

Major Components of a Typical Startup-Airline Business Plan

EXECUTIVE SUMMARY: This section of the business plan should provide an overview of the concept of the business. It can be used as a starting point for the document but should be revisited after the other sections of the business plan are completed to ensure that it contains the key points that you want the reader to take away from the document. Suggested topics to cover in this section are as follows:

- Description of airline concept (scope, revenue/cost structure, service offering, aircraft types, major markets served)
- Target customer and perceived opportunity
- Competitive advantage over incumbent carriers
- Market share expectations and competitive strategy
- Management team's airline operations experience level
- Financial highlights: projected profitability margins, etc.
- Capitalization plan and ROI expectations

INDUSTRY & TARGET MARKET: This section should demonstrate that you have done your research and that you thoroughly understand the industry and the market you are targeting. Provide charts and supporting analysis to show why the market you are targeting is attractive and will support your venture. Data must be current and relative to your argument. Suggested subsections are as listed below:

- Industry overview
- Target market analysis
 - Economic state (GDP)
 - Demographics / population
 - Income statistics
 - Growth rates
 - Air travel market size and trends
 - Forecasts for air travel
 - Origination and Destination (O&D) pax/cargo traffic demand by market

COMPETITIVE ANALYSIS: This section of the business plan should demonstrate your knowledge of your competition, including their strengths and weaknesses, what they are offering in the target markets and how you will compete with them. Provide a thorough analysis of the key competitors in the markets you are targeting including topics such as the following:

- Incumbent airlines operating in the marketplace
- Current competitors' market share by route
- Competitor service offerings (including aircraft type/age)
- Incumbent airline frequencies/schedules
- Fare comparison by service class and route
- Barriers to market-entry (gates, slots, bilateral agreements, etc.)

OPPORTUNITY: After you have evaluated the existing market and your competition, how do you fit into the market? What is your market opportunity? Are you bringing something unique to the market that is not currently being offered? What markets will you enter and why? Provide details on the following topics:

- Estimated market share by market / route
- Fare pricing by class / route
- Load factor by class / route
- Expected operating revenue, costs, and margins
- Profit potential and sustainability
- Sensitivity analysis of profitability under various scenarios

SERVICE OFFERING: This is an important section of your document describing your vision for your airline and should include many subsections. (Keep in mind that all the decisions that you make on your service offering will drive your cost structure.) This section of the document should provide detail on what kind of airline you plan to establish and what you will offer to the customer, including details on the following topics:

- Overall Concept
- Mission/Vision Statement
- Scope (domestic, regional, international, network)

SERVICE OFFERING (Continued):

- Markets to serve
- Headquarters / Airport base(s)
- Target customer segment
- Route structure (local, hub/spoke, point-to-point)
- Schedule
- Frequency
- Product / service offering
 - Seat pitch
 - Seat assignments
 - Boarding process
 - Service-class offering (economy, business, first, pods, beds)
 - Catering (hot meals, limited, purchase, beverage-only, etc.)
 - Aircraft interior (leather, bins, window size, lighting, age, etc.)
 - Duty-free / in-flight shopping
 - In-flight entertainment (IFE) - live TV, internet, video
 - Power / IFE at seat
 - Kiosk/online check in
 - Airport lounges
 - Customer loyalty program (FF program)
 - Amenities (towels, pillows, blankets, socks, eye masks, etc.)
- Aircraft Selection
 - Capacity (pax/cargo) to meet demand
 - Range to fly missions
 - Economics for profitability
 - Maintenance costs
 - Fuel efficiency
 - Reliability
 - Engines (fuel/range/performance)
 - Winglets (fuel/range/performance)
 - Fleet commonality
 - Avionics
 - Buy/lease
 - New/Used/Age
 - Insurance (airframe, engine, pax/cargo liability)
 - Noise/emissions
- Alliances / code-sharing / partnering
- Service entry and growth strategy
- Sustainable competitive advantage

MARKETING & DISTRIBUTION PLAN: This section should outline your marketing strategy and provide details on your pricing strategy, sales and distribution plan, and promotion plan and may include subsections as shown below:

- Marketing Strategy
- Marketing Mix (4Ps):
 - Product (service offering) – (discuss here if not already included in Service Offering section)
 - Price (fares)
 - Fare structure
 - Revenue management
 - Pricing / yield
 - Place (sales and distribution)
 - Internet (direct)
 - Internet (wholesale/3rd party)
 - Call Center
 - City Ticket Offices
 - Airport ticket counters (walk ups)
 - Global Distribution Systems (GDS)
 - Travel Agents
 - Corporate sales
 - Other (kiosks, etc.)
 - Method (cash, credit, etc.)
 - Promotion (advertising)

OPERATIONS PLAN: This section will provide detail on the various departments of your operation and your people plan. How will you organize your company? What departments will there be and what will they do? What capabilities will the various departments have? How will you recruit and train employees for the various departments? Provide details on the various departments including projected headcount for the next 5 years. What will be outsourced if anything?

- Labor
 - Pay rates / scales
 - Benefits
 - In/out-sourcing
 - Unions (contracts)

OPERATIONS PLAN (Continued):

- Administration
- Distribution
- Airport Operations
- Customer Service
- Maintenance (line, light, heavy, equipment)
- Ground Operations (ramp)
- Dispatch
- Flight Operations
- Training
- Fuel purchasing / hedging / policies
- Technology (IT)
- Cargo / Freight / Mail
- Facilities / Equipment
- ETOPS (if applicable)

MANAGEMENT TEAM: This section should show the reader that you have a strong, well-organized leadership team with industry experience and expertise. If you do not have this, you should try to build your team to gain this. This section should cover the topics outlined below:

- Organizational Chart
- Executive Biographies / Resumes (CVs) for the 5 key functions:
 - Airport Operations
 - Flight Operations
 - Maintenance Operations
 - Finance
 - Marketing & Distribution
- Other Management (VPs)
- Independent Board of Directors
- Professional Advisors/Consultants

RISKS & MITIGATION PLAN: This section should outline all of the material risks associated with this venture and should include any mitigating factors. By providing a thorough analysis of the risks, you will ensure investors, banks, and others with a vested interest in your airline that you fully understand the risks and have carefully thought through how those risks will be mitigated. Some of the standard risks are listed below. There may be others that apply specifically to your endeavor.

- Business model risk
- Market share penetration
- Fuel costs
- Default on aircraft liabilities
- Safety
- Weather
- Geo-political
- Economic
- Regulatory
- Terrorism
- Infrastructure
- Gates/slots availability

FINANCIAL & OPERATING PROJECTIONS (5 years): This section should include five years' worth of financial projections including all of the assumptions that went into formulating the projections. The projections and underlying assumptions must be reasonable. Including a sensitivity analysis will show prospective stakeholders that you have analyzed the impact on your venture of higher than expected fuel prices as well as lower yields and/or load factors brought about by a strong competitive response from incumbent airlines.

- Forecast assumptions:
 - Projected fleet by year by minor model including additions and retirements
 - Airline operating statistics by year
 - ASKs, RPKs, Load Factors, Passenger Yield, # Passengers, # Aircraft, # Flights, Flight Hours, Block Hours, aircraft utilization, and headcount.
 - Other assumptions: assumed fuel price, assumed fuel consumption, assumed inflation rate, foreign currency exchange rates (if applicable), etc.

FINANCIAL & OPERATING PROJECTIONS (Continued):

- Projected Income Statement (P&L)
- Projected Balance Sheet
- Projected Statement of Cash Flows
- Financial Ratios for each year of projection period
 - EBITDAR Margin, Operating Margin, Net Margin, Current Ratio, Working Capital, Cash/Total Annual Revenue, Total Liabilities/Equity, Total Debt/Equity, Total Lease-Adjusted Debt/Equity, ROE
- Sensitivity analysis
 - Based on variations in projected yields, load factors, fuel prices

IMPLEMENTATION SCHEDULE: This section of the business plan should outline the timeline for the development of the airline. The various steps would include the following:

- Iterative Development Phase
 - Business plan development
 - Financial model development
 - Management team assembly
 - Aircraft selection
 - Investor “roadshow”
- Launch Phase – Typically 12-18 months
 - Funded
 - Certification
 - Aircraft sourcing
 - Certification
 - Staffing
 - Facilities / Equipment
 - Begin Flight Operations – 0 to 12 months
- Initial Growth Phase – Typically 3 to 5 years

CAPITALIZATION PLAN: This section outlines your plan to capitalize the airline. An entrepreneur who is unwilling or unable to put his/her own money into the venture is less likely to be able to convince someone else that they should put their money in. It will be important to investors, bankers, lessors, OEMs, employees and other interested parties how much capital is being pledged, exactly where it will come from and when it will be put into the startup. The following subsections may be used to describe your capitalization plan.

- Capital Structure
 - Key management team investment
 - Startup capital needs
 - Seed capital sources
 - Aircraft financing
 - Venture funding
- Equity Offering (if applicable)
 - Cash required from investors
 - Equity offer for investment
 - Use of funds
 - Anticipated return on investment (ROI)
 - Investor exit strategy
 - Timing