

Course schedule

Date	Time	Lecture	Essays (group)	Presentations
11.01.	12:15-13:45	Revenue streams and pricing models	<ul style="list-style-type: none"> • Pricing models for tourism products (2) • Biased listing (3) • Standardization in tourism (4) 	
19.01.	14:15-15:45	Service innovation	<ul style="list-style-type: none"> • IT innovation in tourism (5) • IT innovation in hotels (6) • Tourism 2.0 (7) 	
26.01.	8:30-10:00 (Leo 18)			group 14 group 15 group 16
26.01.	10:15-11:45 (Leo 18)			group 17 group 18 group 19
26.01.	14:15-15:45 (Leo 1)			group 20 group 21 group 22
01.02.	12:15-13:45	Summary & conclusion		
02.02.	14:15-15:45	Summary & conclusion		

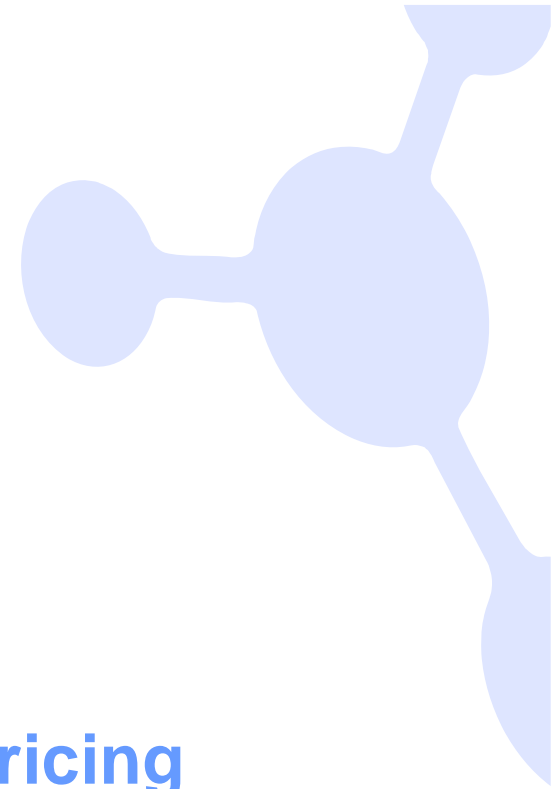


WESTFÄLISCHE
WILHELMS-UNIVERSITÄT
MÜNSTER

Universität Münster
Institut für Wirtschaftsinformatik

Lehrstuhl für Wirtschaftsinformatik
und Interorganisationssysteme
Prof. Dr. Stefan Klein

www.wi-ios.de
mail@wi-ios.de



Revenue models and pricing



Learning goals

- Understand the rationale for flexible pricing.
- Distinguish between different pricing strategies and understand the contingencies of their application.

Neuer Vertriebskanal über eBay!

Tiscover bietet als einziges Online-Buchungssystem einen neuen Vertriebskanal über eBay

.... Durch eine neue gemeinsame Schnittstellenlösung ist die einfache Versteigerung von Betten nun Realität.

Tiscover eBay Connect ist der ideale Vertriebskanal für auslastungsschwache Zeiten und zur Gewinnung neuer Kundenkreise. Wir freuen uns, allen Unterkünften das neue Tiscover eBay Connect für ihre eigenen Versteigerungen anbieten zu können!

So funktioniert's:

Im Tiscover Extranet steht Ihnen unter „Extras“ ab sofort der Menüpunkt „eBay“ zur Verfügung. Sie definieren nur noch, welches Zimmer Sie versteigern möchten und für wie viele Nächte das Angebot gilt. Zusätzlich können Sie Sperrzeiten festlegen, zu denen das Angebot nicht in Anspruch genommen werden kann, z.B. in der Hochsaison.

Sobald Sie auf den Button „auf eBay einstellen“ klicken, wird das Angebot in Form eines Gutscheines automatisch auf eBay als Auktion veröffentlicht.

Der Käufer erhält eine eMail mit den Zahlungsinformationen und der Gutscheinumnummer. Er klärt mit Ihnen die Verfügbarkeit ab und löst den Gutschein direkt bei Ihnen ein.

Tiscover eBay Connect ist ab sofort bei ALLEN UNTERKÜNFTE AUTOMATISCH dabei!

Nutzen Sie die Möglichkeit der Versteigerung von freien Betten ab sofort KOSTENLOS! Nur wenn ein Angebot auch erfolgreich versteigert wurde, bezahlen Sie die gewohnte Buchungsprovision (abhängig von Ihrer Tiscover Darstellung). Für alle Tiscover Complete – Kunden fällt eine Provision von 8% bei erfolgreicher Auktion an.

Online dynamic pricing

“In September 2000, Amazon.com outraged some customers when its own price discrimination was revealed. One buyer reportedly deleted the cookies on his computer that identified him as a regular Amazon customer. The result? He watched the price of a DVD offered to him for sale drop from \$26.24 to \$22.74.

The company said the difference was the result of a random price test and offered to refund customers who paid the higher prices. And apparently, Amazon had experimented with such random price tests more than once: Consumers also discovered in 2000 that Amazon was using dynamic pricing when customers comparing prices on a "bargain-hunter" Web site discovered that Amazon was randomly offering the Diamond Rio MP3 player for up to \$51 less than its usual \$233.95 price.”

<http://www.cnn.com/2005/LAW/06/24/ramasastry.website.prices/>

Agenda

1. The concepts of dynamic/ flexible pricing

2. Pricing models – pricing strategies

3. Web impact on pricing models

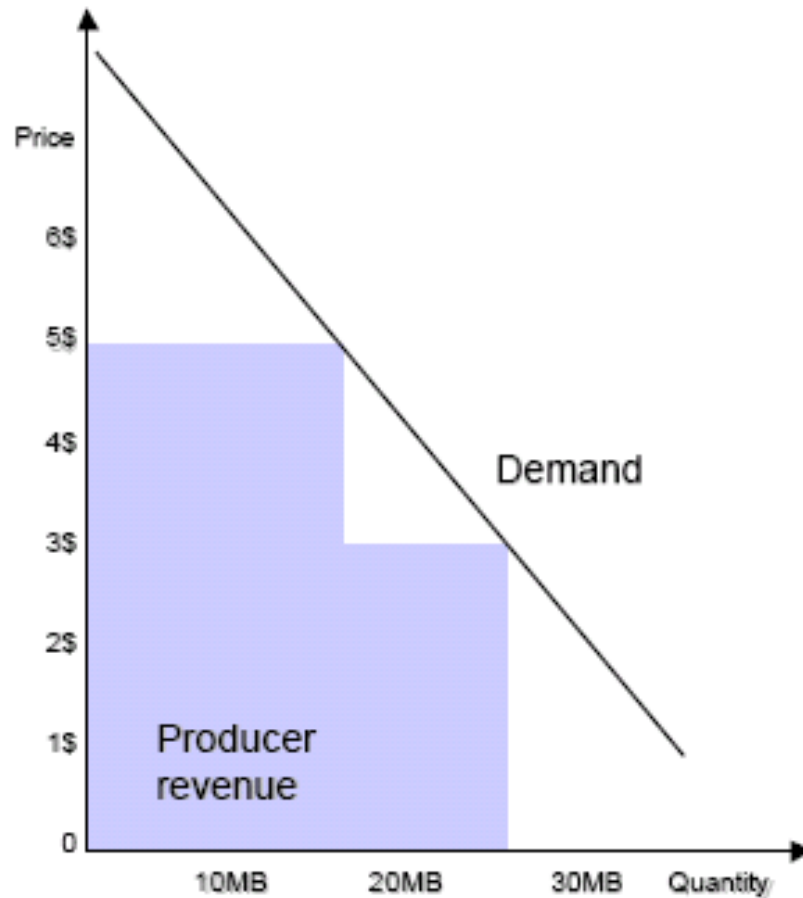
Good bye to fixed pricing ...

Quote from a OECD Studie (1998):

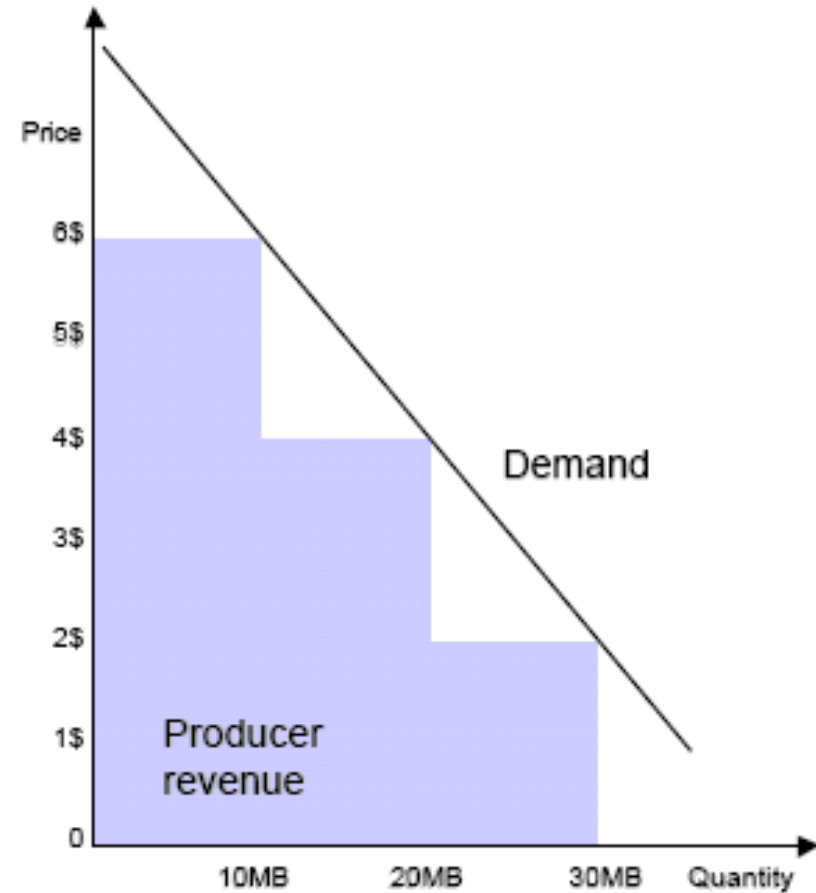
"(m)ore and more products will be subject to differential pricing associated with customized products, fine market segmentation and auctions as it becomes easier to change prices."

Cortese und Stepanek have forecasted an era of flexible pricing for retail customers (Business Week 1998).

The Logic of Price discrimination



$$\text{Revenue} = 5 \cdot 15 + 3 \cdot 10 = \underline{105}$$



$$\text{Revenue} = 6 \cdot 10 + 4 \cdot 10 + 2 \cdot 10 = \underline{120}$$

Example price differentiation

Option 1: differential pricing

Option 2: fixed pricing

Seats	Price	Gross revenue		Seats	Price	Gross revenue
20	1	20,00 €		120	100,00 €	12.000,00 €
20	20	400,00 €				
20	40	800,00 €				
20	80	1.600,00 €				
20	160	3.200,00 €				
20	320	6.400,00 €				
120	103,5	12.420,00 €				

Components of Yield Management

... is the process of understanding, anticipating and influencing consumer behavior in order to maximize revenue or profits from a fixed, perishable resource (source: Wikipedia)

- Market segmentation and differential pricing.
- Seat contingents for different booking classes.
- Overbooking.
- Nesting: higher booking classes have access to the capacity of lower booking classes.
- Network yield management: flight segments vs. overall flights
- Managing capacity by sales region and respective price levels.
- Forecast models
- IT.

(Adapted from <http://wirtschaftslexikon.gabler.de/Definition/yield-management.html>)

"Welcome to the Bazaar ..."

"We will let our customers set prices in the on-line marketplace."

Scott McNealy, CEO von Sun Microsystems,
in: Harvard Business Review, March 2001, 18-19

His **arguments**:

- Positive response from online auctions (eBay, DoveBid): a third of the auction customers are new customers.
- Sun Microsystems gets to know customers' willingness to pay.
- We need to overcome the "liar-liar" game in traditional price negotiations : each party is presenting its claim as final offer, knowing that this is not true ...

Online price advantage over offline channel

Price advantage of Internet commerce over traditional retail
(including shipping, without taxes)

- 1999: **13%**
- 2000: **15%**

Source: Study by J. Abate and E. Harris (Lehman Brothers Inc.) quoted by Business Week 2000.

Web-based Pricing Models: Issues

- Suppliers look for innovative models of price discrimination
- Customers look for good deals

... this leads to two questions:

- Which pricing models are used to offer relatively lower prices on the Web?
- How can different price levels be maintained on the Web, despite minimal search costs for the consumers?

Agenda

1. The concepts of dynamic/ flexible pricing
2. Pricing models – pricing strategies
3. Web impact on pricing models

Traditional Pricing Models

Group pricing	Differential pricing based on personal characteristics, purchase histories, zip codes, or behaviour patterns of customer groups.
Versioning	Pricing based on the distinction of product features or attributes. Time-based pricing.
Volume discounts	Discounts based on multiple purchases of the same good or single purchases of large numbers.
Value-based pricing	Goal: reduce customers' (perception of) uncertainties, encourage long-term relationships, and share with the customers cost savings that result from a better integration with the customer

Web-based Pricing Models: Examples

Customer characteristics	Weblining: the differentiation of offers is based on customer profiles
Product features	<ul style="list-style-type: none">■ Sales auctions: The example of Lufthansa■ Reverse auctions: The example of TravelBids■ Time-based pricing
Volume Discounts	Demand pooling systems: The example of Accompany.com , letsbuyit.com
Value-based pricing	“Name your own price”, Priceline

Weblining

APRIL 3, 2000 ISSUE

BUSINESS WEEK E.BIZ – COVER STORY

By: MARCIA STEPANEK

Contributing: Heather Green, Steve Rosenbush, and Susan Zegel in New York and Robert D. Hof in San Mateo

Weblining

Companies are using your personal data to limit your choices--and force you to pay more for products

You may think that getting graded A, B, or C ended with graduate school. Try getting Sanwa Bank to waive its \$20 fee on your bounced check. Customer reps are trained to treat everyone politely. But your luck will depend on a little letter that pops up on a screen as soon as your name is punched into a computer, or when your e-mail arrives at Sanwa's server. If that letter is a "C," customer reps don't exactly hustle on your behalf. That's because machines whirring at Net-speed have lumped you--often in seconds flat--with other customers whose accounts don't make much money for the bank. But if you score an "A," you're right up there with the cream: Customers who generate hefty profits get bounced-check waivers, no questions asked. And B's? They're harder calls. They actually get to negotiate with the rep before their case is decided.

RELATED ITEMS

[Weblining](#)

[TABLE: Skimming off the Cream](#)

http://www.businessweek.com/2000/00_14/b3675027.htm

InfoFlyway

Willkommen



Reise

- Buchung ●
- Lufthansa Specials ●
- Flugplan ●
- ReiseShop ●
- Ankunft/Abflug ●
- Product & Service ●
- Miles & More ●

Lufthansa

- Rund um Lufthansa ●
- Investor Relations ●
- Presse ●
- Allianzen ●
- Career ●

Extras

- FAQ ●
- Mein Profil ●
- Index ●

Lufthansa Live Auction

14.3. Miles & More



News: April und November +++ Fluglotsen nicht Ziel der Informationsoffensi

Miles & More
News Gateway



Doppelte Meilen-Aktion

Bis zum 30. April erhalten First und Business Class Gäste der Lufthansa Flüge zwischen Frankfurt und Bogota, Caracas oder Philadelphia doppelte Meilen. Jetzt anmelden!



Extrameilen im SkyShop

Bestellen Sie Reisegepäck und mehr online im SkyShop und Sie erhalten zusätzlich 250 Meilen auf Ihr Miles & More Konto.



ITB 2000: rent@sixt

Sixt bietet Ihnen Sonderraten zur ITB in Berlin. Buchen Sie die ITB-Specials direkt online und Sie erhalten 1.000 Meilen.



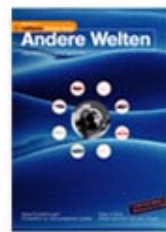
Der Weg ins Cockpit

Sie möchten sich einer Herausforderung stellen? Dann starten Sie als Nachwuchsflugzeugführer bei Lufthansa.



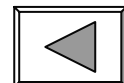
Lufthansa Bildarchiv!

In unserem Bildarchiv finden Sie aktuelle und historische Fotos zum Herunterladen - auch als Druckvorlage geeignet.



Lufthansa Partner Tours

Bestellen Sie jetzt kostenlos den neuen Katalog mit attraktiven



Random auctions still ongoing ...



There's no better way to fly.

Lufthansa



Willkommen zu den Lufthansa Online-Auktionen!

Unsere Online Flugauktion ist beendet.
Wir haben für heute unser Auktionshaus geschlossen.

Our online flight auction has ended
We have closed our auction room for today.

Login

- ▶ Startseite
- ▶ Teilnahmebedingungen
- ▶ Fragen und Antworten

Für die Auktionen einloggen

Benutzername / Miles & More Nr.

Passwort / Miles & More PIN

Sprache

Einloggen

Noch nicht angemeldet? Haben Sie noch keine(n) Benutzernamen/Miles & More Nr. und kein(e) Passwort/PIN dann melden Sie sich gleich [hier](#) an.

Ur

Nr.	Start	Ziel	Personen Klasse	Auktionsbeginn	Auktionsende
-----	-------	------	--------------------	----------------	--------------

Auction site for travel products



Over **921,033** auction winners since 1999
Best Prices Guaranteed!

[Home](#) [Log in](#) [Register](#) [Search](#) [Customer Care](#)

[Destinations](#) [Cruises](#) [Air](#) [Specialty Auctions](#) [Vacation Rentals](#) [Hot Deals](#) [Auctions Closing Soon](#)



Welcome to SkyAuction
The Internet Leader in Air Travel

Since 1999 SkyAuction has sold hundreds of thousands of cheap Airfare and Travel Package auctions to savvy travelers looking for the best flight deals and travel bargains. Here is your chance to **join the SkyAuction community** and get among the best bargain airfare deals available anywhere. **Registration** on our site is free and easy. You can begin bidding immediately! Want to learn even more about this, check out our **Welcome Page**.

NEW - Air Booking Engine

Find Buy it Now airfare deals with our specially negotiated consolidator rates.

[Log in to Booking Engine](#)

Quicksearch

Browse Flight Auctions

We offer a huge selection of cheap airline ticket deals on bargain flights both domestic and international



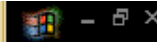
USA Airfare



Australia / S.
Pac Airfare



Mexico Airfare



New Travelers
Start Here **TravelBids**



New Agents
Start Here



Best of Past
Auctions



Registered Travelers
Check Listings



Frequently Asked
Questions



Registered Travelers
Enter Listings



Quick Listing
Form

Express

Last 50



TravelBids



Welcome To TravelBids!

Tuesday, March 14, 2000

TravelBids is an on-line auction that allows travelers to save money by getting bids from many travel suppliers. It is good for air travel, resorts, and cruises -- for any dates of travel, any class of service, and any room category.

Travelers: if you are in a hurry you may enter a Full-Service Listing without registering first. Just click on our Quick Listing Form.

Travelers and Suppliers: to view all current listings or to place bids fast, just click on the Express button to the left.

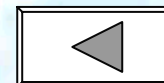
Scroll down for more...

Are you new on the Internet? Don't worry – it's easy! For tips: [CLICK HERE](#)

What is a "Reverse Auction?" [CLICK HERE](#)

Comparison between TravelBids and PriceLine: [CLICK HERE](#)

New Features: [CLICK HERE](#)





All Times (Listed)

Results for:

Leave: **All Times**
New York, NY (JFK)
Fr, Dez 15 2006
Return: **All Times**
Los Angeles, CA (LAX)
Fr, Dez 22 2006
Adults: 1 [Change Search](#)

Select Times (Grid)

[Learn more about List View](#)

Fare Prediction



Lowest fares dropping \$50
on average within the next 7 days
Confidence: 57%
Tip: Wait.

Fare History



Not ready to buy? Set up a Fare Alert for this trip.

Fare Alert

Refine Results [[Reset](#)]

Showing 345 of 345 options

▼ **Price Range**



▼ **Stops**

- 0 \$649
- 1 \$507
- 2+ -

▼ **Airlines** [Compare](#)

- Alaska \$649
- America West \$516
- American \$529
- Continental \$625
- Delta \$573
- Northwest \$706
- US Airways \$507
- United \$614
- Multiple Carriers \$520

Price ▼	Airline	Airport	Departs	Arrives	Stops
\$507 usairways.com	US Airways flight details	JFK>LAX LAX>JFK	8:30p 9:43a	12:04a 7:20p	0 6h 34m 1 6h 37m
\$507 usairways.com	US Airways flight details	JFK>LAX LAX>JFK	8:30p 2:05p	12:04a 12:01a	0 6h 34m 1 6h 56m
\$507 usairways.com	US Airways flight details	JFK>LAX LAX>JFK	8:30p 3:30p	12:04a 1:48a	0 6h 34m 1 7h 18m
\$507 usairways.com	US Airways flight details	JFK>LAX LAX>JFK	8:30p 8:45a	12:04a 7:20p	0 6h 34m 1 7h 35m
\$507 usairways.com	US Airways flight details	JFK>LAX LAX>JFK	8:30p 12:24p	12:04a 12:01a	0 6h 34m 1 8h 37m
\$507 usairways.com	US Airways flight details	JFK>LAX LAX>JFK	8:30p 2:05p	12:04a 1:48a	0 6h 34m 1 8h 43m
\$507 usairways.com	US Airways flight details	JFK>LAX LAX>JFK	8:30p 7:30a	12:04a 7:20p	0 6h 34m 1 8h 50m
\$507 usairways.com	US Airways flight details	JFK>LAX LAX>JFK	8:30p 6:45p	12:04a 6:50a	0 6h 34m 1 9h 5m
\$507 usairways.com	US Airways flight details	JFK>LAX LAX>JFK	8:30p 11:05a	12:04a 12:01a	0 6h 34m 1 9h 56m
\$507 usairways.com	US Airways flight details	JFK>LAX	8:30p	12:04a	0 6h 34m

Planning Tools

[Track this trip with RSS](#)

[Flexible? Fares from \\$279](#)

Sponsored Links

Los Angeles Hotels

[Book a Hotel in Los Angeles, CA](#)
Great deals when you book a choice of hotels in Los Angeles, CA.
[www.world-hotel-bookings...](#)

[Hotels in Los Angeles, CA, CA](#)
Great rates on Los Angeles hotels. Plan your vacation today.
[arestravel.com](#)

[Los Angeles, CA Vacation Travel](#)
Go-California.com travel guide has information on hotels, activities....
[www.go-california.com](#)

[Los Angeles Hotels On Concierge.com](#)
Huge travel resource for Los Angeles hotels. Find deals, guides, helpful...
[www.concierge.com](#)


Sponsored Links

Example

New York, NY (JFK) to San Francisco, CA (SFO)
 Thu, Dec 20, 07 - Thu, Dec 27, 07 | 1 adult [Change Search](#)

Deals from JFK: \$139 **JFK-SFO from: \$279**


7-Day Low Fare Prediction



Tip: Buy
 Fares Rising \$50+ Confidence: 71%

[Track Fares](#)

Daily Low Fare History



Narrow Results By [Show All](#)
 Showing 370 of 370 options

▼ **Stops**

Non-stop 1 2+

\$419 **\$389** -

▼ **Times**

Leave: Take-off Land

05:30a 9:07p

Return: Take-off Land

12:35a 11:11p

Compare Forecast to:


[Search](#)


[Search](#)


[Search](#)



[Search](#)


[Search](#)

List View Time Grid Prediction & History Details

Price ▼	Airline	Airports	Take-off - Land	Stops	Duration
\$389 Select	Multiple Airlines	JFK>SFO	8:00a - 1:47p	1	8h 47m econ
		SFO>JFK	10:15p - 6:40a	0	5h 25m econ
\$389 orbitz.com flight details ▶					
\$389 Select	Multiple Airlines	JFK>SFO	8:00a - 3:11p	1	10h 11m econ
		SFO>JFK	10:15p - 6:40a	0	5h 25m econ

Sponsored Links

 **Flights to San Francisco**

[AA.com- Holiday Fare Sale](#)
 Fares Starting at \$112
 Round-Trip. Taxes, Fees, & Restrictions Apply.
[www.AA.com](#)

[San Francisco Flights](#)
 JetBlue: Low Fares to San Francisco. Get DIRECTV and Leather Seats.
[www.jetblue.com](#)

[Flight to San Francisco](#)
 Compare cheap flights from 40+ major airlines & bargain travel sites.
[www.BookingBuddy.com](#)

[Flights to San Francisco](#)
 Find Flights Under \$200 RT.

... taken over by Microsoft and renamed Price Predictor

bing Beta

TRAVEL

TRAVEL » FLIGHTS 1-15 of 282 results

Boston, MA (BOS) to Los Angeles, CA (LAX)

Mon, 4/5 - Mon, 4/12 | 1 adult | [Change search](#) | [Track fares](#)

PRICE PREDICTOR FARE HISTORY

Tip: Buy Confidence: 69%
 Fares rising or steady High volatility

Price* ▲	Airline	Airports	Leave - Arrive	Stops Duration
\$255 Select	Multiple Airlines	BOS>LAX	6:00a - 10:55a	1 7h 55m econ
		LAX>BOS	10:20p - 8:33a	1 7h 13m econ
⊕ Flight details				
Book with: \$255 orbitz.com				
\$255 Select	Multiple Airlines	BOS>LAX	6:00a - 10:55a	1 7h 55m econ
		LAX>BOS	10:20p - 9:45a	1 8h 25m econ
⊕ Flight details				
Book with: \$255 orbitz.com				
\$255 Select	Multiple Airlines	BOS>LAX	6:00a - 10:55a	1 7h 55m econ
		LAX>BOS	10:20p - 10:50a	1 9h 30m econ

CATEGORIES

- Flights
- Flexible Search
- Hotels
- Airfare Deals
- Destinations

Show all

☑ STOPS

- Non-stop \$259
- 1 \$255
- 2+ —

☑ TIMES [View in grid](#)

Leave: Depart | Arrive
 05:30a 8:25p

Return: Depart | Arrive
 12:25a 11:59p



Right now 455 active co-buys

[Member Account](#)

[Help and Information](#)

Find a product

CATEGORIES

- Baby, Kids & Toys
- Cars, Bikes & Accessories
- Computer & IT
- Fashion & Beauty
- Home & Garden
- Home Electronics
- Sports & Leisure
- Domestic Appliances

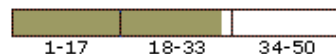
Suggest a Product

AT YOUR SERVICE

- Help and Information
- Contacting Us
- Co-Buying Basics
- Online Security
- Terms and Conditions

Shopping together for strength in numbers

As the number of buyers goes up



The price goes down and down!



At **LetsBuyIt.com**, we all work together to drive down prices. We call it **co-buying**, the smart way to shop.

Join thousands of members in the United Kingdom and across Europe who use LetsBuyIt.com to push down prices through group-buying power. **VAT is included and delivery is free!**

Become a member today - it costs nothing!

✉️ [Tell a friend about us!](#)

Win a BMW C1 scooter

Register with LetsBuyIt.com and you could win a BMW C1 in our free prize draw. If you're already a member simply **log on now** to enter. Find out **more about** this sensational scooter which has hit Britain's streets.



You've won an award



At the prestigious NewMediaAge Awards, **LetsBuyIt.com** won 'Best European Retail Site' and scooped the coveted Y2K Grand Prix Award. And it's all thanks to you, our members.

The DC04 Absolute - bagless technology at its best



Vacuum Cleaner: Dyson DC04 Absolute

End date: 18 June
Maximum Savings: £40
Current Price: £210
Best Price: £210

[→ Read more](#)

Nice bod - popular pants



Not long left on this baby!



REGISTER NOW

Our community

LetsBuyIt.com members

686 876

Products delivered in Europe

186 686

Countries co-shopping

14



Most popular

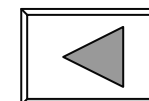
1. **Webcam: Creative Video Blaster 3 USB**

2. **CD Mini System: JVC Adagio J530R**

3. **Quad Bike: Suzuki, LT80**

4. **Carrier: BabyBjorn, navy tartan**

5. **Personal Computer: ExTech 500Mhz 32Mb, tower system**



Priceline

priceline.com[®] NEW iPhone negotiator app NEW priceline rewards Visa card

flights | hotels | rental cars | vacation packages | cruises | tours & attractions | pricebreaker deals | travel guides | groups

shop for discount travel new to priceline?

flights | hotels | cars | vacations | cruises

package and save up to \$325:
 flight only
 flight + hotel
 flight + hotel + car

NO BOOKING FEES + NO CHANGE OR CANCEL FEES!
 on all published price flights [details](#)

from (city or airport) to (city or airport)

departing returning

number of tickets seating class

search now!

more search options:
[> one way](#) [> multi-city](#) [> by airline](#)

name your own price[®] - get deeper discounts

save up to save up to save up to

freshly negotiated travel deals

- jetblue sale: flights from \$39 one way*
- last minute pricebreaker deals
- caribbean cruises from \$179!

CRUISE MEGA SALE
 FREE HOTEL STAYS & MORE!

go

flight deals for you

my travel deals for you

my deals | my rewards

Flight deals you might like:

New York City to Las Ve...	\$212	→	--
New York City to Los An...	\$212	→	--
New York City to Miami	\$152	→	--

Biztravel.com ... a Rosenbluth company

biztravel.com Features

FareGuard

It's happened to everyone: you book a flight and then you hear about a significantly cheaper fare on the same route. With most web sites and travel agencies, you'd never even hear about the lower fare - and the money you could save. But you'll never experience that frustration again when you book a flight on biztravel.com thanks to our new patent-pending technology, FareGuard .

How does FareGuard work? After you book a flight, our exclusive FareGuard technology will automatically check the reservation system for cheaper fares every day until the day before your scheduled departure.

Does FareGuard only check for changes? FareGuard will even identify cheaper flights at alternate times on the same day you're scheduled to travel.

What about fees for changing tickets? FareGuard will take into account all change or cancellation fees. In many cases, booking flights will save you \$25 or more after paying change fees.

How will I be notified? We will e-mail you when we find a better fare. This e-mail will also tell you how to contact the airline.

Will you rebook me automatically? No, we will only rebook you if you give us your permission.

Is this service available for all airlines? Yes, it is available for all airlines that use our Reservation System.

"Refunds for delayed flights"

Innovative compensation scheme for

delayed flights on selected airlines.

Phil Rosenbluth

argues, he would rather invest in

compensating travelers than in advertising.

“AmEx announced on July 15 2003 it would buy the family-held Rosenbluth, which last year had more than \$3 billion in revenue. American Express, which had \$15.5 billion in travel-related revenue last year, said the deal would give it greater reach globally, upgraded technology and provide customers greater economy of scale.”

<http://www.bizjournals.com/philadelphia/stories/2003/08/18/n>

ewscolumn4.html

Pricing Models: Innovations (1)

<p>Customer characteristics Weblining</p>	<p>Micro-segmentation based on customer profiling (Weblining)</p> <p>Differential pricing is opaque for the customer, market participants do not have access to comprehensive price information.</p> <p>Or they cannot change their characteristics ...</p>
<p>Product features, e.g. a) Lufthansa auction b) TravelBids</p>	<p>Product characteristics are defined by supplier (a) or customer (b).</p> <p>Dynamic price building driven by competing customers (a) or travel agents (b).</p>

Pricing Models: Innovations (2)

<p>Sales volume, e.g. Accompany, Letsbuyit</p>	<p>Initiative and responsibility for demand pooling are shifting from suppliers or vendors to intermediaries or customers</p> <p>However difficult to apply to airline tickets because the reference group for any single flight is fairly small.</p>
<p>Customer utility, e.g. a) Rosenbluth b) Priceline</p>	<p>Differentiation of service fees, high degree of price and cost transparency. Customer is enabled to influence the price by selecting the service level (customer-initiated service customization).</p> <p>Technology is used to support travel management and in particular customer processes.</p> <p>Customers express their individual valuation of products and services.</p>

Agenda

1. The concepts of dynamic/ flexible pricing

2. Pricing models – pricing strategies

3. Web impact on pricing models

Technology: Web Impact on Pricing Models

- The Web as global computer-mediated communication environment is a **precondition** for the emergence of efficient micro-segmentation pricing models based on flexible pricing and negotiations about product attributes.
- It facilitates **low signalling cost** and **reduced time** on the suppliers' and the customers' side, and it enables last minute allocation of products and services.

Visibility of yield management (Lufthansa)

Duesseldorf (DUS) to Los Angeles (LAX) ?

Lowest Price¹ Change dates
















	Returning Sat 17 Apr	Returning Sun 18 Apr	Returning Mon 19 Apr	Returning Tue 20 Apr	Returning Wed 21 Apr	Returning Thu 22 Apr	Returning Fri 23 Apr
Departing Wed 14 Apr	<input type="radio"/> € 2390	<input type="radio"/> € 688	<input type="radio"/> € 605	<input checked="" type="radio"/> € 586	<input type="radio"/> € 605	<input type="radio"/> € 605	<input type="radio"/> € 610
Departing Thu 15 Apr	<input type="radio"/> € 2377	<input type="radio"/> € 688	<input type="radio"/> € 605	<input checked="" type="radio"/> € 586	<input type="radio"/> € 605	<input type="radio"/> € 605	<input type="radio"/> € 610
Departing Fri 16 Apr	<input type="radio"/> € 2377	<input type="radio"/> € 694	<input type="radio"/> € 611	<input type="radio"/> € 592	<input type="radio"/> € 611	<input type="radio"/> € 611	<input type="radio"/> € 616
Departing Sat 17 Apr	<input checked="" type="radio"/> € 2409	<input type="radio"/> € 694	<input type="radio"/> € 611	<input type="radio"/> € 592	<input type="radio"/> € 611	<input type="radio"/> € 611	<input type="radio"/> € 616
Departing Sun 18 Apr	-	<input type="radio"/> € 2409	<input type="radio"/> € 2377	<input type="radio"/> € 2377	<input type="radio"/> € 2396	<input type="radio"/> € 2377	<input type="radio"/> € 2377
Departing Mon 19 Apr	-	-	<input type="radio"/> € 2409	<input type="radio"/> € 2377	<input type="radio"/> € 2396	<input type="radio"/> € 2377	<input type="radio"/> € 2377
Departing Tue 20 Apr	-	-	-	<input type="radio"/> € 2409	<input type="radio"/> € 2396	<input type="radio"/> € 2377	<input type="radio"/> € 2377

[New search](#) → Continue

Visibility of yield management (cntd.)

	Lowest Price 	Prices for other flights	Fare rules and Currency converter
Economy Saver	<input checked="" type="radio"/> € 592	<input checked="" type="radio"/> € 592 - € 2962	Changes and refund not permitted.
Economy Basic Plus	<input type="radio"/>	<input type="radio"/> € 772 - € 3154	Changes permitted: max. EUR100. Refund permitted: max. EUR150.
Economy Flex	<input type="radio"/>	<input type="radio"/> € 2377 - € 5309	Flexible and refundable.

2 Select from the flights available. Flights will be priced at the top and the bottom of the page. ?

From				Price ¹⁾	Returning			
Duesseldorf (DUS) to Los Angeles (LAX): Sat 17 Apr				- for 1 adult	Los Angeles (LAX) to Duesseldorf (DUS): Tue 20 Apr			
Departure	Arrival	Flight	Duration		Departure	Arrival	Flight	Duration
<input type="radio"/> Duesseldorf 06:30	Frankfurt 07:25	LH803 	15h10	<input checked="" type="radio"/>	Los Angeles 06:00	Chicago, O'Hare International 11:55	LH9167  Operated by United Airlines	16h25
Frankfurt 10:05	Los Angeles 12:40	LH456 			Chicago, O'Hare International 16:15	Duesseldorf 07:25+1	LH437 	
<input type="radio"/> Duesseldorf 06:50	Zurich 08:10	LH5072  Operated by Swiss	18h50	<input type="radio"/>	Los Angeles 09:00	Chicago, O'Hare International 15:03	LH9401  Operated by United Airlines	13h25
Zurich 13:10	Los Angeles 16:40	LH5176  Operated by Swiss		<input type="radio"/>	Chicago, O'Hare International 16:15	Duesseldorf 07:25+1	LH437 	
<input checked="" type="radio"/> Duesseldorf 06:55	London, Heathrow 07:25	LH4770 	15h19	<input type="radio"/>	Los Angeles 15:00	Frankfurt 10:45+1	LH457 	13h45
London, Heathrow 10:05	Los Angeles 13:14	LH9342  Operated by United Airlines		<input type="radio"/>	Frankfurt 13:00	Duesseldorf 13:45	LH806 	
<input type="radio"/> Duesseldorf 07:25	Zurich 08:35	LH3760 	18h15	<input type="radio"/>	Los Angeles 19:25	Zurich 15:45+1	LH5177  Operated by Swiss	14h40
Zurich 10:05	Los Angeles 13:14	LH5176  Operated by Swiss						

Hin- und Rückflug



Multiple carriers
from € 1084.55



Air New Zealand
from € 1095.54



Multiple carriers
from € 1099.57

bmi

British Midland
from € 1323.94

bmi bmi

Multiple carriers
from € 1337.94

Düsseldorf (DUS) nach Los Angeles, CA, USA (LAX)

Traveljungle.de

Expedia.de

Opodo.de

	Alle Ergebnisse	Air New Zealand	Lufthansa	Swiss International Air Lines	Delta	Air France
Direkt/Non-Stopp	---	---	---	---	---	---
1 Stopp	ab €1080 siehe unten	ab €1080	ab €1080	ab €1516	ab €1687	ab €1697
2+ Stopps	ab €1733 siehe unten	---	ab €1964			

Günstige Flüge nach Los Angeles

	Direktflug	1+ Stopp(s)
Air New Zealand	---	€ 1.095,54
bmi	---	€ 1.333,92
SWISS	---	€ 1.531,53
Air France	---	€ 1.687,72
DELTA	---	€ 1.692,70
KLM	---	€ 1.721,44
British Airways	---	€ 1.834,97
Lufthansa	---	€ 1.966,94

Bitte haben Sie einen Augenblick Geduld!

Mr. „TJ“ kämpft sich gerade durch den Tarifdschungel und sucht nach den besten Preisangeboten bei ca. 500 Airlines und rund 1,5 Mio. Tarifen. Er ist schnell und wird Ihnen bereits in max. 60 sec. seine Ergebnisse darstellen.



Emirates8 Flugpreise ab 10703.27 EUR

Insgesamt: 8 Flugpreise

Players: Intermediaries ...

- reduce coordination and communication **cost** for buyers and sellers,
- generate **volume** for the suppliers,
- **pool** homogeneous **demand** in order to give individual customers access to suppliers' volume discounts,
- improve the **likelihood of order fulfilment** for the customers,
- separate or even **isolate the coordination mechanism** from other sales and distribution channels and by this way limit spill-over effects of price discounts, and
- operate with varying levels of **transparency**.

Benefits and Risks of Dynamic Pricing

... depend on the actors' perspective:

Suppliers	... benefit from additional revenues, ... face challenge of efficient combinations of pricing/ matching mechanisms ... risk channel competition
Intermediaries	... benefit from sales commissions and potentially advertising or collaboration revenues, ... risk disintermediation
Customers	... benefit from low price offers, increased transparency and customisable service offerings, ... risk inconvenience and uncertainty.

Future Developments ... From Pricing to Efficient Allocation?

- ***Customer-driven specification of service attributes***
In addition to specifying fixed attribute combinations, intermediaries can assist customers to specify trade-off functions (alternative parameter settings combined with different prices) which allow suppliers to respond even more flexibly.
- ***Customer preference signalling and response***
While we have discussed different signalling solutions with more or less fixed offers, the communication platforms could be used by suppliers to signal alternatives which closely match the specification and negotiate about parameter settings, probably in multiple iterations.
- ***Customer-driven service innovation***
A further step would be to facilitate customers to specify innovative attribute combinations they would cherish or to specify their preferences and requirements for future products.
- ***New contractual models***
Pricing could be based more radically on customer value (mobility instead of car ownership, ASP instead of software etc.)