

# Pricing in an era of ancillary revenues

## *Panel Discussion Slides*

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# Prices can be a la carte, bundled, and even part of a family.

- **All-you-can-eat** buffets are great for those with big appetites, but don't offer value for those looking for **salad or a cup of soup**.
- Regulators want a return to the old days when **a simple air fare** represented the entire cost of an airline trip.
- That would be the same as requiring a grocer to define the final register total **before a shopper enters their store**.



*Shopping for travel should be similar to filling a cart at a grocery store.*

## Let's begin with the non-bundled methods.

- **Fixed Pricing:** One price is applied for an a la carte service across an entire network.
- **Variable Pricing:** Defined by factors or conditions, which are applied to determine fees.
- **Dynamic Pricing:** Demand and supply determines a price when the consumer requests the product.



*Azul charges \$100 for unaccompanied minors.*



*Spirit's carry on bag fees vary by when payment is made.*



*Economy Plus seating on United is priced higher on busier flights.*

# Fare families use existing revenue management allocations.

- **Defined:** Amenities are linked to existing fare categories, with higher fares providing more perks.
- **Pricing:** Lower dynamically priced fares sell out as demand increases, which limits the choices presented to consumers.

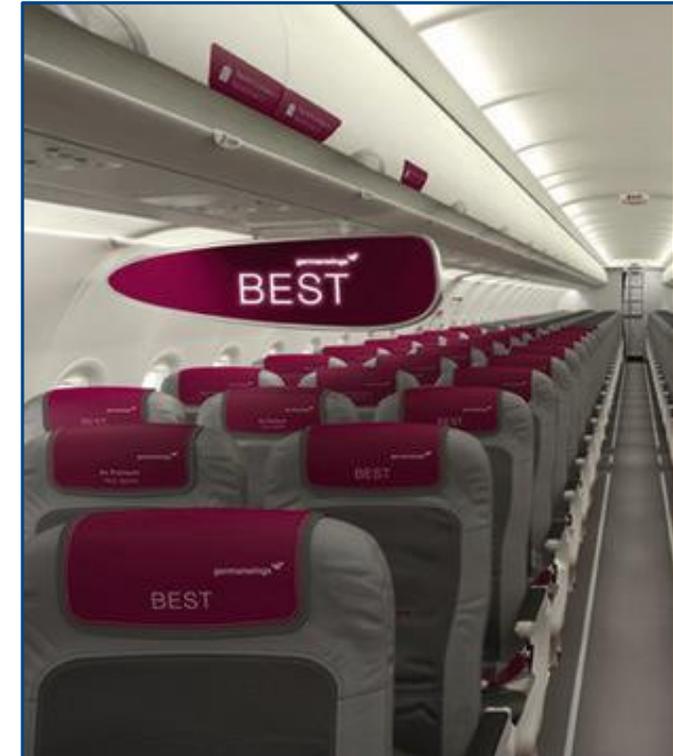
<u>Tango</u>	<u>Flex</u>	<u>Latitude</u>
-	<input type="radio"/> \$632	<input type="radio"/> \$1144
-	<input type="radio"/> \$632	<input type="radio"/> \$1144
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Unfortunately, as shown in the Air Canada example above (from 2017) the Tango and Flex fares disappear “from the shelf” when flights become full.

# Branded fares boost airline revenue and consumer choice.

- United revealed **60% to 70% buy a higher fare** when presented with the Basic Economy option.
- American disclosed **60% upgrade to the Main Cabin** product rather than Basic Economy.
- 55% of Eurowings customers buy Basic Economy with **40% opting for the “Smart” mid-tier fare** and 5% for the “Best” fare.

Sources: 2019 CarTrawler Ancillary Revenue Yearbook and 2016 Expert Session Eurowings.



*Eurowings makes it easy for Best fare passengers to find their seats.*

# SWISS scores precision with branded fares.

AMS 09:50 ✈️ ZRH 11:20  
Travel time: 1h 30m

LX 725  
Operated by SWISS

Economy Selected ✓

Business from EUR 400

Fare Type	Price (EUR)	Includes
Light	260	Snack & beverages, 1 x Hand baggage, 500 miles
<b>Classic</b> (Recommended)	280	Snack & beverages, 1 x Hand baggage, 1 x Checked baggage, Seat reservation, 500 miles, Booking changes (for a fee)
Flex	310	Snack & beverages, 1 x Hand baggage, 1 x Checked baggage, Seat reservation, Seat in preferred zone, 500 miles + 50%, Booking changes, Cancellation (for a fee)



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