

# MARKETING COLLOQUIA

FALL 2018

---

## **Kevin Williams**

*Assistant Professor of Economics*

Yale University, Yale School of Management

**Date:** Thursday, October 04, 2018

**Where:** 741 JMHH

**When:** 12:00 PM to 1:20 PM

## **DYNAMIC AIRLINE PRICING AND SEAT AVAILABILITY**

*ABSTRACT:* Airfares are determined by both intertemporal price discrimination and dynamic adjustment to stochastic demand. I estimate a model of dynamic airline pricing accounting for both forces with new flight-level data. With model estimates, I disentangle key interactions between the arrival pattern of consumer types and remaining capacity under stochastic demand. I show that the forces are complements in airline markets and lead to significantly higher revenues, as well as increased consumer surplus, compared to a more restrictive pricing regime. Finally, I show that abstracting from stochastic demand leads to a systematic bias in estimating demand elasticities.