Chapter 4 Fundamentals of Pricing and Revenue Management

Home Work: IAD-DEN, United Airlines example provided

1. For IAD-BOS, Jet Blue (B6)
   a. Find the optimum prices to segment price-demand curve into three segments
      i. Select IAD-BOS itineraries for Jet Blue (B6)
      ii. Sort descending for Market Fare
      iii. Paste Data into worksheet “solver problem to pick 3 prices”
      iv. Make sure “segmented revenue” column calculates for all rows of new data
      v. Enter 0 in for three prices cells s2, s3, and s4.
      vi. Open solver
      vii. Maximize cell s7
      viii. By changing cells $S$2:$S$4
      ix. Subject to:
          1. s2>s3
          2. s3>s4
          3. s4>0
      x. select solve
      xi. save results

   b. Plot single price segment vs. Segment Revenue for IAD-BOS itineraries for Jet Blue
      i. Paste Data from 1 iii (above) into “Total Rev vs price analysis” worksheet
      ii. Make sure columns O through BB are calculated for new rows of data
      iii. Plot single price segment vs. Segment Revenue for IAD-BOS itineraries for Jet Blue (N1:BB2)

   c. Plot Demand vs. Price curve for IAD-BOS itineraries for Jet Blue
      i. Update “fare 50” column for new data in “solver problem to pick 3 prices” worksheet
      ii. Plot demand (Y axis) versus price/ fare 50 (x-axis) for IAD-BOS itineraries for Jet Blue
      iii. Paste Data into worksheet “solver problem to pick 3 prices”

2. For IAD-BOS, Jet Blue (B6)
   a. Plot AU Booking strategy for CAP = 147 aircraft
      i. Update worksheet “AU calculations” with new CAP
      ii. Plot AU for STD 0 to .3 in .01 increments and NSR of 5%, 10%, 15%, 20%, 25%, 30%