

AIRLINE TICKET PRICING EXPLAINED

Have you ever wondered how airlines set ticket prices? Why it's possible to fly from Cleveland to Geneva or Paris for \$350 in the winter but that the same trip costs four times as much in the summer? It all has to do with that wonderful concept of supply and demand. A short text below explains, as rationally as possible, the subtleties of airline ticket pricing.

BUYING PAINT FROM A HARDWARE STORE

Customer: Hi. How much is your paint?

Clerk: We have regular quality for \$12 a gallon and premium for \$18. How many gallons would you like?

Customer: Five gallons of regular quality, please.

Clerk: Great. That will be \$60 plus tax.

BUYING PAINT FROM AN AIRLINE

Customer: Hi, how much is your paint?

Clerk: Well, sir, that all depends.

Customer: Depends on what?

Clerk: Actually, a lot of things.

Customer: How about giving me an average price?

Clerk: Wow, that's a hard question. The lowest price is \$9 a gallon, and we have 150 different prices up to \$200 a gallon.

Customer: What's the difference in the paint?

Clerk: Oh, there isn't any difference; it's all the same paint.

Customer: Well, then, I'd like some of that \$9 paint.

Clerk: Well, first I need to ask you a few questions. When do you intend to use it?

Customer: I want to paint tomorrow, on my day off.

Clerk: Sir, the paint for tomorrow is the \$200 paint.

Customer: What? When would I have to paint in order to get the \$9 version?

Clerk: That would be in three weeks, but you will also have to agree to start painting before Friday of that week and continue painting until at least Sunday.

Customer: You've got to be kidding!

Clerk: Sir, we don't kid around here. Of course, I'll have to check to see if we have any of that paint available before I can sell it to you.

Customer: What do you mean check to see if you can sell it to me? You have shelves full of that stuff; I can see it right there.

Clerk: Just because you can see it doesn't mean that we have it. It may be the same paint, but we sell only a certain number of gallons on any given weekend. Oh, and by the way, the price just went to \$12.

Customer: You mean the price went up while we were talking ?!

Clerk: Yes, sir. You see, we change prices and rules thousands of times a day, and since you haven't actually walked out of the store with your paint yet, we just decided to change. Unless you want the same thing to happen again, I would suggest that you get on with your purchase. How many gallons do you want?

Customer: I don't know exactly. Maybe five gallons. Maybe I should buy six gallons just to make sure I have enough.

Clerk: Oh, no, sir, you can't do that. If you buy the paint and then don't use it, you will be liable for penalties and possible confiscation of the paint you already have.

Customer: What?

Clerk: That's right. We can sell you enough paint to do your kitchen, bathroom, hall and north bedroom, but if you stop painting before you do the bedroom, you will be in violation of our tariffs.

Customer: But what does it matter to you whether I use all the paint? I already paid you for it!

Clerk: Sir, there's no point in getting upset; that's just the way it is. We make plans based upon the idea that you will use all the paint, and when you don't, it just causes us all sorts of problems.

Customer: This is crazy! I suppose something terrible will happen if I don't keep painting until after Saturday night!

Clerk: Yes, sir, it will.

Customer: Well, that does it! I'm going somewhere else to buy my paint.

Clerk: That won't do you any good, sir. We all have the same rules. Thanks for painting with our airline.