

# Easyjet assignment

[Business](#), [Marketing](#)



In the airline industry around the world has appeared low cost carriers as major players who have created huge changes in the original service and pricing strategy. Easy-jet is one of the most successful low cost short-haul ones in England as well as European. Along with the development of airline industry and the increase of air traveling demand, low cost flights become more and more common attracting much effort to research pricing strategies in this field in order to reach improvement opportunities.

There are some different methods about the way carriers hold their flights. Studying this issue can help managers understand clearly how the prices of low cost airlines in fact could be opposed with normal ones, so they can adjust their oriented goal to achieve good performance " Price" is one of the " four AS" in marketing mix but its role is efferent from the other AS: " promotion", " product" and " place".

By studying about the comparison between a low cost carrier and a normal one, which head to different priorities, this assignment will help us to understand how the prices of low cost airlines could be opposed with normal ones, so they can orient their goal to achieve in the best way. Besides, we can see the actual level of importance of " price" in business, how it flexibly applies theory into real complex business environment. Pricing as an element of marketing mix Marketing activities are those actions an organization can take for the purpose f facilitating commercial exchanges.

There are four categories of marketing activities that are particularly important, which are traditionally known as the four elements of the marketing mix: Product? designing, naming, and packaging goods and/or

services that satisfy customer needs Distribution? efforts to make the product available at the times and places that customers want Promotion? communicating about the product and/or the organization that produces it Pricing? determining what must be provided by a customer in return for the product There is an important way in which pricing differs from the other three elements of the marketing mix.

Product activities concern the design and packaging of the good or service itself, distribution involves getting the product to the customer, and promotion involves communicating the product's existence and benefits to customers and potential customers. All three of these types of marketing activities contribute to the product being of value to customers. The term value can be considered as the benefits, or the satisfactions of needs and wants, that a product provides to customers. Pricing, on the other hand, is not primarily concerned with creating value.

Rather, it could be said to be the marketing activity involved with capturing, or "harvesting," the value created by the other types of marketing activities.

Role of pricing in the marketing mix Pricing is one of the most important elements of the marketing mix, as it is the only mix, which generates a turnover for the organization. The remaining up's are the variable cost for the organization. Pricing a product too high or too low could mean a loss of sales for the organization. As the result, the role of price in the marketing mix is to define the pricing strategy that will best attract those in the business's target market.

When discussing this issue, the price of the product, discounts, segmentation and financing options are included. Setting a price involves determining what the target market is prepared to pay, the costs to produce the product, and what the competitors charge. Developing the price section of a company's marketing mix strategy includes conducting research within its target market. The business needs to determine what its customers are willing to pay, which can often be difficult if the product or service is unique or significantly different than what is currently being offered.

According to that, there are 7 types of pricing strategies in theory :

**Penetration Pricing:** Here the organization sets a low price to increase sales and market share. Once market share has been captured the firm may well then increase their price. **Skimming Pricing:** The organization sets an initial high price and then slowly lowers the price to make the product available to a wider market. The objective is to skim profits of the market layer by layer. **Competition Pricing:** Setting a price in comparison with competitors.

Really a firm has three options and these are to price lower, price the same or price higher. **Product Line Pricing:** Pricing different products within the same product range at different price points. **Bundle Pricing:** The organization bundles a group of products at a reduced price. Common methods are buying one and get one free promotions. **Psychological Pricing:** The seller here will consider the psychology of price and the positioning of price within the market place. **Pricing:** The price is set to reflect the exclusiveness of the product.

Optional Pricing: The organization sells optional extras along with the product to maximize its turnover. To sum p, if a product is easily recognizable from other products, it would probably have a brand name. And if it has one, it would need a suitable pricing strategy to complement the brand name that should improve its brand image. Easy-jet pricing policies

Easy-jet airline was established in 1995 as part of the Easy Group conglomerate. Easy-Jet has expanded greatly since its establishment, driven by high demand from both the United Kingdom and continental Europe.

Easy-Jet, borrows its business model from United States carrier Southwest Airlines. This airline has adapted this model for the European market through further cost-cutting assures such as not selling connecting flights or providing complimentary snacks on board. The key points of this business model are high aircraft utilization, quick turnaround times, charging for extras (such as priority boarding, hold baggage and food) and keeping operating costs low. This graph below shows the price in different time of purchasing Easy-jet tickets.

The time of booking and having flight was collected in 27th November. The route chosen for this chart is London Alton – Amsterdam. For a given flight, all prices are quoted one-way, a single price prevails at any mint, and, in general, prices are low early on and increase as the departure date approaches. It can be observed from these policies and from the empirical section of this paper that Easy-jet employs three distinct strategies: It does not offer last-minute deals. It offers a single class and lets price be the sole variable that controls demand.

It varies the time at which tickets are first offered for sale (duration of sale). The first two policies are in stark contrast to traditional airline pricing strategies. Many airlines offer last-minute deals, either directly or via resellers. Second, the rent prevailing practice is to control demand via seat allocation to various classes rather than by offering a single class and letting price be the sole variable that controls demand. In actual practice, last-minute deals are often offered at a very low price.

What can be seen in this section is that either this policy is not optimal, or it involves a time inconsistency problem on the part of consumers. In addition, if the time inconsistency problem is solved, for example by introducing information asymmetry, then it is clear that this policy is suitable for firms with high capacity. In other words, Easy-jet is behaving optimally in that it increases prices over time, and will continue to behave optimally by increasing prices as long as it remains a small airline. Its policy might not be optimal as soon as it stops being small and lean.

Comparison of pricing policies between Easy-jet and British Airway These two charts above illustrate the pricing policies in deciding outbound price and return price of 2 airlines : Easy-jet and British Airway. As it can be seen from these two charts, there are some similarities in pricing policies in Out-bound price and Return price. In the first week selling, Easy-jet and British Airway both offer the cheap ticket for full capacity of aircraft with flexible flight's time. It is obvious that the price of ticket is lowest if travelers book 3 months in advance.

These activities can ensure the revenue and the cash flow for Airline Company. However, there are still some differences of their policies. Easiest offer the cheapest prices within three weeks of the flight being released for sale (usually three months prior). The closer departure date is, the more quickly the price rises. The last few seats go for ridiculous prices as they re pure profit to the airline. British Airways price is the opposite - most of the seats on sale are at the fixed rate until about 10 days before departure, then the price drops right up to the day of departure.

From another view from two charts, the price in each aspect of British Airway is always higher than Easy-jet because British Airway is not the low-cost airline liked Easy-jet. Unlike Easy-jet they include foods and other services in the price of ticket, which make customers whose demand is comfort- feel more comfortable. British Airway focus on how convenient service is and satisfaction of customer. Conclusion To summarize, our analysis has shed some interesting insights into the pricing strategy of one Rupee's most successful low-cost, short-haul airlines.

The pricing scheme used by Easy-jet of starting with very low prices and then increasing them over time is indeed optimal, and exploits heterogeneity in customer price sensitivity, given Easy-jet's current size in the European market. Were Easy-jet to grow and become larger, then its current strategy might no longer be optimal. This poses an interesting challenge for the airline of whether to retain its current size and strong value proposition, or become a larger airline with a new value reposition that the market may not readily accept.