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Airlines' Pricing Strategies and O-D Markets: Theoretical and Practical Pricing Strategies

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ABSTRACT :

Marketing strategies are equally crucial as engineering innovations for the long-term success of airlines. Within the framework of the marketing mix, pricing stands out as a key factor in enabling airlines to grow their presence in the competitive air travel sector. Despite the importance of competitive fare offerings, dedicated academic research focusing on airline pricing remains limited. Most scholarly work emphasizes the broader 4Ps of marketing rather than delving deeply into pricing mechanisms alone. This research focuses on exploring the pricing strategies and origin-destination (O-D) dynamics of full-service carriers (FSCs) and low-cost carriers (LCCs). The objective is to uncover how these carriers craft their pricing models to stay ahead in a rapidly changing and competitive environment. The study finds that airlines strategically segment demand by offering varied fare options and associated conditions to appeal to travelers with different levels of willingness to pay (WTP). To maintain this segmentation, carriers implement specific rules and restrictions on lower fare categories—acting as "fences"—to deter high- WTP passengers from purchasing discounted tickets.

Introduction

Significant advancements in aviation occurred in the early 20th century, driven by the development of innovative aircraft and technological progress. During the first world war, airplanes proved to be crucial military assets, and their use in early airmail services demonstrated the feasibility of commercial aviation (faa, 2017). Post-world war ii, particularly in the 1940s, the aviation sector underwent substantial growth and modernization (rapp, 2000; mamo, 2015). Today, the industry is evolving at a rapid pace, with one of the main challenges being the alignment of passenger expectations with actual service experiences (rafati & shokrollahi, 2011). Moreover, intermediaries have become increasingly important in facilitating interactions between airlines and their customers (bilotkach & rupp, 2014). As companies expand globally, gaining insights into diverse consumer preferences has become essential (young & javalgi, 2007).

Understanding diverse passenger needs and behaviors allows airlines to better formulate their marketing strategies (aksoy et al., 2003). Modern marketing is a broad discipline that involves much more than advertising—it includes a holistic approach to identifying and satisfying customer demands (pride & ferrell, 2008; perreault et al., 2012). Among the many factors that influence consumer decisions, price sensitivity is particularly influential (astutia et al., 2015; abdelhady et al., 2019). A study by iata economics (2016) identified ticket

Cost (37%), flight timing (17%), and onboard experience (16%) as the most critical factors in fostering passenger loyalty.

In contemporary aviation markets, pricing has emerged as the most adaptable and frequently modified element of the marketing mix. It serves as a principal source of revenue while also responding swiftly to shifts in market dynamics (gábor, 2010; lee & carter, 2012). Unlike other aspects of marketing, which often pertain to costs, pricing is a flexible tool that plays a central role in competitive strategy (avlonitis, 2005). As a result, pricing continues to pose a complex and ongoing challenge for airline management, demanding careful strategic planning and adaptability (donnelly & harrison, 2010; cho et al., 2009).

Budget airlines, also known as low-cost carriers (lccs), have been effective in drawing in cost- sensitive customers by providing affordable travel options that appeal to price-driven segments of the market according to several studies, low-cost carriers have managed to appeal to price-sensitive passengers by focusing on delivering essential services at reduced fares, making them a preferred option for budget-conscious travelers (pels & rietveld, 2004; sai et al., 2012; rajaguru, 2016).. Nonetheless, these carriers frequently struggle to cultivate long-term loyalty among their customer base (chacon & mason, 2011; rajaguru, 2016). To remain viable in a highly competitive environment, airlines must emphasize operational excellence, adopt robust business Strategies, and pursue continuous Innovation (fedosova, 2016).

The deregulation of the u.s. Airline industry in 1978 marked a significant shift, spurring heightened competition (driver, 2001; button & ison, 2008; gross & lück, 2011). Similar policy changes were introduced within the european union during the 1990s (schnell, 2003; knorr & ţigová, 2004; civil aviation authority, 2006; graham & shaw, 2008; diaconu, 2012). These reforms contributed to a more competitive market environment (banerjee & kanathia, 2006; vidović et al., 2006; fageda et al., 2011; acar & karabulak, 2015; bergantino & capozza, 2015), which led to a notable decline in airfare prices and considerable expansion in airline operations across both the u.s. And europe (karivate, 2004).

Literature Review

Theoretical Pricing Strategies

The air transportation sector has experienced sustained growth over time. Factors such as globalization, international expansion, and evolving market dynamics have significantly increased passenger volumes. The rise in trade agreements and the growth of cargo services have contributed to increased mobility among business travelers, while leisure travel behavior has also undergone notable shifts. It is widely recognized that airlines implement various forms of price discrimination to target customers based on their differing willingness to pay (Puller & Taylor, 2013). Theoretical pricing models generally include the following strategies:

Demand-Based Pricing

Different demand segments and origin- destination (O-D) markets exhibit varying levels of price sensitivity, which airlines analyze to adjust fares accordingly and enhance overall revenue. This strategy operates on the assumption that while some travelers are prepared to pay high prices for the advantages of air travel, others are only motivated to fly if fares are significantly lower.

This method, known as demand-based pricing, centers on how much a customer is willing to pay, typically illustrated by the price-demand curve within each O-D market. Notably, these pricing disparities are not driven by differences in the operational costs associated with serving each segment. Instead, they reflect variations in demand elasticity and customer willingness to pay. Economists commonly refer to this strategy as a form of strict price discrimination (Wensveen, 2012).

Cost-Based Pricing

Operating a scheduled flight regardless of the number of passengers on board means that many costs—such as aircraft ownership, crew wages, and even fuel—are generally treated as fixed across a specific flight schedule. As a result, the extra cost of accommodating one additional passenger is minimal, usually limited to items like an extra meal and a small increase in fuel consumption.

In microeconomic theory, the concept of marginal cost pricing suggests that prices should match the cost of producing one additional unit of output. While this is considered an ideal scenario in perfectly competitive markets, such conditions rarely exist in real-world industries. For airlines, many short-term operational costs are effectively fixed, making it impractical to recover total expenses under a strict marginal cost pricing model, where only the marginal cost of an added passenger is considered.

An alternative is *average-cost pricing*, in which airline calculates prices based on average operating expenses across the entire network, typically measured per flight or per available seat kilometer (ASK). This method does not account for variations in cost across different origin- destination markets. Consequently, smaller markets may benefit from lower, subsidized fares, while larger, high-density markets—where airlines operate more efficiently with larger aircraft—may face comparatively higher prices (Wensveen, 2012; Abdelhady et al., 2018).

Service-Based Pricing

In both theory and practice, the concept of fare differentiation extends well beyond the traditional division between first class and economy class. Unlike pricing based purely on demand, service-based pricing takes into account the varying costs associated with delivering different levels of service. Since enhanced services typically incur higher production costs for the airline, this approach is not classified as price discrimination.

PRICING STRATEGIES OF FSCs

Across various industries, companies adopt numerous strategies to better understand consumer behavior and optimize profits from their products and services. This strategy enabled airlines to operate independently without relying on government subsidies (Wetzelaer, 2013; Belova, 2015) and has since been widely adopted by carriers globally (Belova, 2015).

Full-service carriers (FSCs) typically provide a variety of cabin classes—including first, business, and economy—with differing fare rules and booking restrictions (Klein & Loebbecke, 2003; Snyder & Tai, 2012; Belova, 2015). Within each cabin and reservation class, price differentiation allows airlines to charge varying fares based on passenger profiles and purchase conditions (Fedorco & Hospodka, 2013; Belova, 2015). At the core of RM lies this concept of discriminatory pricing.

The practice of unbundling—charging separately for services that were once included in base fares—has added another layer to RM strategies (R.W. Mann, 2011). RM now focuses on maximizing revenue by adjusting fares in real-time and managing seat availability (CNN, 2017). Many FSCs also introduce last-minute fare deals, either directly or via intermediaries.

Rather than offering one flat fare and letting price alone dictate demand, modern RM strategies allocate seating across multiple fare classes (Koenigsberg et al., 2008). As departure dates approach, ticket prices often rise, signaling limited availability and creating a sense of urgency for travelers. This strategy also assures passengers that prices won't drop further, encouraging earlier booking.

Historically, in the U.S., the Civil Aeronautics Board (CAB) regulated fares using a mileage- based pricing formula, ensuring passengers paid the same fare for equivalent distances.

For instance, someone flying nonstop from Boston to Seattle would be charged the same as another traveler flying from Boise to Miami with two connections—despite differing costs and demand levels on each route. This standardized pricing didn't account for the higher per- passenger cost of operating flights on less dense routes using smaller aircraft.

Today, pricing in origin-destination (O-D) markets may not align with distance or operating costs. Airlines often adjust prices to remain competitive against low-cost carriers, even if that means setting fares independently of cost or distance. High-demand routes may see lower fares due to efficiency and competition, while lower-volume markets might face higher prices despite similar distances, due to higher operational costs.

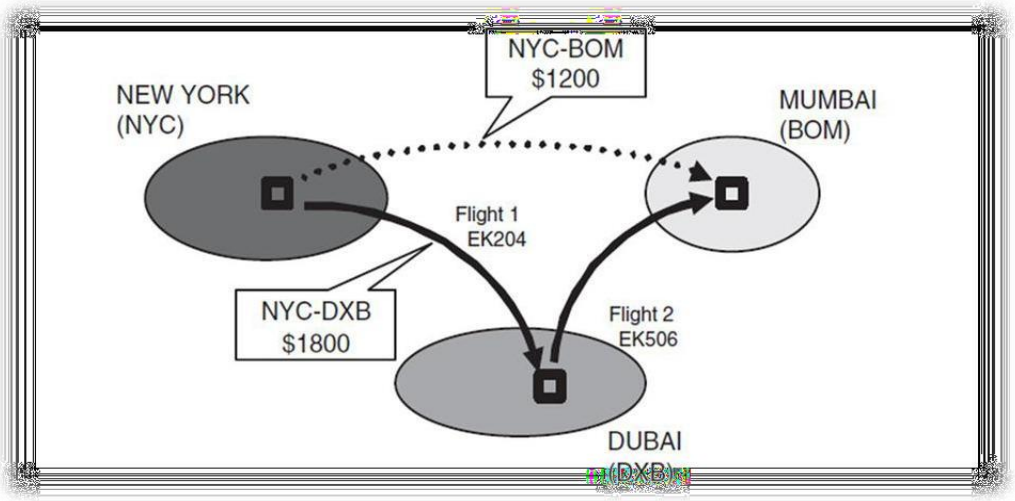


Figure1. O-D Market Price Differences

PRICING STRATEGIES OF LCCs

The dynamic pricing model adopted by low-cost carriers (LCCs) is widely recognized as a method of price discrimination, particularly between business and leisure travelers on the same route (Salanti et al., 2012). Price plays a critical role for LCCs in their efforts to gain market share (Poh et al., 2011), and these airlines have become formidable players in the global aviation industry (Beltran, 2014; ELFAA, 2015).

Prominent LCCs like EasyJet and Ryanair in Europe, along with Southwest and JetBlue in the United States, have significantly disrupted traditional airline pricing structures (Koenigsberg et al., 2008; Forgas et al., 2010; Lordan, 2014). A major feature of LCC pricing is the separation—or unbundling—of services traditionally included in the ticket price. These may include inflight amenities, booking, and check-in, which are now offered as optional extras for an additional fee.

The growing adoption of this model underscores its effectiveness (Whyte & Randall, 2014). While only a few LCCs actively segment the market based on consumers' willingness to pay, many follow a simplified structure: offering one base fare per departure time, with prices increasing closer to the flight date. Their tickets are typically sold as one-way and are often non- refundable (Civil Aviation Authority, 2006; Francisa et al., 2004; Kim & Lee, 2012; Fedorco & Hospodka, 2013). Changes to bookings may be disallowed altogether or subject to fees (Civil Aviation Authority, 2006; Fedorco & Hospodka, 2013).

The LCC model aimed to cater to a price- sensitive customer segment that had previously been unable to afford air travel. This approach, characterized by minimal service and low fares, opened up the skies to a broader audience. The foundation of this business model lies not just in offering low prices but in maintaining low operational costs, making affordability feasible.

Research Methodology

This study focuses on analyzing the pricing strategies and origin-destination (o-d) markets of full-service carriers (fscs) and low-cost carriers (lccs). These routes are operated by carriers such as air france, alitalia, british airways, iberia, lufthansa, turkish airlines, egyptair, and air arabia.

To conduct the study, passenger booking data were sourced from the galileo global distribution system (gds), one of the leading gds platforms used by both airlines and travel agents for ticket reservations and related services. While many of these carriers have roots in government ownership, they now operate in increasingly competitive environments, particularly following the liberalization of the airline industry that began with the u.s. Airline deregulation act of 1978.

Research Findings

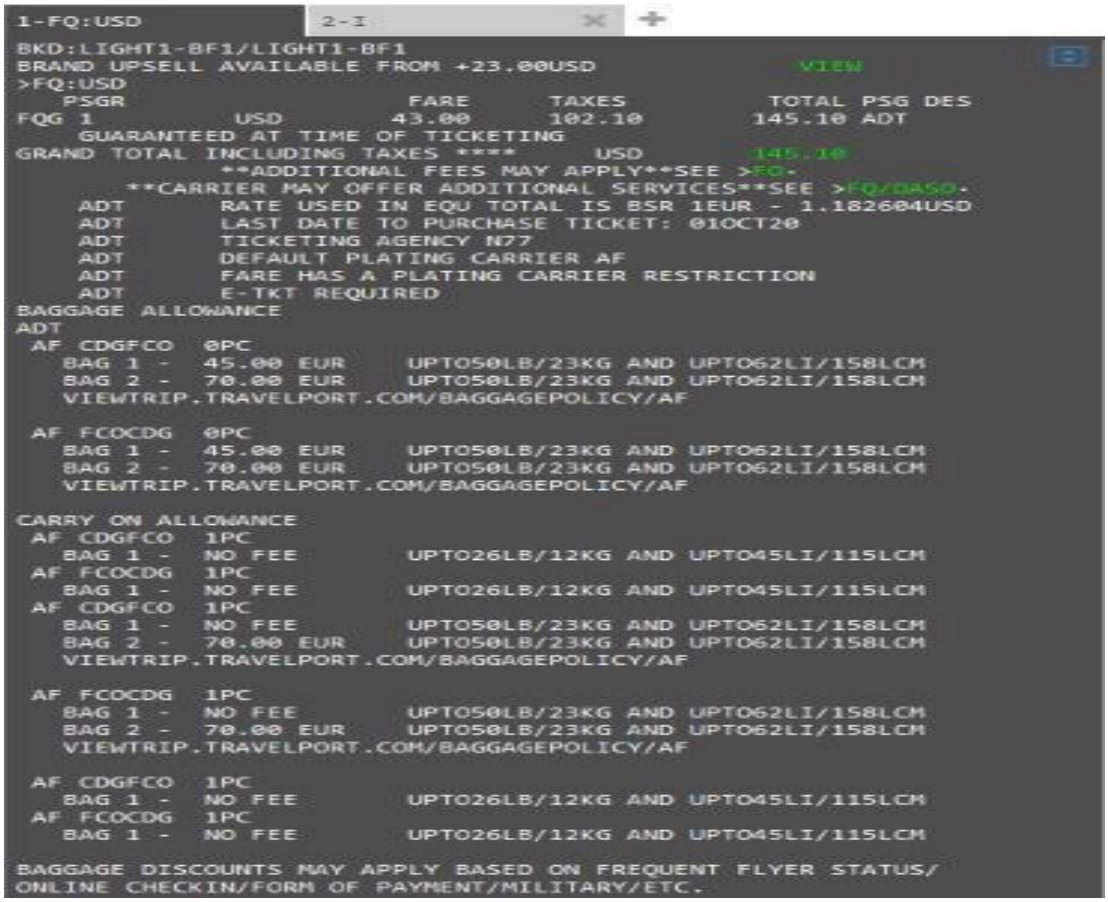
Airfare pricing often leaves travelers confused and frustrated. Questions commonly arise, such as: When is the optimal time to book a flight? Why do passengers on the same route pay vastly different fares for seemingly identical seats? Why is a round-trip sometimes less expensive than a one-way ticket? And is it reasonable that a full itinerary costs less than a shorter segment of the same route?

Such inconsistencies lead travelers to question the fairness and logic behind airline pricing, especially when shorter flights come with higher fares. In response to these concerns, this study aims to explore and analyze the pricing strategies employed by both full-service carriers (FSCs) and low-cost carriers (LCCs). The research involves tracking and evaluating airfare prices across multiple routes, time periods, and market conditions to uncover patterns and assess how these strategies impact consumers.

Pricing Strategies of Air France- Economy Class

Figure (2) highlights the fare structure and baggage policy for Air France on a round-trip economy class journey between Paris and Rome (CDG–FCO–CDG). As shown, the total ticket cost amounts to approximately 145.10 USD. For economy class travelers, the airline permits two checked bags, with each bag not exceeding 23 kilograms.

According to Air France's pricing, the fee for the first checked bag is 45 euros, while the second incurs a charge of 70 euros. Additionally, passengers are allowed one piece of cabin baggage free of charge, with a maximum weight of 12 kilograms. Notably, this carry-on item may be stored in the aircraft's cargo hold at no extra cost.



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1-FQ:USD                2-I
BKD:LIGHT1-BF1/LIGHT1-BF1
BRAND UPSELL AVAILABLE FROM +23.00USD                VIEW
>FQ:USD
   PSGR                    FARE      TAXES          TOTAL PSG DES
FQG 1          USD         43.00      102.10        145.10 ADT
    GUARANTEED AT TIME OF TICKETING
GRAND TOTAL INCLUDING TAXES ****      USD          145.10
          **ADDITIONAL FEES MAY APPLY**SEE >FQ.
       **CARRIER MAY OFFER ADDITIONAL SERVICES**SEE >FQ/BASD.
    ADT       RATE USED IN EQU TOTAL IS BSR 1EUR - 1.182604USD
    ADT       LAST DATE TO PURCHASE TICKET: 01OCT20
    ADT       TICKETING AGENCY N77
    ADT       DEFAULT PLATING CARRIER AF
    ADT       FARE HAS A PLATING CARRIER RESTRICTION
    ADT       E-TKT REQUIRED
BAGGAGE ALLOWANCE
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   BAG 1 -   45.00 EUR     UPTO50LB/23KG AND UPTO62LI/158LCM
   BAG 2 -   70.00 EUR     UPTO50LB/23KG AND UPTO62LI/158LCM
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   BAG 1 -   45.00 EUR     UPTO50LB/23KG AND UPTO62LI/158LCM
   BAG 2 -   70.00 EUR     UPTO50LB/23KG AND UPTO62LI/158LCM
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CARRY ON ALLOWANCE
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 AF FCOCDG   1PC
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 AF CDGFCO   1PC
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   BAG 2 -   70.00 EUR     UPTO50LB/23KG AND UPTO62LI/158LCM
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 AF FCOCDG   1PC
   BAG 1 -   NO FEE        UPTO50LB/23KG AND UPTO62LI/158LCM
   BAG 2 -   70.00 EUR     UPTO50LB/23KG AND UPTO62LI/158LCM
   VIEWTRIP.TRAVELPORT.COM/BAGGAGEPOLICY/AF

 AF CDGFCO   1PC
   BAG 1 -   NO FEE        UPTO26LB/12KG AND UPTO45LI/115LCM
 AF FCOCDG   1PC
   BAG 1 -   NO FEE        UPTO26LB/12KG AND UPTO45LI/115LCM

BAGGAGE DISCOUNTS MAY APPLY BASED ON FREQUENT FLYER STATUS/
ONLINE CHECKIN/FORM OF PAYMENT/MILITARY/ETC.
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Figure2. Pricing Strategies of Air France- Economy Class (CDG-FCO-CDG)

Pricing Strategies of Alitalia- Economy Class (CDG-FCO-CDG)

Figure (3) illustrates the fare and baggage policies of Alitalia for a round-trip economy class journey between Rome and Paris (FCO– CDG–FCO). The total ticket cost is shown as 140.70 USD. Economy passengers are entitled to two checked bags, each with a maximum weight of 23 kilograms.

As per Alitalia's pricing structure, the first checked bag is subject to a fee of 55 euros, while the second bag costs 75 euros. Additionally, passengers are allowed to bring one carry-on item, weighing no more than 8 kilograms. This item may be transported in the aircraft's hold at no additional charge.

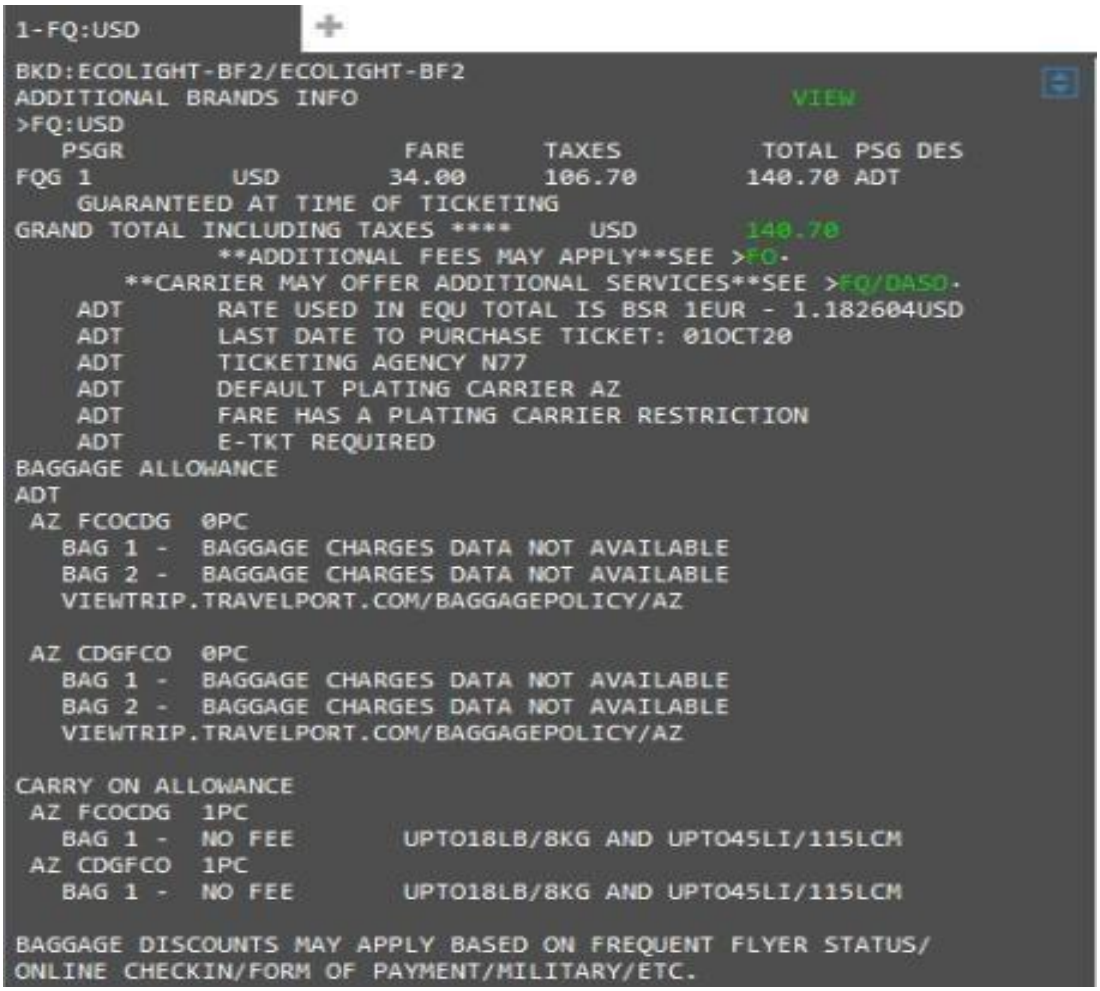


Figure3. Pricing Strategies of Alitalia- Economy Class (FCO-CDG-FCO)

Pricing Strategies of Air France and Alitalia- Economy Class (FCO-CDG-FCO)

Table (1) compares the fare structures of Air France and Alitalia, both members of the SkyTeam Alliance, for round-trip economy class travel between Paris and Rome (CDG–FCO–CDG and FCO–CDG–FCO). According to the table, Air France's round-trip ticket is priced at $145.10, while Alitalia offers a slightly lower fare of $140.70.

Each airline allows two checked bags per economy passenger, with each bag limited to a maximum weight of 23 kg. For checked baggage, Air France charges 45 euros for the first item and 70 euros for the second. In comparison, Alitalia imposes fees of 55 euros for the first bag and 75 euros for the second.

As for carry-on baggage, both carriers permit one cabin item per economy passenger, which is transported in the cargo hold free of charge. The permitted weight is up to 12 kg for Air France and 8 kg for Alitalia.

Regarding ticket flexibility, Air France allows non- refundable tickets to be reissued or rerouted without additional penalty fees. Alitalia, on the other hand, applies penalties for changes to non-refundable tickets. For both airlines, cancellations, reissues, reroutes, or revalidations are not permitted in the event of a no-show.

Additional ticket restrictions include requirements such as advance purchase, a minimum stay that includes a Saturday night, and conditions like non-refundable fares, penalties for modifications, and limited eligibility for child or infant discounts. Both Air France and Alitalia operate economy and business class cabins on the specified routes.

Table1. Pricing Strategies of Air France and Alitalia-Economy Class (CDG-FCO-CDG// FCO- CDG-FCO)

ELEMENTS OF COMPARISON	AIRFRANCE	Alitalia
AIRLINE ALLIANCE	➢ **SKY TEAM ALLIANCE**	
TOTAL FARES	➢ 145.10 USD	➢ 140.70 USD
BOOKING CLASSES	➢ ECONOMY CLASS	➢ ECONOMY CLASS
ORIGIN-DESTINATION (O-D)	➢ CDG-FCO-CDG	➢ FCO-CDG-FCO
FREE BAGGAGE ALLOWANCE	➢ 0 PC(0 KG)	➢ 0 PC(0 KG)
FREE CARRY-ON BAGGAGE **ALLOWANCE**	➢ 1PC (12KG)	➢ 1PC (8KG)
CANCELLATION CHARGES	➢ TICKET IS NON-REFUNDABLE IN CASE OF CANCEL/ NO-SHOW.	➢ TICKET IS NON-REFUNDABLE IN CASE OF CANCEL/ NO-SHOW.
NO- SHOW CHARGES	➢ CHANGES ARE NOT PERMITTED IN CASE OF NO-SHOW. ➢ CANCELLATIONSARE NON-REFUNDABLE IN CASE OF NO-SHOW.	➢ CHANGES ARE NOT PERMITTED IN CASE OF NO-SHOW. ➢ CANCELLATIONSARE NON-REFUNDABLE IN CASE OF NO-SHOW.
CHANGES CHARGES	➢ CHANGES ARE PERMITTED FOR REISSUE/ REVALIDATION.	➢ CHANGES ARE PERMITTED FOR REISSUE/ REVALIDATION.
MINIMUM STAY	➢ 3D	➢ 3D
MAXIMUM STAY	➢ 12M	➢ 12M
AIRCRAFT CABIN CLASSES	➢ ECONOMY-BUSINESS	➢ ECONOMY- BUSINESS
AIRCRAFT MODEL	➢ EQP 333/ 36(C) - 265(Y)	➢ EQP 343/ 21(C) - 227(Y)

Pricing Strategies ofBritish Airways- Economy Class (LHR-MAD-LHR)

Figure (4) outlines the fare policy of British Airways for a round-trip economy class journey between London and Madrid (LHR–MAD–LHR). As shown in the figure, the total fare for this route is $313.90 USD.

British Airways provides two complimentary checked bags for economy class passengers traveling from London to Madrid, with each bag allowed to weigh up to 32 kg. For the return journey from Madrid to London, baggage fees are applied, with charges of 85 euros for both the first and second checked bags.

Additionally, passengers are allowed one piece of carry-on luggage, which is transported in the aircraft's cargo hold free of charge. The weight limit for this carry-on baggage is 23 kg per passenger.

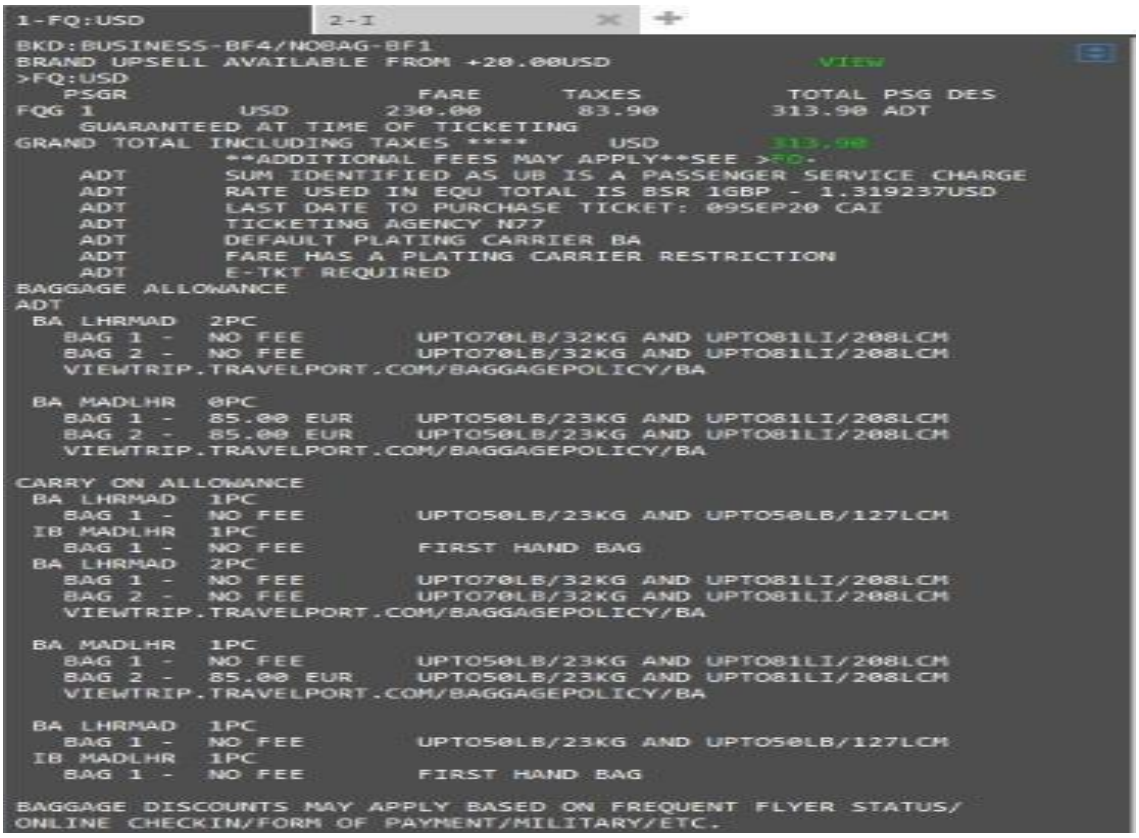


Figure4. Pricing Strategies of British Airways- Economy Class (LHR-MAD-LHR)

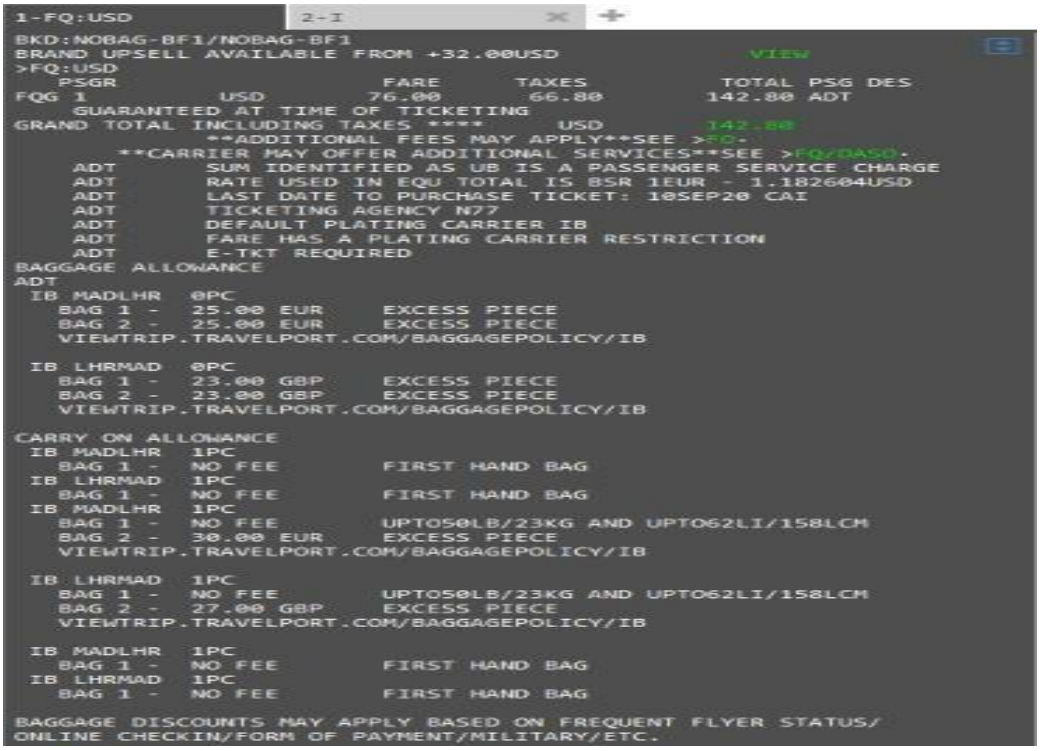
Pricing Strategies of Iberia- Economy Class (MAD-LHR-MAD)

Figure (5) highlights Iberia's pricing approach for a round-trip economy class flight between Madrid and London (MAD–LHR–MAD). Based on the figure, the total ticket cost for this route is $142.80 USD.

Economy class travelers are allowed two checked bags, each weighing up to 32 kg. The baggage fees from Madrid to London are 25 euros for both the first and second bags. For the return trip from London to Madrid, the fee for each of the two checked bags is 23 euros.

Moreover, each passenger is permitted one piece of carry-on luggage at no extra cost, which is stowed in the aircraft's cargo hold. The maximum weight for the carry-on item is 23 kg.

Figure5. Pricing Strategies of Iberia- Economy Class (MAD-LHR-MAD)



Pricing Strategies of British Airways and Iberia- Economy Class (Oneworld Alliance- FSCs)

Table (2) illustrates the pricing models used by British Airways and Iberia, both members of the Oneworld Alliance, for round-trip economy class flights on the London–Madrid–London and Madrid–London–Madrid routes. According to the table, the total fare with British Airways (LHR–MAD–LHR) is $313.90 USD, whereas Iberia offers the same route (MAD–LHR–MAD) for a significantly lower price of $142.80 USD.

British Airways allows two free checked bags for each economy class passenger on the LHR– MAD leg, each with a maximum weight of 32 kg. Additionally, baggage fees on the MAD– LHR segment for British Airways are 85 euros for both the first and second pieces.

Passengers with either airline are permitted one piece of carry-on baggage at no extra cost, which will be placed in the cargo hold. This carry-on item must not exceed 23 kg in weight.

Similarly, Iberia also provides a two-bag allowance with the same 32 kg per bag weight limit. For checked luggage, Iberia charges 25 euros each for the first and second bags on the MAD–LHR leg and 23 euros each for the return LHR–MAD segment.
Regarding ticket flexibility, British Airways charges $130 USD for reissuing, rerouting, or revalidating non-refundable tickets, while Iberia's fee for the same services is $80 USD. These economy fares typically come with several restrictions, including requirements for advance booking, a minimum stay (such as one Saturday night), penalties for changes, non-refundable terms, and ineligibility for child or infant discounts.

Both airlines operate with economy and business class cabin options on these routes.

Table2. Pricing Strategies of British Airways and Iberia- Economy Class (LHR-MAD-LHR// MAD-LHR-MAD)

ELEMENTS OF COMPARISON	BRITISH AIRWAYS oneworld	IBERIA
AIRLINE ALLIANCE	➢ **ONEWORLD ALLIANCE**	
TOTAL FARES	➢ 313.90 USD	➢ 142.80 USD
BOOKING CLASSES	➢ ECONOMY CLASS	➢ ECONOMY CLASS
ORIGIN-DESTINATION (O-D)	➢ LHR-MAD-LHR	➢ MAD-LHR-MAD
FREE BAGGAGE ALLOWANCE	➢ 2PCs (64KG-HR-MAD)	➢ 0 PC (0 KG)
FREE CARRY-ON BAGGAGE **ALLOWANCE**	➢ 1PC(23KG)	➢ 1PC(23KG)
CANCELLATION CHARGES	➢ TICKET IS NON-REFUNDABLE IN CASE OF CANCEL.	➢ TICKET IS NON-REFUNDABLE IN CASE OF CANCEL.

NO- SHOW CHARGES	➢ CANCELLATIONS ARE TICKET IS NON-REFUNDABLE IN CASE OF NO-SHOW.	➢ CANCELLATIONS ARE NON-REFUNDABLE IN CASE OF NO-SHOW.
CHANGES CHARGES	➢ CHARGE 130.00 USD FOR REISSUE/ REVALIDATION.	➢ CHARGE 80.00 USD FOR REISSUE/ REVALIDATION.
MINIMUM STAY	➢ 3D	➢ 3D
MAXIMUM STAY	➢ 3M	➢ 12M
AIRCRAFT CABIN CLASSES	➢ ECONOMY-BUSINESS	➢ ECONOMY-BUSINESS
AIRCRAFT MODEL	➢ EQP 738/ 24(C) - 120(Y)	➢ EQP 321/ 16(C) - 158(Y)

Pricing Strategies of Air Arabia- Economy Class (SHJ-CAI-SHJ)

Figure (6) highlights the fare structure used by Air Arabia for a round-trip economy flight between Sharjah and Cairo. The total cost of the journey (SHJ–CAI–SHJ) is $348.00 USD. Unlike traditional full-service airlines, Air Arabia adopts an à la carte pricing model, where passengers must pay separately for checked baggage. At the airport, travelers can purchase a 20 kg allowance, with any excess subject to additional fees. Passengers are also entitled to one complimentary carry-on item, which must be checked into the cargo hold.

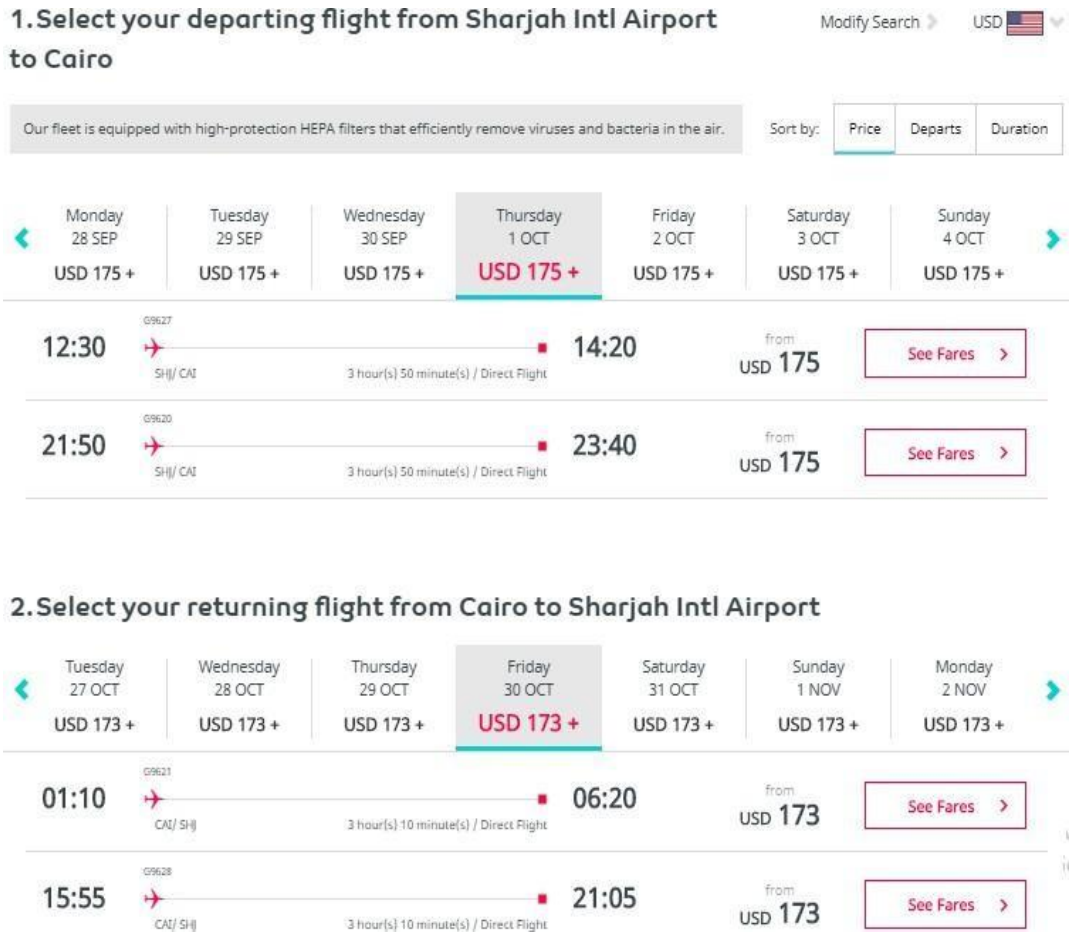


Figure6. Pricing Strategies of Air Arabia- Economy Class(SHJ-CAI-SHJ)

Conclusion and Implications

Currently, the aviation industry faces various challenges and is far from being an ideal model. As such, airlines consistently encounter obstacles they must navigate when determining their pricing structures. Across all origin-destination (O-D) markets, carriers adopt several strategies to establish ticket prices. One of the most commonly applied methods is cost-based pricing, where ticket prices are determined based on the operational costs required to deliver air services.

This approach involves setting fares across different O-D routes by using system-wide average operating costs per flight or per available seat kilometer (ASK). However, average-cost pricing tends to overlook variations in costs associated with serving different markets.

This study investigates the pricing models of full-service carriers (FSCs) and low-cost carriers (LCCs) by tracking fare data across multiple markets and time periods, aiming to align supply with demand and achieve market balance. Numerous factors affect pricing strategies in the airline industry, including the nature of the O-D market. For example, routes with a high proportion of business travelers may prompt LCCs to offer enhanced services at higher prices.

Other key considerations include seasonality and demand fluctuations. A new airline entering the market should carefully establish fare levels during peak travel periods to avoid selling out capacity at low returns. By adjusting fares upward during high-demand periods, airlines can shift price-sensitive customers to off-peak flights and optimize revenue from passengers who prioritize convenience and timing.

Abdelhady, Fayed, and Fawzy (2019) conducted a study assessing how elements of the marketing mix affect passenger purchasing behaviors, emphasizing both full-service carriers (FSCs) and low-cost carriers (LCCs). Their work was featured in The International Journal of Hospitality & Tourism Systems, Volume 12, Issue 2.

REFERENCES

1. In a related 2018 publication, the same trio examined how the core marketing mix components—product, price, place, and promotion—influence decision-making processes for travelers specifically choosing low- cost airlines. This research appeared in The International Journal of Heritage, Tourism, and Hospitality, Volume 12, Issues 1/2.
2. They also authored a detailed book in 2018, published by LAP LAMBERT Academic Publishing (ISBN: 978-3- 659-93850-4), which delves into marketing strategies employed by both global LCCs and FSCs through the lens of the 4Ps framework.
3. Acar and Karabulakb (2015) explored the competition between low-cost and full-service airlines operating in Turkey. Their research findings were presented at the 11th International Strategic Management Conference and published in *ScienceDirect*, Volume 207, pages 642–651.
4. Lastly, Aksoy, Atilgan, and Akinci (2003) examined differences in customer perceptions of marketing strategies used by local and international airlines, with a focus on service delivery. Their findings were published in the *Journal of Air Transport*.