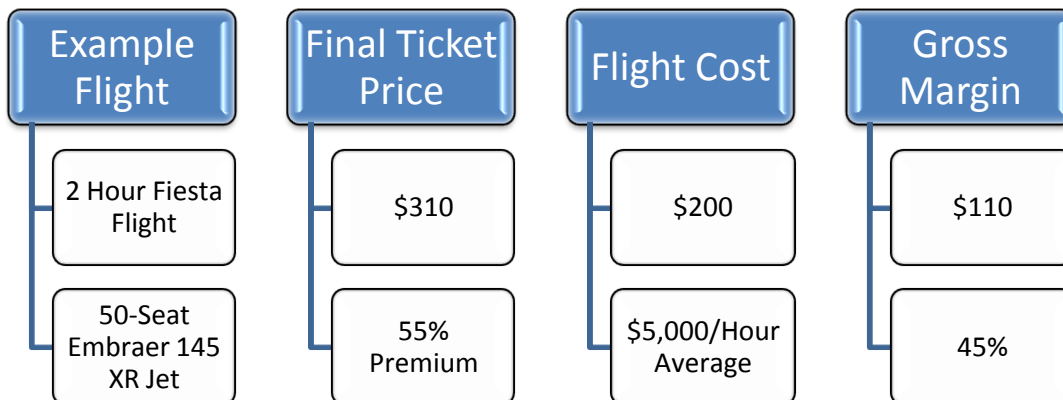
Fun Flights will be competing in two industries: online travel agencies and airlines, but for the purpose of this project, the focus will be in the **commercial airline industry**. Commercial airlines are the industrial benchmark because Fun Flights will be offering an alternative for leisure travelers using air travel for their vacations. Fun Flights main competitor within the airline industry will be Southwest Airlines because we will initially be operating on the West Coast of the U.S. and flying to the same cities.

Below is a table depicting a SWOTT analysis of the airline industry.

Strengths	<ul style="list-style-type: none"> • Established brand names • Frequent flyer programs and benefits
Weaknesses	<ul style="list-style-type: none"> • Limited customization and experience on planes • Fluctuating ticket prices and ancillary fees
Opportunities	<ul style="list-style-type: none"> • Profile consumers to better match their needs • Offer more personalized experience
Threats	<ul style="list-style-type: none"> • Inability to operate at capacity • Economic downturn forcing consumers to cutback
Trends	<ul style="list-style-type: none"> • Customization • Social networking and online communities

Fun Flights will use **ticket prices** as the **functional unit** to compare ourselves against competitors. When compared to Southwest Business Class, their equivalent to first class, Fun Flights is competitively priced. With Fun Flights, a two-hour round-trip “Fiesta Flight” to Vegas would cost \$310, which is at a 55% premium. Currently, any weekend flight to Vegas during the next 3 months with Southwest costs \$356 for Business Select and \$306 for standard (Southwest.com). Fun Flights offers leisure travelers a more personal experience and better amenities at a lower price. There is also a booking incentive of actively lowering ticket prices by inviting others to book your same flight.

Below is Fun Flights basic business model for a Fiesta Flight to Las Vegas.



Technology Benchmark:

The industrial peers of Fun Flights include **charter airline companies**. It's already been established that Fun Flights will offer an experiential alternate value. Typically charter airline companies are not known for conveniently providing travelers with less expensive air travel. This is because they are more commonly contracted by businesses rather than individuals. A common misconception is that charter flights are not available to just any individual who desires their own flight. On the contrary, anyone can search online for a charter airline company, contact it, choose a jet size and make further accommodations. However, the price to this individual and the complexity of the booking process are beyond reason. Why would any individual go through such great lengths and costs unless traveling with such a large organization that can easily make the accommodations?

As previously mentioned Fun Flights' primary and secondary benefits are the promotion of air travel and tourism to popular tourist destinations that are currently financially lagging. The significant difference between typical charter flight companies and Fun Flights is the connectivity. Fun Flights will use its online community and common social media tools to connect travelers with similar interest and travel plans. By doing so, it will be able to offer the charter experience to individuals by filling seats on charter flights to these premier destinations. Fun Flights will go beyond the simple matching and filling of charter planes by providing themed experiences in flight.

Product Diffusion Curve:

Fun Flights' **geographic scope** initially includes the **West Coast of the United States** because our flights will depart from LAX and Phoenix Sky Harbor, both which are among the top ten airports with the most traffic.

Fun Flights will offer its flights during the **introduction phase** of the product diffusion phase. Fun Flights is an early mover in providing charter flights to the public in an accessible manner through the use of our online community and social media. Although the airline industry is well-established and

charter flight companies do currently operate, there is a lack of knowledge and accessibility to the general public. Fun Flights is the first to connect travelers to other travelers with similar interests and travel plans and then provide them with a chartered experience at a commercial flight ticket price.

Summary

Fun Flights is a charter flight brokerage company that offers leisure travelers themed, non-stop charter flights to premier destinations in the United States. Fun Flights is a travel alternative to commercial airlines, such as Southwest Airlines. When compared to commercial airlines, Fun Flights promotes leisure travel specifically to premier destinations financially lagging in tourism as of the recent economic downturn. Currently, commercial airlines focus on business travelers throughout the U.S. not targeting any specific destinations. Furthermore, Fun Flights is benefiting the economies of its premier destinations. When compared to charter airline companies Fun Flights provides connectivity among everyday leisure travelers through an easy-to-join online community and social media networks. The social trade-off of Fun Flights is increased competition in an already struggling market.

As for leadership and innovation Fun Flights will operate in West coast of the U.S. during the introduction phase of the product diffusion curve. It's the first to offer the charter experience to the general public in an accessible manner at a commercial flight ticket price, making Fun Flights an early mover.

In conclusion, Fun Flights is offering an experiential alternate value to leisure travelers by providing a themed, charter flight experience through the use of our online community and social media. Fun Flights will affectively promote travel and tourism to premier destinations throughout the United States that need help recovering from economic recession.

Group Roles

Fun Flights was a group formed by four students within the McGuire Entrepreneurship Program: Ry Ellison, James Grout, Rachel Kelly, and Megan Mignella. Each held a very specific role within the group; however, the idea of Fun Flights was created by all four members.

Ry Ellison, Operations Manager, was responsible for creating Fun Flights' booking model, Zempty. This became the competitive advantage of Fun Flights. He was also responsible for developing our implementation timeline and flight schedules for the first five years. This process included identifying airport locations and seasonal travel.

James Grout, Finance Manager, was responsible for developing our business model to demonstrate how Fun Flights would earn a profit. He constructed all financial statements and budgets, as well as our necessary funding proposal for outside investors and its use of funds.

Rachel Kelly, Marketing Manager, was responsible for researching, developing a marketing plan, and creating the brand. Research included understanding the airline industry and its trends, finding travel statistics for our destinations, identifying appropriate media outlets, and recognizing the best potential target audiences for Fun Flights' product line based on their demographics, psychographics, consumption constellations, and usage.

Megan Mignella, General Manager, was responsible for managing the group and its assignments. She greatly contributed to the formatting and editing our business plan. When necessary she aided each member with their specific tasks.

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