



Turn willingness-to-pay into your most powerful pricing lever

WTP-Driven Pricing Optimisation for Airline Revenue

Why Willingness-To-Pay matters

Every airline knows that small shifts in pricing can make or break results. Price elasticity - how customers react to price changes - is the hidden force behind every revenue decision. Get it wrong, and you risk leaving money on the table or pushing customers away. Get it right, and pricing becomes a powerful lever for growth and optimised revenue. The challenge is not in knowing that elasticity matters, but in measuring it with enough confidence to act.

Why traditional methods fail

Today's PRM landscape is more complex, noisy, and interdependent than ever before. The conventional practice of using historical data to guide future pricing is hindered by confounding factors (e.g. controls, seasonality, promotions, competitor actions) that obscure true pricing responses. Elasticity drifts by segment, route, and season, so "one number" no longer holds. Airline products are more nuanced, with interdependencies across base fares, branded fares, and ancillaries, which adds uncertainty to pricing and upsell decisions. And due to fears of cannibalisation, PRM leaders often limit testing or make pricing decisions without conclusive evidence, leading to sub-optimal results that are not well understood.

Solving the problem for PRM success

Our approach puts willingness-to-pay at the center of every pricing decision. This next gen revenue optimisation delivers elasticity that:

1. address challenges of unobserved factors that drive both pricing decisions and demand;
2. is granular across O&D, time, channel, and product,
3. and is continuously refreshed through integrated learning so teams can update prices and offers with confidence.

PRM leaders are applying this novel approach to multiple use cases:

Continuous & dynamic airfares

Estimate willingness-to-pay by O&D, date, and time to set optimal price points. Map continuous pricing to RBD and fare family structures to support dynamic updates.

Standalone Ancillaries

Price seats, bags, priority boarding, meals, Wi-Fi, and other services based on measured WTP → informing offer pricing, bundle composition, and timing.

Branded fares (Bundles)

Quantify what customers are willing to pay for each tier. Optimize fare family gaps, fences, and bundle differentials using evidence-based WTP rather than legacy rules.



Solution approach: the continuous revenue engine

Revenue Optimisation is an ongoing process that learns and improves over time using a combination of methods.

Observational analysis (historical data)

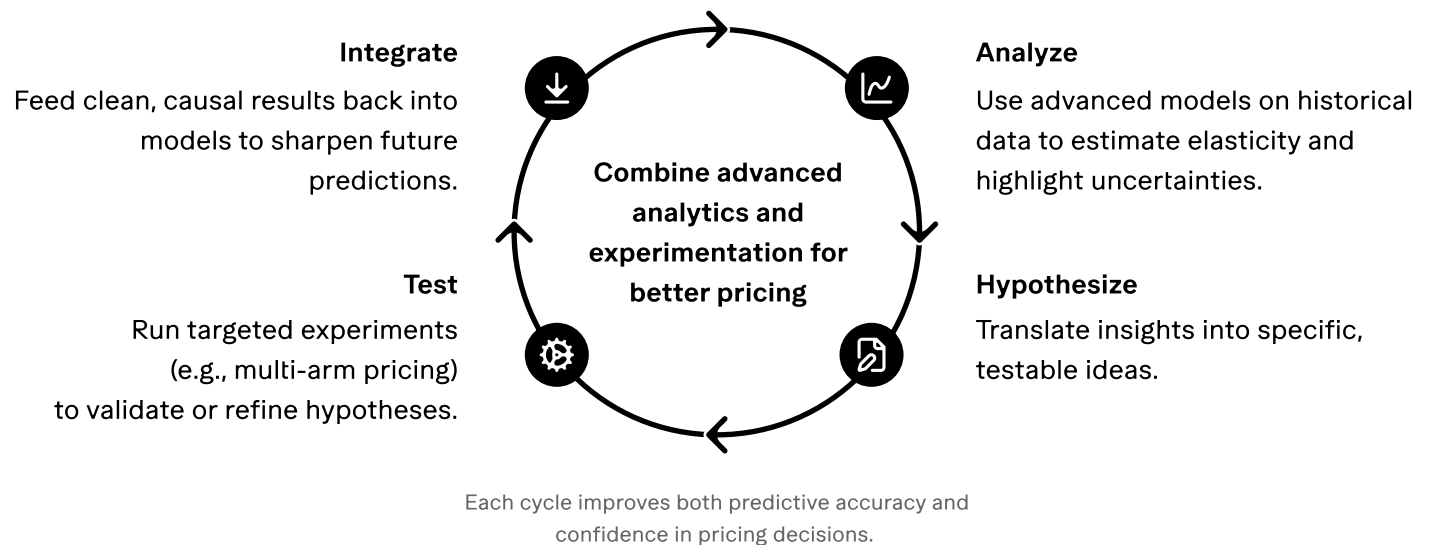
Booking history contains a wealth of information. By analyzing demand across routes, seasons, and customer groups, we can uncover how customers have responded to price in the past. With the right methods, it is possible to separate the true demand signal from broader market movements, turning years of data into insights that span your entire network.

Experimental approach (controlled tests)

Sometimes history isn't enough. When markets shift, competitors move, or new products launch, the only way to know for sure is to test. Carefully designed pricing experiments reveal the true cause-and-effect of price changes. They allow airlines to explore new price points, validate strategies, and build confidence that decisions will hold up in the real world.

An integrated learning system

The greatest impact comes when history and experimentation work together. Historical data points the way, highlighting opportunities and uncertainty. Experiments provide the proof, generating clean evidence where it matters most. Feeding those results back into models creates a continuous cycle of learning, where every test strengthens future predictions and every decision is backed by confidence.



Why Partner with ADC

At ADC, we bring together deep airline expertise and cutting-edge decision science. With more than 200 consultants, including 30+ PhDs, we have helped leading carriers like **LATAM**, **AF-KLM**, and **Alaska Airlines** turn elasticity into a competitive advantage. Our proven frameworks deliver measurable returns, from tactical revenue gains to transformational shifts in pricing strategy.

