Dynamic Offers

Understanding the difference between Dynamic Pricing, Continuous Pricing and Dynamic Bundling

Dynamic Offers is a combination of three capabilities: **dynamic pricing**, **continuous pricing**, and **dynamic bundling**. It leverages on airline NDC and Direct sales shopping workflows and enables airlines to provide relevant offers to their customers.

Important! Anonymous shopping is always possible in a Dynamic Offers environment.

1. What is Dynamic Pricing?

Dynamic pricing enables airlines to offer prices to their customers based on contextual information available at time of shopping, without necessarily having additional personal information. The contextual information is built on elements such as length of stay, time before travel, day of departure/ arrival, competition, remaining capacity to sell, etc.

Dynamic pricing is not new. Through yield/revenue management techniques, airline pricing has been “dynamic” since the early 1980s.

What is new, is the ability to adjust the price in real time without needing to file fares with a third- party system. Also, pricing control no longer needs to be constrained to a maximum of 26 booking classes which currently restricts the airlines’ ability to better match price to demand at any point in the demand curve.

2. What is Continuous Pricing?

Continuous pricing is an evolution of dynamic pricing which allows an airline to provide indefinite price points. This means the airline pricing becomes more granular to adapt to supply and demand at each moment in time. It leads to maximizing the aircraft’s capacity which as a result increases the number of satisfie d customers (as they have more chances of getting their first choice) and drives more efficiencies (for example when it comes to passengers’ individual carbon footprint).

3. What is Dynamic Bundling?

Dynamic Bundling is a common practice in many industries, especially customer retail, where offers are created dynamically based on who is asking and in which context. Over the past 15 years, airlines have introduced fare “bundling and unbundling” so that customers can either get a tailored offer or choose only those product attributes which have value to them.

Today, using traditional pricing engines these product attributes are defined and priced in a static manner. Some airlines have taken this a step further in dynamically modifying the prices of these ancillaries, based on demand, availability, and the customer’s willingness to pay.

Source: Lufthansa Group

The next step is real-time interaction between the airline and its customers into conversational commerce (digital assistant, commercial chatbot, etc.). This will better enable customers to pick and choose their own bundles or transmit additional contextualized information to the airlines. The more information is shared between the parties the better the offers can be personalized: it requires trust of the customer with the airline that can now stay in contact through the entire journey.