

Interview about low-cost airlines' pricing strategies

P = Presenter

J = James Phillips

P: Now, if like me you're already thinking about next year's holidays but you don't want to spend too much money, you've probably already visited the websites of some of the new budget airlines that have sprung up in the last few years. It's a relatively recently phenomenon but an extremely successful one. I'm sure you've all heard of people getting flights to fabulous destinations for as little as £10. It almost seems too good to be true. I'm joined in the studio by James Phillips of consumer group 'What?' and I hope he's going to answer the big question – just how do they make it so cheap? James.

J: Well, the first thing to say is that not all budget airline flights cost less than £10. The airlines operate a very dynamic pricing strategy so prices change depending on demand for the product. So, if you want to fly at a peak time, like, say Fridays, when lots of people travel or just before a public holiday, then demand for tickets will be high and so prices will be higher. Of course the extremely cheap flights feature prominently in the advertising but very few people on any flight will have paid the incredibly low prices you hear about. If you book a long time in advance or at the very last minute, you're more likely to get a good price.

P: But even so, even if you don't get one of the really cheap tickets, these airlines are still quite a lot cheaper than other, more established airlines.

J: They are. You know, people always focus on the dynamic pricing strategy, charging different prices depending on demand, but basically, in everything else, this is just economy pricing, just like your economy cornflakes in a supermarket with no fancy packaging. It's the same principle – these are 'no frills' airlines. They don't serve free food on any of their flights – in fact they sell food, so they make money that way. They have a very quick turnaround time, that is, they don't spend much time on the ground because when an aeroplane's on the ground it isn't making any money. They're ticketless – almost all of their business is done on the internet, and that reduces expenses. And most controversially, they fly to and from smaller airports because they're cheaper to operate from, so when they say they'll fly you to Rome, for example, you could end up at a small airport 50 kilometres from Rome and have to pay a train fare to get to the city centre that may cost more than you paid for your flight!

P: So, there are some pitfalls to look out for but I for one am going to go straight to the internet and find myself a bargain. Now where do I {fade out} want to go to this year.