

<https://www.linkedin.com/pulse/should-acceptable-pricing-rules-change-when-context-changes-tim-ham>



Should acceptable pricing rules change when the context changes?

The collapse of Thomas Cook, leaving thousands of passengers stranded, has led to reports of price increases for flights and holidays from other airlines and package holiday groups.

Airlines have sophisticated revenue management systems to optimise prices based on supply and demand. Consumers accept and recognise this and understand how the system works. Book last minute and it'll cost more, book early and better deals are available.

But in extreme situations – storms, floods, terrorism, bankruptcy - is there a need to intervene and suppress the algorithms?

Earlier this year, Uber raised prices in NYC during power cuts that left the West Side in the dark and the subways a mess. A normal ride costing \$20 was suddenly being quoted at \$80-90. Consumers were furious, and the brand took a hit. As a result, Uber took notice, to mitigate further damaging its brand, and changed its policies and systems to stop surge pricing in extreme situations.

Consumers understand the rules and accept pricing set by supply and demand in normal times. But they react differently in times of challenge or distress - they are less comfortable with price discrimination at these times. What should the airlines do with their algorithms for those looking to travel in the short term and no longer able to travel with Thomas Cook?