

GORBULYA Danila
KOUMARITOV Soslan

Price discrimination in the airlines companies



Introduction



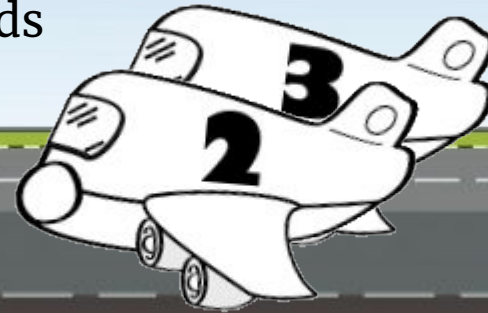
First degree discrimination

- Possible in case of a monopoly
- Seller's ability of setting the price for goods and services
- Very profitable way of making benefit



The American Case

- Decreased Number of airports
- Domestic fares increased by 5%
- Companies prefer to be dominant in fewer airports to instaurate their dominance
- Therefore they can fixate the prices they want for the goods and services



Second degree discrimination

The seller discriminates the customers who buy small amount of the product increasing the price for them, while also reducing the price for buyers in large quantities. It can be done in two ways:

- A big group of people buy tickets for the same flight and they get a discount. There are certain requirements for that to happen, but the most important is the low expected return for the trip.
- A single customer makes a lot of trips regularly and to attract this type of customers airline companies implement frequent-flyer programs and give them many rewards for this program such as discount for a plane ticket, which is a type of price discrimination.



Third degree discrimination

The seller discriminates the customer according to their purchasing power: the poor pay less, the rich pay more. To do that the airline company segregates its customers into different segments within the same travel class. A good example of that is a Sunday Rule.

The Sunday Rule: business travelers don't stay for the weekend at their destinations. So, the companies decided to increase the price of the return tickets at the end of the working week, when most of the businessmen are coming home thus discriminating other customers who might buy ticket at the same time. But also the companies reduce the price of return ticket on Sunday for the tourists coming back during the weekend thus discriminating against businessmen and people who take return tickets before the weekend.



Conclusion



Thank you for attention!

Sources:

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